

An industry first – advising the trustees of Stagecoach Group Pension Scheme

In the UK, a significant proportion of defined benefit (DB) scheme assets are held by a small number of large schemes. These large schemes have unique needs and face different challenges compared with smaller ones. As advisers to over half of the 20 largest schemes in the UK and one in five with assets above £1bn, we understand these different needs and are keen to share our insights through this series of case studies.

In this case study, we share how we helped both trustees and sponsor to pursue a solution that offered greater value and better alignment with their long term objectives.

The client's scenario

Our longstanding relationship with Stagecoach, dating back to 2005, gave us a deep understanding of the scheme's investment philosophy and risk appetite, and formed the basis of our strategic advice. The acquisition of Stagecoach Group by DWS in 2022, followed by transformational investment-led funding improvements, created a clear corporate desire for settlement. But we recognised that the traditional binary choice between buy-out and run-on was too narrow for a large scheme in such a robust funding position.

What we did

Our innovation lay in reframing the problem and measuring what matters: rather than simply pursuing insurance as the only route to settlement, we broadened the horizon to explore every available settlement option.

We began by helping senior stakeholders articulate the underlying objectives behind the sponsor's push for settlement.

What initially appeared to be a straightforward 'run-on or insure' choice was reframed as: how do we achieve settlement in a way that protects and enhances member outcomes while meeting corporate objectives? This shift unlocked entirely new strategic possibilities.

This also reflected the conviction of the trustees that their fiduciary duty, in these circumstances, required them to consider how they might use surplus to deliver pensions that keep up with price inflation.

Working closely with Stagecoach's trustees, we:

- mapped out every viable endgame route including run-on, run-on with a new sponsor, Superfund, value share structures, captive style arrangements and more traditional transactions such as full buy out. Many of these structures had not been widely tested for well funded schemes, but Stagecoach's position made them feasible.

- **conducted rapid member outcome analysis** to evidence where value could be created or lost across different pathways. This analysis showed the potential for material member benefit enhancements under alternative options, strengthening the case for exploring them. This was just one essential element of a broader TAS300 assessment to consider all relevant factors before committing to a potentially irreversible endgame.
- **navigated stakeholder dynamics and regulatory engagement**, including helping the trustees understand – and ultimately test – the regulatory boundaries. Through direct engagement, The Pensions Regulator (TPR) demonstrated openness to innovative approaches that deliver better outcomes for members, even if they sit outside traditional frameworks.
- **supported implementation** during the Aberdeen transaction phase. Our investment team undertook detailed due diligence on Aberdeen.
- **provided strategic continuity** across a multi year journey. While other advisers conducted technical due diligence at specific stages, we ensured that the scheme's long term objectives and philosophy remained the anchor point for decision-making.

Ultimately, we enabled both trustees and sponsor to pursue a solution that offered greater value and better alignment with their long term objectives.

Key takeaways

Large well-funded pension schemes – those satisfying low-dependency funding levels, and especially those that are fully or above solvency funded – may have a wider range of endgame options than they realise. Stagecoach's journey highlights several lessons that schemes can learn from.

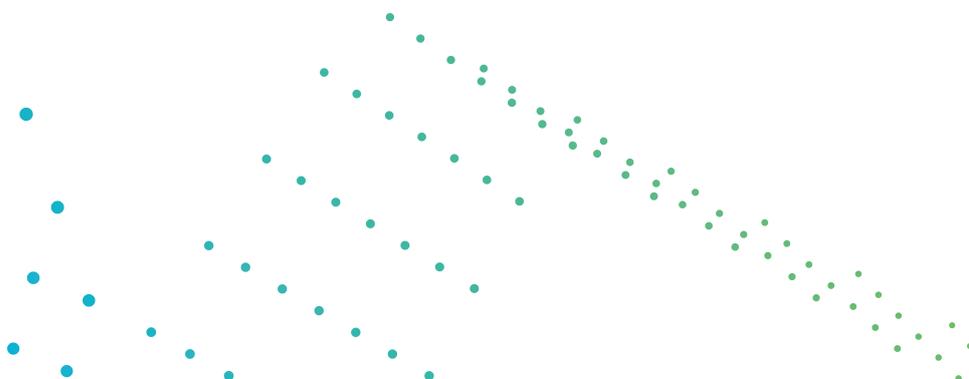
First, the importance of reframing the problem cannot be overstated. Too often, schemes are presented with binary choices such as 'run-on or buy-out', which obscures the objectives beneath the surface. By focusing on what stakeholders truly need – whether that's value creation, certainty, or improving the shape of member outcomes – new strategic avenues become visible.

Second, responsible innovation is not only possible within the regulatory framework – in our experience, it's now encouraged.

TPR showed openness to supporting emerging models such as Superfund transfers and value share structures for well funded schemes, provided proposals could demonstrate the case to enhance member outcomes alongside robust contingency plans. Early and open regulatory engagement can unlock solutions that would otherwise remain unexplored.

Finally, strategic advisory and technical due diligence play different but complementary roles. Large schemes benefit from partners who can both help design the strategic landscape and test the feasibility of chosen routes.

Taken together, the Stagecoach experience demonstrates that with clear objectives, strong governance and openness to reframing the challenge, large pension schemes can unlock routes that deliver better outcomes for members and sponsors alike.



“Hymans have been a long-time strategic adviser, and I can't overstate the role they played in developing and supporting our approach to developing the big picture strategy to member focussed outcomes. I have worked closely with them on our particular journey and have relied upon them as our trusted adviser for over two decades. Most of all we value their open and creative style aligned with a strong delivery ethic, all of which proved essential as we worked together unlocking the way forward in our innovative transaction to deliver improved member outcomes.”

John Hamilton, Chair of the Stagecoach Group Pension Scheme

To discuss this landmark transaction or hear more about our insights from advising a wide range of large DB schemes please contact one of our experts below, or get in touch [here](#).



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