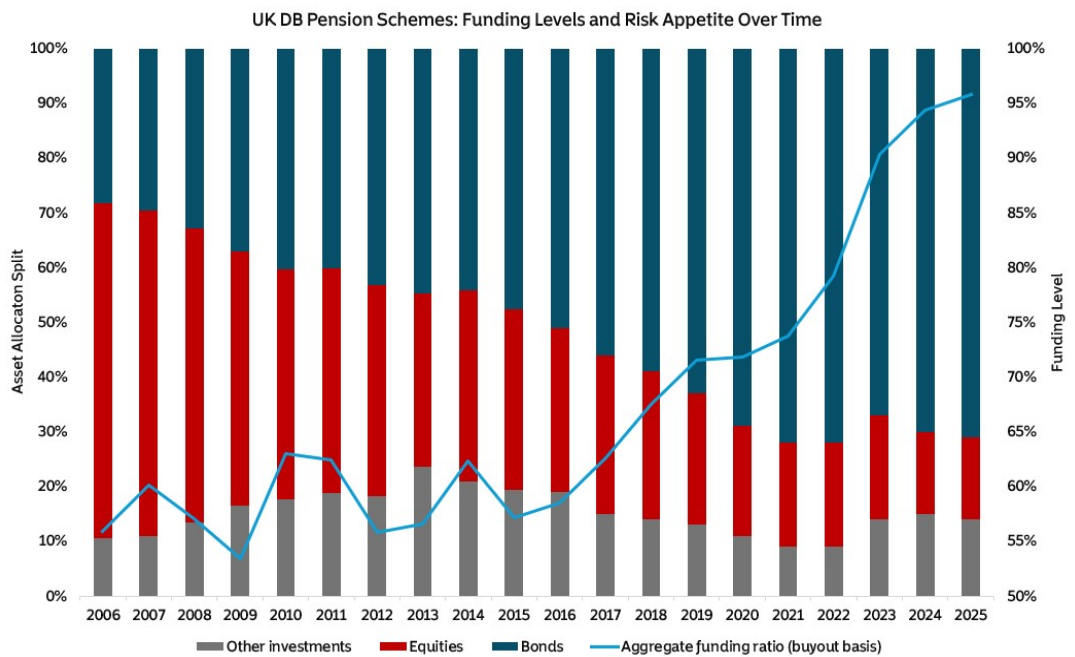


## Less Equity, More Serenity: The Great DB Pension Glow-up

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Source: <https://www.ppf.co.uk/Purple-Book> The analysis is based on Purple Book data covering the UK DB universe (c.£1.1 trillion of assets across ~4,840 schemes as at 2025). [UK Pension funding strategy survey 2025 - PwC UK](#).

### What does the chart show?

DB pension schemes are at record funding levels. This chart illustrates the evolution of DB pension scheme funding levels (on the most prudent valuation basis – a buyout valuation basis) since 2006, alongside changes in asset allocation (equities vs. bonds). It highlights a clear structural shift over the past two decades: improving funding levels accompanied by a sustained reduction in risk, reflected in declining equity exposure.

Around the Global Financial Crisis (GFC), schemes were significantly underfunded, with the average funding ratio in the mid-50% range on a conservative valuation basis. Asset allocations were heavily weighted towards equities (c.60%), reflecting reliance on return-seeking assets to close deficits.

Over time, portfolios shifted markedly. Equity exposure fell to around 15–20% by the early-2020s, while bond allocations became dominant as schemes increasingly prioritised liability matching and de-risking.

Funding levels have improved significantly, particularly since 2020, reaching c.96% by 2025. Higher gilt yields have been the primary driver, reducing the value placed on liabilities and accelerating progress towards full funding. Around one-third (c.34%) of schemes are in surplus on a conservative (buyout) basis.

### Why this is important

This improvement has introduced a key strategic decision: whether to fully de-risk through insurance buy-out or continue running the scheme.

While many schemes still target buy-out, there is growing interest in running on well-funded schemes to generate additional returns for the schemes' members and the sponsoring companies. Unlike buy-out, a run-on approach may allow schemes to retain or selectively reintroduce exposure to return-seeking assets to generate surplus.

This has become increasingly relevant in light of regulatory developments, including the Pension Schemes Act 2026. Proposed changes to surplus extraction rules may shift the balance between certainty (buy-out) and additional value (run-on).

A PwC survey suggests that four in five schemes are considering surplus distribution. Among those planning a run-on approach, 40% still have an aspirational target to buy-out in the future. As a result, many UK DB schemes are transitioning from a focus on deficit repair and de-risking towards broader strategic capital allocation, where investment risk may once again play a role in delivering value.



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