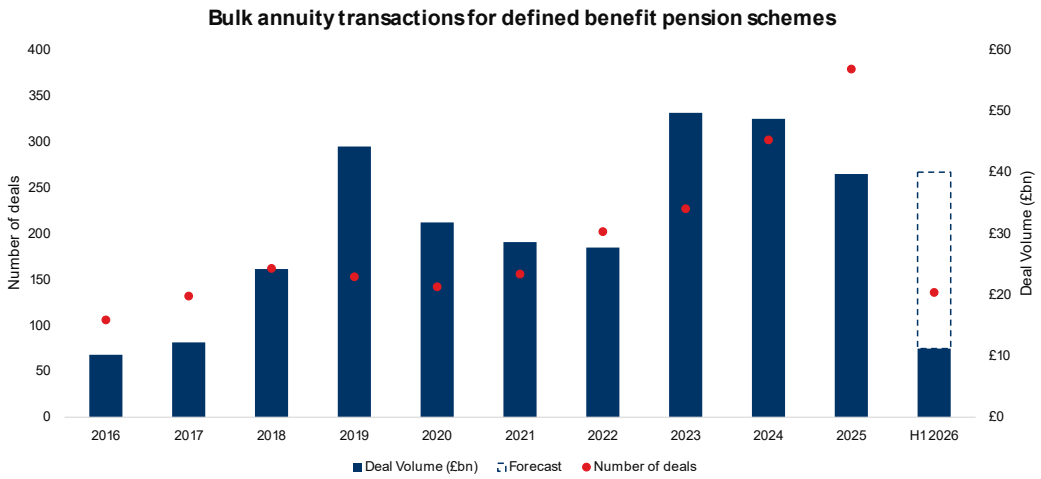
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Run-on or Buyout? Working Out the Future of DB Pensions

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Source:Momentum Global Investment Management, XPS Bulk Annuity Market Tracker, as at 11 November 2026.

What does the chart show?

The chart shows that there has been a significant increase in UK defined benefit (DB) bulk annuity transaction activity over the past decade, with both transaction volumes and the number of deals reaching record levels during 2023-2025. Improved funding positions have enabled a greater number of DB pension schemes to secure members' pension benefits with insurance companies through buy-in and buyout transactions. While activity remains elevated, the forecast suggests volumes may be stabilising.

Why this is important

The surge in bulk annuity transactions reflects an important shift in the UK DB pensions market. The sharp increase in interest rates during and after the 2022 gilt market crisis significantly improved funding positions for many DB pension schemes. Rising interest rates reduce the present value of the future pension liabilities, and although many schemes hedge a substantial proportion of their interest-rate exposure, the increase in yields generally accelerated progress towards full funding and beyond. This resulted in significant demand for insurance transactions as schemes could now afford to pay the premium required to insure their liabilities.

However, the record activity seen during 2023-2025 may prove to represent a peak in the DB bulk annuity market. Alongside buy-in or buyout, trustees and sponsors are increasingly considering run-on strategies, particularly as recent policy changes will make it easier for sponsors to extract pension surpluses while protecting members' interests. The prospect of surplus extraction changes the way endgame is viewed for schemes. Instead of paying a premium to transfer liabilities to an insurer, sponsors and scheme trustees can choose to retain their schemes. Under a run-on strategy, the risks remain with the sponsor, but so does the opportunity to continue generating investment returns and potentially share the benefits of future surplus between members and the sponsor.

The debate is beginning to shift from whether schemes can afford buyout, to whether buyout remains the most attractive option. Run-on offers the potential to add value for both scheme members and sponsors.

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