

+ Workplace pensions - a bright star in a dark sky for Corporate Britain

October 2025



Helping corporate sponsors

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Contents

p3 Introduction

p4 Section 1: Key areas of focus

1. Scheme surplus – a new era of opportunity
2. Insurance risk settlement – an attractive market for sponsors
3. The rise of the alternative endgame
4. Preparing for year-end accounting
5. Investment focus for sponsors
6. Spotlight on mortality

p10 Section 2: Further hot topics

p12 Section 3: Round up of other developments



**As this report highlights,
the changing landscape
for pensions means
sponsors now have an
opportunity to seize.**

Workplace pensions: A bright star in a dark sky for Corporate Britain



Sir Steve Webb

LCP partner and
Pensions Minister 2010-15

Political uncertainty at home and abroad, international trade uncertainties and rising costs of employment at home, all creates challenging headwinds for corporate Britain. But, for most employers, the good news is that DB pensions have largely moved from the 'threat' column to the 'opportunity' column, provided sponsors engage effectively.

As this report highlights, we have moved from a world where most schemes were underfunded and could only dream of a day when they could buy-out their liabilities with an insurer, to one where schemes are typically well funded and their sponsors can choose from a range of potential destinations.

With the publication of the Pension Schemes Bill, we now have a much clearer idea of the direction of regulatory travel, with major barriers to surplus extraction set to be removed. The Bill also provides, for the first time, a firm legal foundation for DB superfunds which is likely to see further new entrants to the superfund market and another endgame option that may be right for some.

The market for risk settlement also remains buoyant, with 11 active insurers providing opportunities to move pension risk off balance sheet, for little or no additional cash funding in many cases.

But, as LCP's research highlights, many schemes report barriers on the road to their preferred endgame solution, with challenges around data, differing opinions around the trustee table and some residual uncertainty about detailed policy and regulation being high on the list. The winners in this game will be the ones who tackle these obstacles now so that they are well placed when the legislation currently going through Parliament comes into force.

As we explain in this report, a key consideration for sponsors is to compare how different endgame strategies would show up when presented in company accounts. The growth of surpluses also requires close attention to who 'owns' the surplus and what that means in accounting terms.

But there is no doubt that there is a big prize to be had.

As we show in the chart on page 8, those who have largely dealt with downside risk through hedging and other strategies and are willing to live with a slightly higher level of investment risk can reap big rewards. And the new legal framework means that those rewards can be good news for both scheme members and the employer who stands behind the scheme. And those who choose to settle sooner (be that in the insurance or superfund markets) gain the prize of their business being unencumbered by pension risk – in many cases much sooner than had been anticipated just a few short years ago.

I would encourage you to study with care the insights in this report and take up the offer of a more in-depth analysis of the issues most relevant to you and your scheme. By working together, we can ensure that workplace pensions are a bright star in an otherwise gloomy economic outlook.



This is an exciting time to be a pensions consultant. It's great to be able to design and implement surplus agreements that deliver real value to our corporate clients and their members, as well as to be involved in the many innovations that are happening.

Gordon Watchorn,
LCP partner and Head of
Corporate Consulting

1. Scheme surpluses – a new era of opportunity

Surpluses – a turning tide

After decades of DB schemes being a cost centre and drain on resources, the last few years have marked a real turning point, with DB surpluses emerging and persisting for most schemes. As a result, there’s been a clear shift in attitudes. Surplus is no longer a taboo topic, with sponsors and trustees working together to explore the strategic options it brings.

Legislation is following suit – the Pension Schemes Bill 2025 includes provisions to relax barriers to refunding surplus from an ongoing scheme (see our Pension Schemes Bill hub here: [UK Pension Schemes Bill: what you need to know](#)), with the suggestion that surplus could be used as long as a scheme remains fully funded on a low-dependency measure. This legislation is expected to become law by 2027.

In the meantime, under current legislation many options to use surplus are already possible, with details depending on the scheme’s rules and circumstances. Surpluses are being used to fund discretionary increases for members (including for benefits built up before 1997 which for many schemes don’t receive any increases once in payment), enhancing the security of benefits, funding other employee benefits, being returned to the sponsor as part of a wind-up, or – in many cases – a combination of these.

To further reinforce the direction of travel, The Pensions Regulator (TPR) has also issued fresh statements encouraging trustees and sponsors to agree clear policies on surplus usage as part of their endgame planning. TPR noted in their latest speech that “nearly half [of schemes] show surplus even on a buy-out

basis...” Their recent guidance and speeches show a clear direction of travel in terms of their expectations for schemes to consider how to react if and when a surplus arises.

Changing views on DB surplus

Our [DB Pensions Priorities 2025 survey](#) shows how fast the thinking is evolving, with over half of schemes considering reviewing their surplus strategy. As might be expected, this increases with the size of scheme: two-thirds of schemes over £1bn are considering this and 80% of schemes over £5bn (see figure 1).

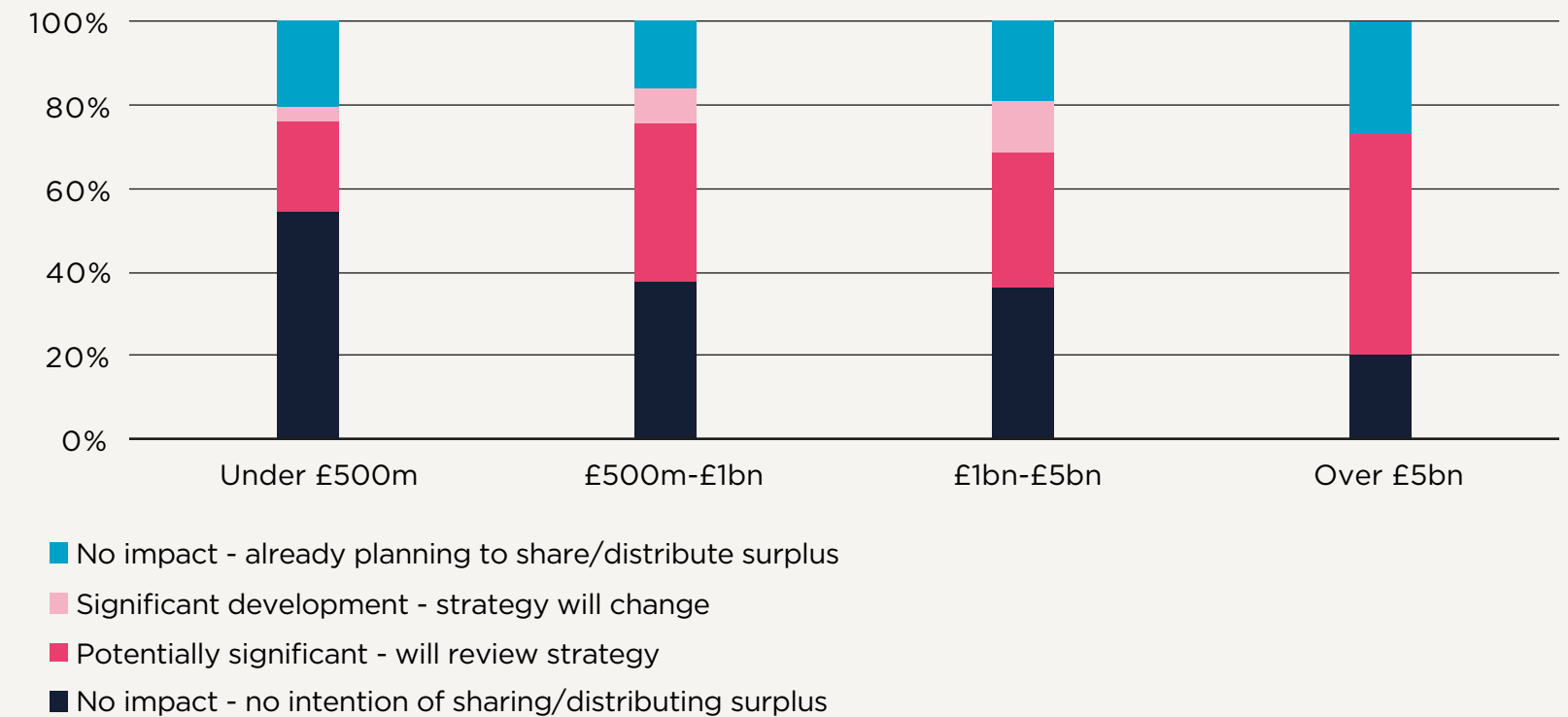
Considerations for sponsors

Sustained DB surpluses open up new opportunities but also require careful judgement. Decisions on how to use surplus need to be balanced against scheme funding requirements, covenant, the scheme’s trust deed and rules, trustee views, ongoing risks, and the longer-term endgame strategy, with full consideration of governance, tax, accounting and reputational impacts.

Sponsors also need to be mindful of their duties under section 172 of the Companies Act 2006, which states: “A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole”.

Companies that are active in the merger, acquisition and divestiture space will also need to make sure they understand these new opportunities and options in the new era of pension surpluses.

Figure 1: In the context of the government changing the rules to make DB surplus distribution easier, to what extent do you expect this to affect your endgame strategy?



We’re now in an exciting new world of sustained DB surpluses and it’s great to see the innovation that’s naturally following. We’ve already helped pioneering schemes develop strategies to generate considerable expected value for their sponsors and members, and others to take opportunities to settle DB risk. Over the years ahead, I expect the “pioneering new innovations” of 2025 to become commonplace, delivering a win-win for all stakeholders.

Steve Hodder, LCP partner

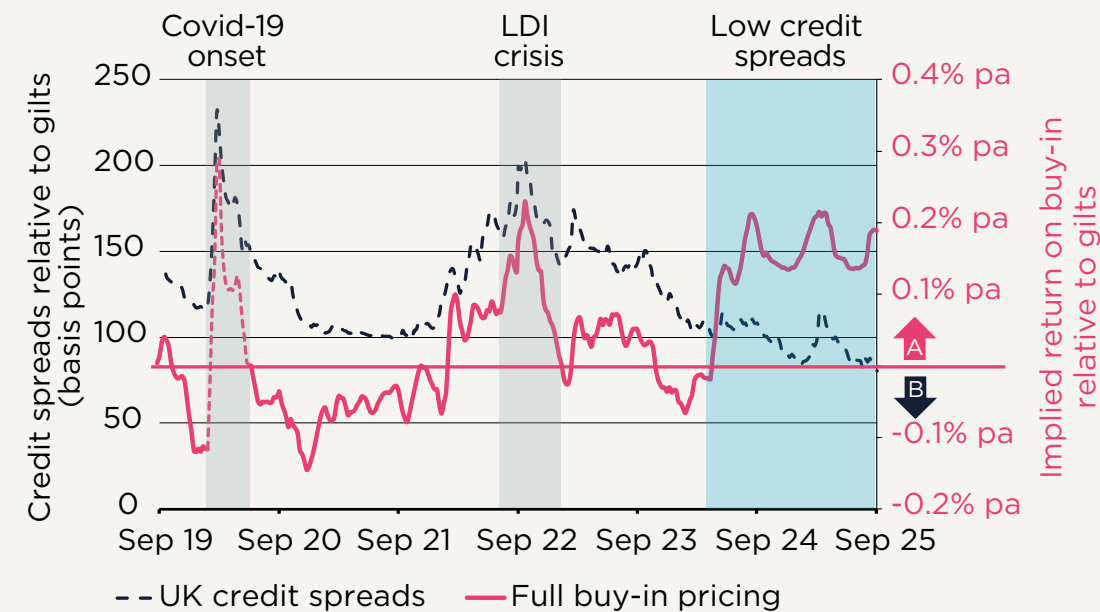
2. Insurance risk settlement – an attractive market for sponsors

Market opportunities: For those sponsors who believe that legacy pension risks are best managed by independent experts, there has never been a more positive time to lock down pension risk in the insurance market.

A combination of strong pension scheme funding levels and attractive insurance pricing means that in many cases pension scheme risk can be transferred to an insurance company with little or no cash funding.

The risk transfer market continues to thrive with deals over 2025 expected to exceed £40bn. This depth offers sponsors the opportunity to offload pension risk, freeing up capital and focus, and enabling broader business investment and growth.

Figure 2: Sustained attractive insurer pricing continues:



▲ Buy-in pricing more favourable than holding gilts

▼ Buy-in pricing less favourable than holding gilts

Figure 2 shows insurer pricing for a typical pension scheme expressed as an implied return compared to the yield available from holding gilts. It shows that insurance pricing is at historically low levels, outside of specific market events such as the LDI crisis.

Global focus: The UK insurance market is increasingly attracting the attention of global asset managers. Over the past six months we have seen three large North American asset managers invest in the UK bulk annuity market:

- **Athora acquisition of PIC:** a £5.7bn acquisition from its existing four major shareholders (subject to regulatory approval). Athora is a European insurer whose largest shareholder is Apollo Global Management.
- **L&G and Blackstone announce strategic partnership:** to invest up to 10% of L&G's new bulk annuity assets with Blackstone, primarily in US private credit.
- **Brookfield acquisition of Just:** a £2.4bn acquisition and merger of Brookfield's existing UK insurer, Blumont (subject to regulatory approval).

This is a robust vote of confidence in the UK market and should provide further capital capacity for pension schemes and sponsors looking to access the insurance market, as well as opening up new markets for insurers which could be key in maintaining attractive pricing over the longer term.

Meeting pension scheme demand: The market for insurance risk transfer remains buoyant, despite the rise of alternative options. We predict that there will be £350bn - £550bn of buy-ins over the next decade.

In a market where both demand and supply are rising, leading-edge market pricing is only available to those schemes that are well prepared, with data, benefit and asset considerations all important. Sponsors can significantly improve the outcome for their schemes by engaging with trustees in a positive way to ensure this work is carried out well in advance of a transaction.

Looking ahead to 2026: With trustees and sponsors in a stronger negotiating position than ever before, we are increasingly seeing innovation from insurers as they focus on standing out from the crowd on softer factors, such as enhancements in member experience (evidenced in the recent £4.3bn buy-in for [Rolls-Royce](#)) and facilitating a smoother transition from buy-in to buy-out. Combined with an increasing prevalence of using scheme surplus and alternative endgame options such as DB superfunds, this presents sponsors and schemes with a real range of choice.



Insurer pricing continues to be extremely competitive. Sponsors should ensure they have a reliable assessment of what the full buy-out cost might be and factor that into their strategic planning.

Charlie Finch, LCP partner

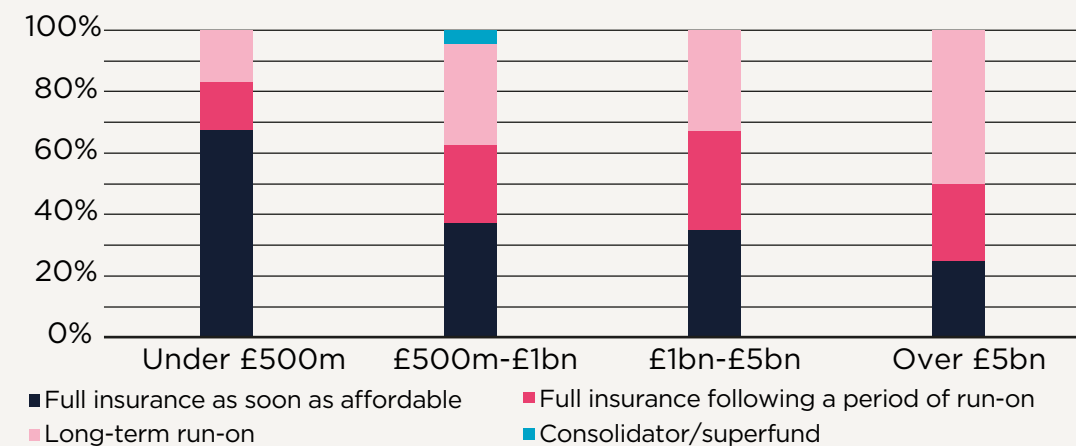
3. Beyond insurance - the rise of the alternative endgame

Strong market trend: Our [DB Pensions Priorities 2025 survey](#) shows a growing interest in alternatives to buy-out. With funding levels at record highs, now is a prime moment for sponsors to revisit long-term goals. Even smaller schemes have viable options which may offer better outcomes than a simple “buy-out when affordable” approach.

Sponsors should shape their scheme’s direction based on their own priorities — including cash flow, risk appetite, workforce needs, business flexibility, reputational aspects and KPIs.

Our 2025 survey shows that over half of schemes are rethinking their endgame strategy, with 65% of those over £500m considering running on for a period instead of heading straight to insurance. Stronger funding, more flexible surplus rules and new regulations are giving sponsors and trustees more options — helping them balance member security, cost and corporate goals (see figure 3).

Figure 3: What is your chosen endgame for your scheme? (results where endgame known)



Regulatory impetus: TPR is placing greater emphasis on long-term planning and scheme consolidation. Its 2025 Annual Funding Statement encourages sponsors and trustees to focus on clear endgame strategies, rather than just closing deficits — a shift driven by stronger funding levels across schemes.

Spotlight on superfunds: Since our [2024 corporate report](#), two more superfund deals have been completed, building on early momentum. Superfunds can be attractive because they are expected to cost less than insurance buy-outs, and more providers are expected to enter the market and increase competition. Coupled with potential easements of the tests that schemes must pass to be suitable for a superfund transaction, as well as the [announcement](#) from TPT that they intend to launch a new DB superfund in 2026 designed to support run-on, interest in superfunds is likely to grow. Other options backed by employer covenants may also become more popular.

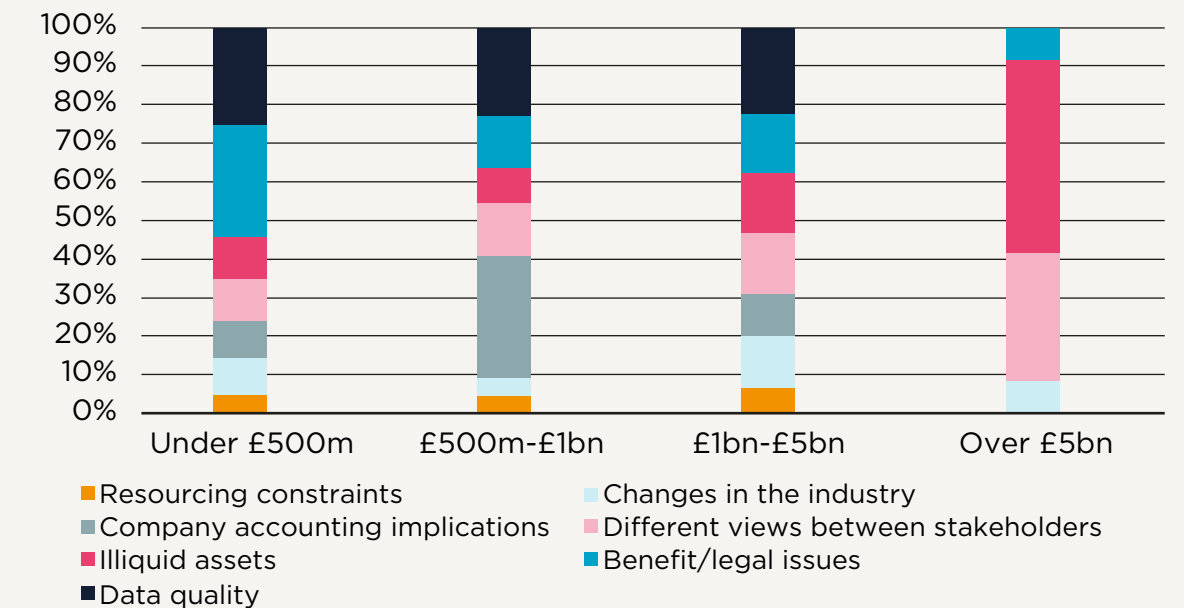


In a landscape transformed by stronger funding and new freedoms, sponsors have the chance not just to respond — but to lead. By driving the conversation, they can shape pension strategies to reflect their objectives and unlock long-term business success.

Jonathan Griffith, LCP partner

Barriers to achieving the endgame: More than 70% of schemes in our survey cited at least one barrier to achieving their chosen endgame aside from funding, with data quality, benefit complexity and stakeholder alignment the most common. Corporates can help by investing in data cleansing, supporting trustee decision-making and ensuring internal resources are aligned. Strategic engagement now will pay dividends as the regulatory and market environment continues to evolve (see figure 4).

Figure 4: Funding position aside, what do you view as your biggest barrier to progressing to the next stage of your journey? (when there is a barrier)



Sponsors taking the lead: Sponsors need to be proactive to make sure pension scheme outcomes support wider business goals, rather than just following trustee or insurer-led paths. Early involvement helps shape the strategy around key factors and corporate objectives. It also helps tackle issues like poor data or governance before they become problems. Acting early gives sponsors more control and avoids being stuck with reduced or limited options later.

4. Preparing for year-end accounting

As the 2025 year-end approaches, corporate sponsors face different hurdles to those in the past, with considerations now being more around recognising or explaining surplus and the impact of any agreed endgames on the balance sheet and income statement position. Drawing on insights from our [Accounting for Pensions 2025 report](#), we highlight below the key topics that boards and finance teams should address before signing off their year-end numbers and disclosures.

End-games and surplus agreements: Around 80% of FTSE100 companies with a UK DB scheme reported an IAS 19 surplus at their 2024 balance sheet date, with aggregate surpluses estimated at c.£40 billion (see figure 5).

For sponsors considering their endgames and/or entering into surplus-sharing arrangements (e.g. with discretionary benefits and/or augmentations), it is critical to understand the profit and loss and balance-sheet effects upfront, as depending on the details they could be material or surprising.

Recognition of surplus: With more schemes in surplus, the question of “whose surplus is it?” has moved centre stage. Scheme rules, tax provisions and accounting standards interact to determine whether – and to what extent – a sponsor can recognise a surplus on its balance sheet. Many companies are now disclosing partial or restricted surpluses. A clear understanding of legal rights to refunds or contribution holidays and early engagement with auditors can prevent surprises at year-end.

Mortality: Assumptions on life expectancy remain a material driver of liabilities. The latest CMI model directly reflects pandemic and post-pandemic mortality experience as well as the age structure of recent trends (see page 9 for more detail). This is leading many sponsors to recalibrate their assumptions, rather than relying on the ‘core’ aspects of the new model without further investigation. Small changes in the improvement rates can have significant effects on reported liabilities, making regular review essential.

Inflation assumptions: Inflation expectations remain volatile. The upcoming alignment of RPI with CPIH from 2030 continues to complicate assumption setting. Sponsors should ensure their RPI, CPI, inflation risk premium, and volatility assumptions reflect both current market data and scheme-specific benefit structures.

Virgin Media / Section 37: Very broadly, the Virgin Media judgment held that certain changes to benefits made between 1997 and 2016 without actuarial confirmation might be void. In September 2025, the Government amended the Pension Schemes Bill to include draft clauses that seek to address the Virgin Media issue by allowing current scheme actuaries in many cases to make retrospective actuarial confirmation in respect of relevant rule changes.

Given speculation of possible Government intervention, many sponsors had not carried out detailed calculations for their 2024 year-end. We expect auditors to be mindful of the Government’s intentions when setting out queries this year. Sponsors may still need to think carefully about their narrative disclosure wording.

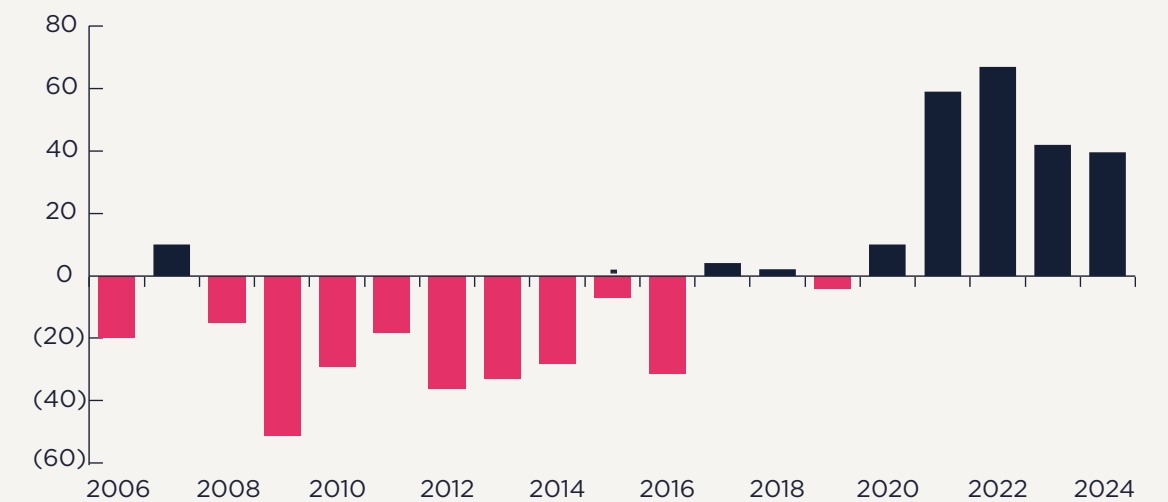
Communicating key decisions and transactions to the markets: Market messaging, in the report and accounts as well as more widely, now provides a real opportunity for many sponsors. Clearly explaining the rationale for a buy-in, buy-out or superfund deal, the benefits to all stakeholders of an agreement to use surplus, or the strategic value of a clear end-game are all examples of this. In some cases where the messaging of a material development has been done well, we’ve even seen a noticeable increase in share price immediately afterwards.



Our annual accounting for pensions report presents a concise analysis of the pensions facts, figures and trends revealed by FTSE100 companies reporting in 2024.

[Read now →](#)

Figure 5: Estimated combined IAS19 pensions position of FTSE100 companies at calendar year-ends



Phil Cuddeford
LCP partner

It’s important to fully understand the accounting implications of different end-games and surplus agreements at an early stage. We’ve recently helped our clients proceed with large projects safe in the knowledge that a materially adverse accounting outcome is either budgeted early or in some cases avoided. Under US GAAP the ‘surprise risk’ is even greater.

5. Investment focus for sponsors

In light of the big changes in UK DB regulations (including the new DB Funding Code, the Pension Schemes Bill to allow surplus extraction and the emergence of consolidators), many sponsors are taking steps to review their DB investment arrangements.

Figure 6: Impact on net present value (NPV) of different investment strategies

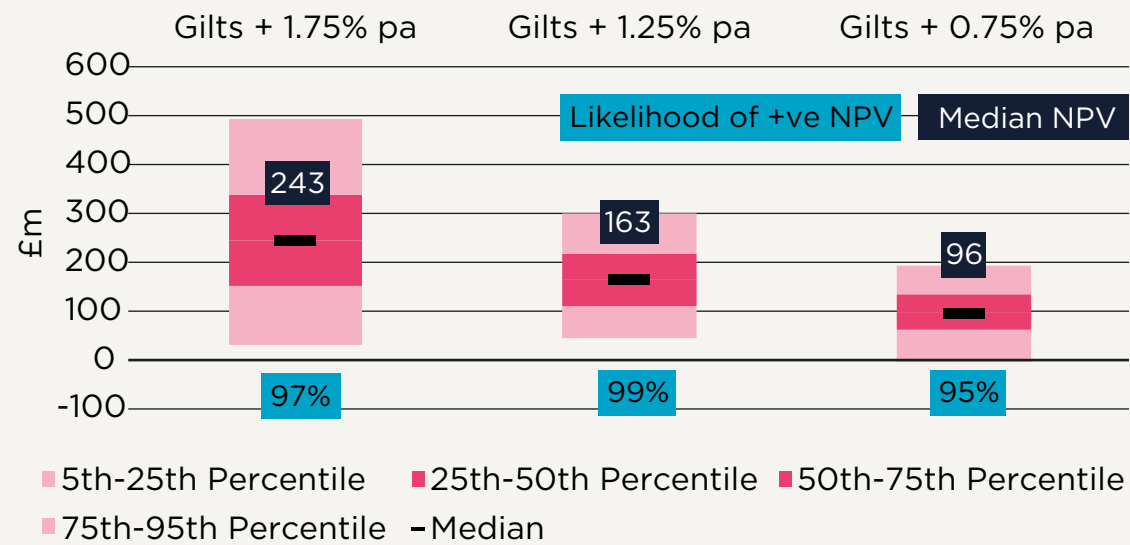
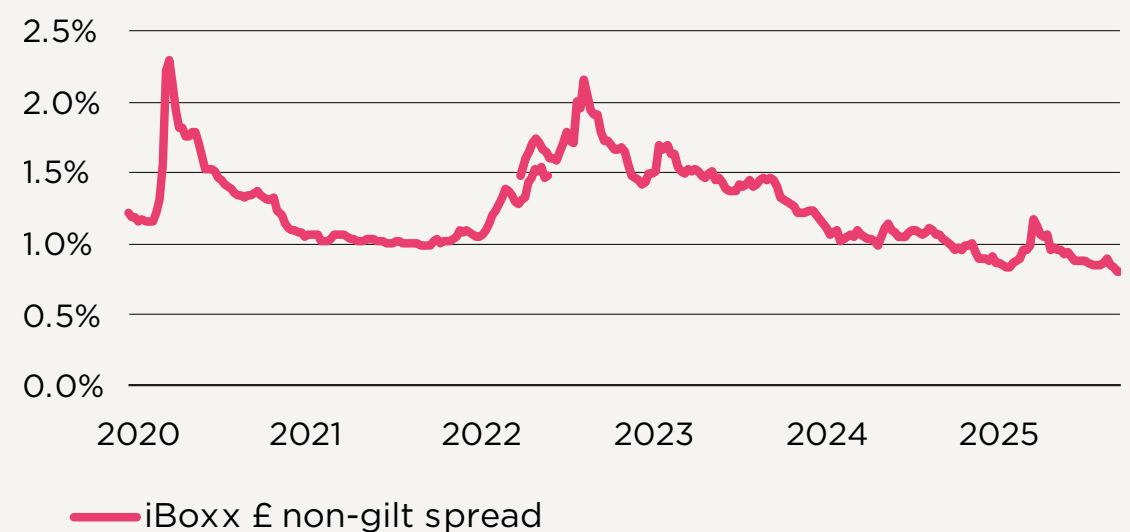


Figure 7: Credit spreads since 1 January 2020 (%)



For schemes looking to run-on and generate surplus...

The new DB Funding Code provides significantly more flexibility than was first envisaged. Gone is the requirement to ‘cashflow match’, and growth assets are permissible throughout the whole of a pension scheme’s life.

Higher expected returns can then directly translate to higher expected surpluses. The risk-return balance shifts in favour of targeting higher returns when sponsors are looking to run-on and generate surplus, particularly as downside risks can be managed through diversification and hedging strategies. Our own run-on strategic portfolio is here: [LCP Strategic portfolios Q2](#)

Figure 6 shows, for a £1bn scheme that is 100% funded on buy-out, a range of ‘net present values’ (NPV) of the scheme. The higher returning strategies improve the expected ‘value’ of the scheme, but interestingly also lessen the likelihood of the scheme delivering negative value (in poor scenarios) compared to the lower-returning strategy. This analysis considers potential for surpluses to be released above buy-out funding, and deficit contributions to be paid below low-dependency funding, and is before the impact of any tax or surplus sharing with members.

Investing for the longer-term could also mean a greater focus is placed on managing longer-term risks, such as climate risk. Many schemes now have net zero targets in place and the industry has shifted from setting targets to how to actually implement them in practice.

For schemes looking to transfer the risk to a third party...

The current low level of credit spreads has caused many insurers to change their investment strategies and allocate less to public corporate bond markets. Those targeting insurance solutions may wish to do the same to avoid the potential mismatches (see figure 7).

Care should also be taken to align hedging strategies with insurance prices rather than scheme actuary assessments. Over-hedging insurance pricing is a real risk.

For those with illiquid assets, it is worth considering the broad range of options, such as secondary market transactions, deferring premium payments to insurers, transferring the assets to the insurer, transferring assets elsewhere within the group, as well as considering alternative options with consolidators who may be more able to hold these assets.

For those who are not yet sure...

Consider modelling the corporate cashflows to/from the pension scheme and compare a variety of options, insurance solutions, consolidators, third party capital solutions and run-on. In doing so, it is worth considering a hybrid of these options, such as running-on until the scheme is smaller and then buying-out later (see our new On Point paper [here](#)).



The investment strategy of a DB pension scheme has always had the biggest impact on the risk profile to sponsors, creating strong incentives to de-risk. However, with new rules coming around surplus sharing, the investment strategy now also has the biggest impact on the return profile to sponsors, shifting the balance towards the benefits of generating higher investment returns.

David Wrigley, LCP partner

6. Spotlight on mortality



There are increasing signals that 2025 may be the year when the tide turned on longevity assumptions.

Ben Rees, LCP partner

The latest future mortality improvements model from the Continuous Mortality Investigation (CMI), CMI_2024, directly models the impact of the pandemic and the run-off of excess mortality, while better reflecting differences in mortality trends between age groups compared to previous models.

Since the CMI first introduced its mortality improvement model in 2009, every subsequent version showed shorter life expectancies. Longevity risk was starting to look like a one-way bet. However, CMI_2024 was the first model to break this pattern – the core version of the model results in a notable increase in life expectancies at age 65 of around three months for males, and a modest increase of two weeks for females, suggesting that life expectancies may have reached a low-point.

The concept that life expectancies may have reached a low-point was echoed in the results of our annual reinsurer survey. There are strong arguments as to why the increase in life expectancies seen in the Core model could be

offset, and it may even be justifiable to go further and argue that life expectancies should continue falling. See opposite (figure 8) for our approach to calibrating CMI_2024 that keeps life expectancies reasonably stable from CMI_2023 to CMI_2024.

In summary, 2025 is the year to take stock of your longevity assumptions as:

- We now have sufficient post-pandemic data to form a view on the new normal for mortality trends;
- The latest CMI model is the largest shake-up of the model in a decade, and needs to be parameterised appropriately; and
- If life expectancy assumptions in the market are indeed at their low-point, the best possible time to remove longevity risk might be now.

LCP’s work in this area draws on the expertise of our specialist longevity actuaries, some of whom have been directly involved in developing the CMI model, along with our team of over 60 medical doctors, epidemiologists and public health experts.

Our approach – calibrating the CMI model with medical insights

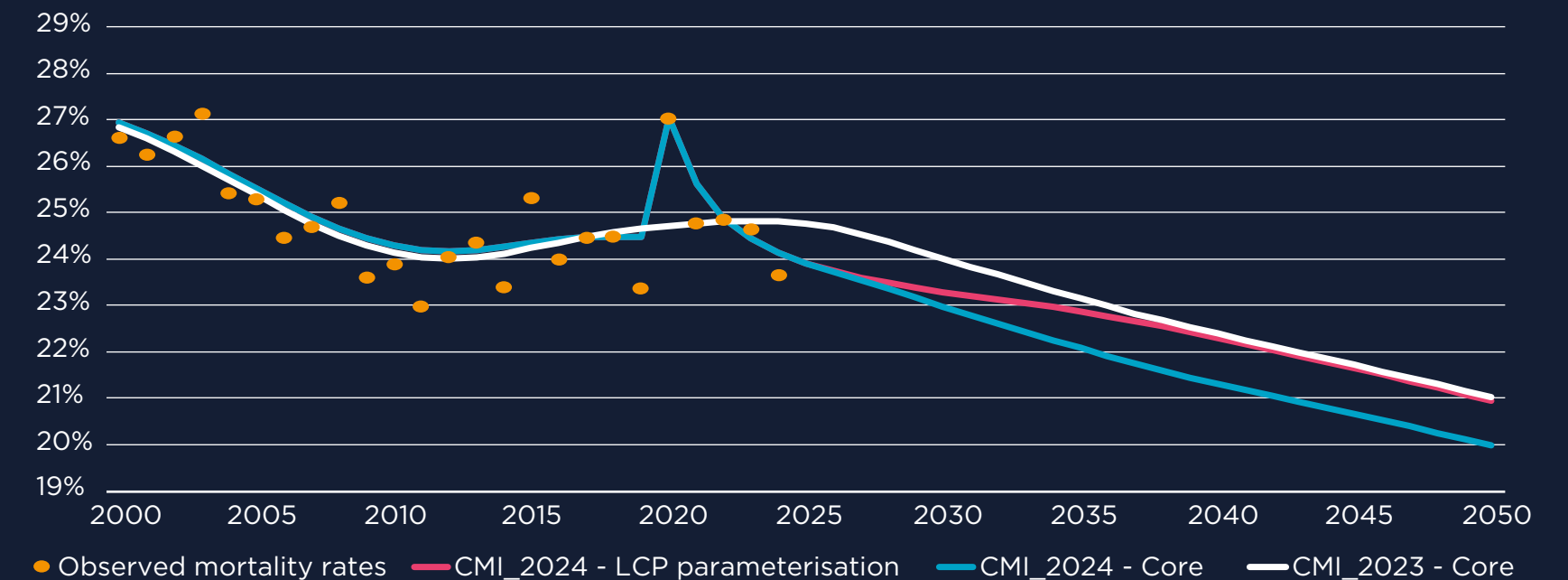
How long members live in practice will be influenced by real-world drivers rather than the results of an actuarial model. For example, it remains to be seen how quickly the NHS will recover from its current position and the extent to which developments, such as anti-obesity medications, will improve future mortality. We encourage our clients to consider whether the changes in life expectancies produced by the core CMI model are appropriate for their circumstances. Those who independently form an alternate view on future mortality can take advantage of the CMI model’s flexibility to express that view.

A key area that we have considered is mortality improvements at older ages. This impacts the liability of all members, given actuarial calculations assume that everyone has some chance of reaching old-age.

We have found that the CMI model is expecting material mortality improvement over the short term for this age group. This is contrary to the previous decade and the views of our medical experts.

As such, we are able to calibrate the CMI model to better reflect this muted expectation of short-term improvement, reducing life expectancies, and therefore liabilities, at all ages.

Figure 8: Average unisex mortality rates in England & Wales, ages 90-100 (age standardised)



Further hot topics

Development

LCP viewpoint

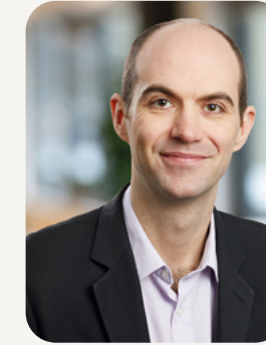
So what?

New DB funding regime



The new statutory DB funding regime, in force for valuation dates from September 2024, has now moved from theory into practice. Early valuations that LCP have completed revealed how new concepts like the 'low-dependency funding basis', 'low-dependency investment allocation' and 'statement of strategy' are being interpreted. Schemes are considering the employer covenant in specific detail including how to define the 'reliability' and 'longevity' of the support the sponsor provides. We covered the regime in more detail in [last year's report](#) (see p3) and the same messages apply.

Sponsors should seize the initiative to shape the conversations with trustees on the assumptions used, long-term funding and investment strategies and sponsor covenant. Failing to do so could make current and future valuations difficult and misaligned with the sponsor's expectations and objectives.



The anticipated new regulations around surplus release and the link to the low dependency funding basis give even more of a reason for sponsors to care about this new measure. This is just one of a number of areas of the new funding regime that are worthy of sponsors' attention.

Jon Forsyth, LCP partner

DC pensions



The Pension Schemes Bill 2025 introduces many changes intended to reshape the DC sector. The key macro focuses are on consolidation and investment in the UK. At a member level, the Bill aims to ensure that members get value for money (VFM) and have appropriate default options to support them.

Employers may face new compliance duties, governance requirements and potential disruption if their providers cannot meet scale or VFM tests. Corporates should benchmark their default funds, review retirement income options and assess whether their DC arrangements still deliver good outcomes. Where scale is lacking, master trust or emerging CDC solutions may offer better value or risk sharing.



With change gathering pace, providers are enhancing their propositions to stay ahead. Now is the time to review your current arrangements to ensure compliance and continued value for members.

Rachel Crowther, LCP principal

Collective defined contribution (CDC) schemes



The Royal Mail CDC scheme is now live and operating as the first authorised CDC scheme in the UK. In April 2025, the Government confirmed plans to legislate for multi-employer CDC, opening the door for industry-wide or commercial vehicles. This was followed by TPT announcing their intention to launch the first open multi-employer CDC scheme in early 2027. Additionally, the Pension Schemes Bill includes reference to default decumulation pathways - which suggests that DC schemes should be actively considering CDC as a decumulation option, with legislation to follow.

Employers now have a live template for CDC in the UK. Those looking to enhance their pension offering without introducing DB risks should assess whether CDC could fit within existing budgets and whether pooling with other employers could achieve the necessary scale. See our [latest report on the future of pensions](#).



We are now at an inflection point. CDC is now part of the pensions landscape and sponsors are asking how their employees can benefit from higher expected pensions. At the same time regulations are driving improvements in DC. Time is of the essence for sponsors to examine which will work best for their savers and decide what is their 'future of pensions'.

Steven Taylor, LCP partner

Further hot topics Continued

Development

LCP viewpoint

So what?

Contingent funding



The new funding regime has pushed contingent assets and contingent contributions back into the spotlight. Many sponsors are revisiting their existing contingent arrangements to ensure triggers, terms and valuations meet current objectives. Interest rate and inflation volatility as well as trapped-surplus concerns are driving new “surplus management” structures to support alternative end-games and share upside between sponsors and members.

Sponsors should review existing contingent funding mechanisms, stress-test trigger definitions and ensure these arrangements support — rather than hinder — their chosen end-game strategy under the new regime. Contingent funding is also proving an invaluable tool in supporting many surplus sharing agreements in practice.



Sponsors who take a proactive approach — by revisiting historic contingent arrangements, stress-testing triggers, and aligning funding mechanisms with long-term objectives — will be best placed to unlock flexibility, manage volatility, and ensure their end-game strategy delivers.

Dev Gandhi, LCP partner

Professional Trustees



Our [latest report](#) on the Professional Trustee market shows that through continued focus on scheme governance, appointments continue to grow, despite signs of a maturing market. Over 50% of UK DB and DC schemes have a Professional Trustee on their boards and Sole Trusteeship is on the rise for schemes of all sizes. Trustee firms are also tweaking their models to enhance efficiencies: firms are doubling down on internal governance, investing in leadership development and embedding clearer oversight and risk management frameworks.

Using Professional Trustees can lead to more efficient decision-making, cost savings and an enhanced sponsor/trustee relationship. Sole Trustees, whilst not right for all schemes, can offer streamlined and experienced decision making. Sponsors should consider whether the make-up of the trustee board is appropriate given the scheme circumstances and sponsor objectives.



The rise of Professional and Sole Trustee appointments over the years has been the result of sponsors and boards addressing governance, incorporating efficiencies and enhancing expertise. Through our regular conversations with DWP and TPR we are seeing direction of travel towards a more regulated landscape where PT appointments are becoming the norm. We have helped a large amount of sponsors in the past with selecting the right Professional Trustee and are seeing demand for independent support continue in that space.

Nathalie Sims, LCP partner and Head of Strategic Pensions Relationships

Systemic risks



Geopolitical tensions, rapid advances in AI, uncertain future inflation, and long bond yield volatility, have heightened awareness of systemic risks. Various TPR 2025 publications explicitly reference climate and cyber risk in covenant and investment assessments. And for the first time TPR have emphasised the need to manage these risks in a dedicated blog: [Why managing systemic risk is core to trusteeship](#).


Sponsors should develop their own view of the systemic risks that bear on their pension arrangements and their interaction with the systemic risks that are relevant to their business. Views on systemic risks should be factored into pension end-game planning and work with trustees on contingency plans — for example, the impact of deflation, liquidity shocks or cyber-attack scenarios.



Systemic risks can threaten the ability of a pension scheme to pay pensions and therefore deserve attention from both trustees and sponsors, working together to identify what’s important and how this should influence pension strategy.

Jonathan Camfield, LCP partner

Round up of other developments



By working together, we can ensure that workplace pensions are a bright star in an otherwise gloomy economic outlook.

PPF levies

In September 2025, the PPF announced that they are charging a zero levy for 2025/26. This reflects their excellent funding position and the expected passage of legislation in the Pension Schemes Bill which will give the PPF more flexibility to increase the levy in future, should this ever be needed. Sponsors who pay the PPF levy either directly or via the Scheme should see cash savings as a result.

Member options

Schemes continue to review their member option terms against the backdrop of long-term yields that are higher than they have been for many years, and more stable inflation. Ensuring factors remain fair, sustainable and aligned with funding positions is increasingly important, particularly as more schemes explore surplus sharing.

GMP equalisation

While many projects are nearing completion, complexities around past transfers and benefit corrections mean some schemes are still grappling with implementation. Sponsors should stay close to strategic decisions, given the financial and accounting consequences.

Data quality

Good data remains critical for efficiency in projects such as buy-ins, GMP equalisation and dashboard readiness. Where schemes are contemplating insurance transactions, poor data is increasingly being flagged as a blocker, making sponsor challenge on trustee progress essential. Even where schemes are running on, good data is necessary to ensure that the scheme can be correctly administered over time and that the true surplus is known.

Pensions Dashboards

The deadline for most DB schemes that have to connect to the Pensions Dashboard has already passed. Trustees carry the primary responsibility, but sponsors should remain engaged to ensure projects are on track and that data, systems and member communications are aligned.

Inflation

Inflation has settled to more stable levels compared with the volatility of recent years, reducing immediate pressure on discretionary benefits. However, with many DB schemes now in surplus, trustees and sponsors are increasingly considering discretionary increases as a way to share the benefits of stronger funding with members.

Round up of other developments Continued



The future of pensions?

A comparison of CDC and DC solutions for future savers

[Read now](#) →

Pensions tax and NI contributions

From 6 April 2027, when a pension scheme member dies with unused funds or without having accessed all their pension entitlements, those unused funds and death benefits will be treated as being part of that person's estate and may be liable to Inheritance Tax. Alongside changes to National Insurance for employers, some corporates are reviewing their total staff costs to ensure that they remain within corporate budgets.

Executive pensions

Contribution rates for FTSE100 CEOs remain aligned to the wider workforce at around 10% of salary, falling from 25% in 2018. Corporates should ensure executive pension arrangements are consistent with pay policies and shareholder expectations. Read our [2025 accounting for pensions report](#) for further benchmarking.

Climate and ESG

Climate and wider ESG considerations remain a regulatory expectation for trustees, but some sponsors are considering alignment with their own corporate strategy. Investment in the UK's energy transition and resilience to climate risk are recurring themes.

Pension Schemes Act 2021

Compliance processes are now embedded, though trustees and sponsors should refresh awareness of criminal offences and contribution-notice powers. With many corporates undergoing some form of corporate reorganisation, ensuring that directors of the sponsoring company are well-versed in how to avoid criminal and financial consequences is key.

Financial wellbeing

With many employees still under financial strain from shrinking savings, deepening debt and wavering confidence over the future of their retirement, many employers are stepping in to prioritise support beyond pension.

Financial education on savings, budgeting and retirement planning are just some of the tools being deployed to protect employees.

Read more about this in our [recent blog where we consider how to empower employees through employer support](#).

DEI

Regulatory pressure to improve diversity on trustee boards continues, reinforced by TPR's 2024 survey showing persistent gaps. Sponsors should consider how their own influence and appointments can help build more inclusive governance structures.

Contact us



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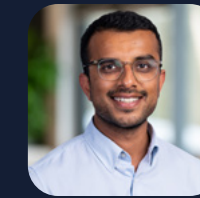
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