

TPR guidance provides balanced support for a range of endgame options



What you need to know

- On 3 June 2025, The Pensions Regulator (“TPR”) published guidance titled “New models and options in defined benefit pensions schemes” which is aimed at trustees and employers of defined benefit and hybrid schemes.
- The guidance covers a range of endgame strategies, including: running on at low dependency; running on to build and use surplus; transferring to a consolidator, such as a superfund; and insuring benefits with an insurance company via buy-ins and buyouts.
- TPR makes it clear that buyout is no longer the only (or necessarily the best) option, although it does highlight the benefits of both buy-ins and buyouts and notes that many trustees are expected to choose this option eventually.
- The guidance is very balanced, providing comfort to trustees and employers that they have the freedom to assess each option and work out what is best for their scheme. It emphasises the need to consider scheme-specific circumstances in choosing the right strategy, and includes specific factors that trustees should consider.
- The guidance sets out TPR’s support for surplus release in the right circumstances, noting that, subject to legislation permitting this, “...in situations in which the scheme is likely to remain fully funded on a low dependency basis and there is no realistic risk of employer insolvency, it is unlikely that TPR would have reservations about the [surplus] release...”
- TPR will publish further guidance on surplus release once the expected changes in surplus legislation (as signalled in the Government’s 29 May announcement on surplus flexibilities) are in force.



Actions you can take

- **Review** the guidance to ensure you understand TPR’s expectations for trustees and employers when weighing up all endgame options. In particular, note the balanced approach in TPR’s guidance and the need to consider all options and make the right decision for your scheme’s own individual circumstances.
- **Reflect** on your scheme’s agreed long-term strategy. If you do not have one, start discussing this now, between the trustees and the employer.

TPR’s factors to consider when assessing endgame options

For all endgame options trustees should consider:

- ☐ Risk/reward and cost/benefit of each option, and when compared to the status quo
- ☐ Expected member service and member experience
- ☐ Liquidity and cashflow management
- ☐ Conflicts and alignments of interests between advisors, trustees, members and employer
- ☐ Any change in covenant support due to the option
- ☐ Expected lifetime of the option and how risk may develop and be managed over that time
- ☐ Recourse and protection available on failure of the option
- ☐ Possible exit arrangements, if circumstances change in the future

For their preferred endgame option(s) trustees should:

- ☐ Carry out full risk assessments and understand how these risks can be mitigated
- ☐ Comprehensively stress test the options
- ☐ Understand if and how the endgame solution could be unwound if necessary and any implications
- ☐ Document rationale for decision-making in robust audit trail, with supporting advice where necessary

The finer detail: TPR guidance in more detail

Running on at low dependency

The guidance defines the concept of “running a scheme on” as continuing to pay benefits as they fall due until remaining liabilities are discharged or transferred, and TPR notes this could be a preferred or interim strategy.

Potential benefits to this are outlined: higher pensions or discretionary benefits for members (especially where there is no inflation indexation); retaining control over member option terms; allowing illiquid assets to run off without taking a “haircut” on value; and being able to transfer risk on a more competitive basis in the future.

Surplus generation and release

TPR notes schemes may continue running on after being fully funded on a buyout basis. TPR confirms this should be a conscious decision and trustees should be comfortable that members will likely benefit. TPR expects trustees to consider whether the scheme is sufficiently well-funded and the employer covenant sufficiently strong to face potential risks that may materialise.

Amongst other factors, trustees should examine whether the scheme has sufficient scale over the period of run-on to operate efficiently. Where a scheme is well-governed and well-funded, TPR has noted “it is unlikely that TPR would have reservations about the [surplus] release”.

Insurance solutions

TPR notes that buy-ins and buyouts are a well-established solution for transferring risk to an insurance company. TPR highlights the benefits of this to trustees and employers, for example the key benefit of securing benefits in full for the trustees and discharging risk for the employer; however, TPR also provides balance in commenting that there are a wide range of factors to consider before entering into such an arrangement, such as the loss of discretions and the funding costs of bridging to an insurance solution.

Alternative arrangements

TPR outlines a number of other arrangements that may be used, either to help a scheme achieve one of the strategies described above, or as the strategy itself. The guidance covers a range of financial and governance solutions, intended to improve governance and management of a scheme or drive the scheme towards a specific goal.

The arrangements discussed include the delegation of investment decision-making (either to a Chief Investment Officer or Fiduciary Manager), the use of accredited professional trustees, a transfer to a defined benefit master trust or multi trust for non-associated employers, the use of capital-backed arrangements to support a scheme to a specified goal, and consolidation into a superfund.

All the above arrangements have numerous factors that trustees are directed to consider before entering into them.

Other comments and case studies

The guidance also includes some detailed case studies which provide further insight into the circumstances in which TPR might consider a particular strategy to be more or less appropriate, and the key considerations for trustees when evaluating different options.

Overall, the tone and content of TPR’s guidance is very balanced, providing comfort to trustees and employers that they have the freedom to assess each option and work out what is best for the particular circumstances of their scheme.

Find out more

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