For Professional Clients Only

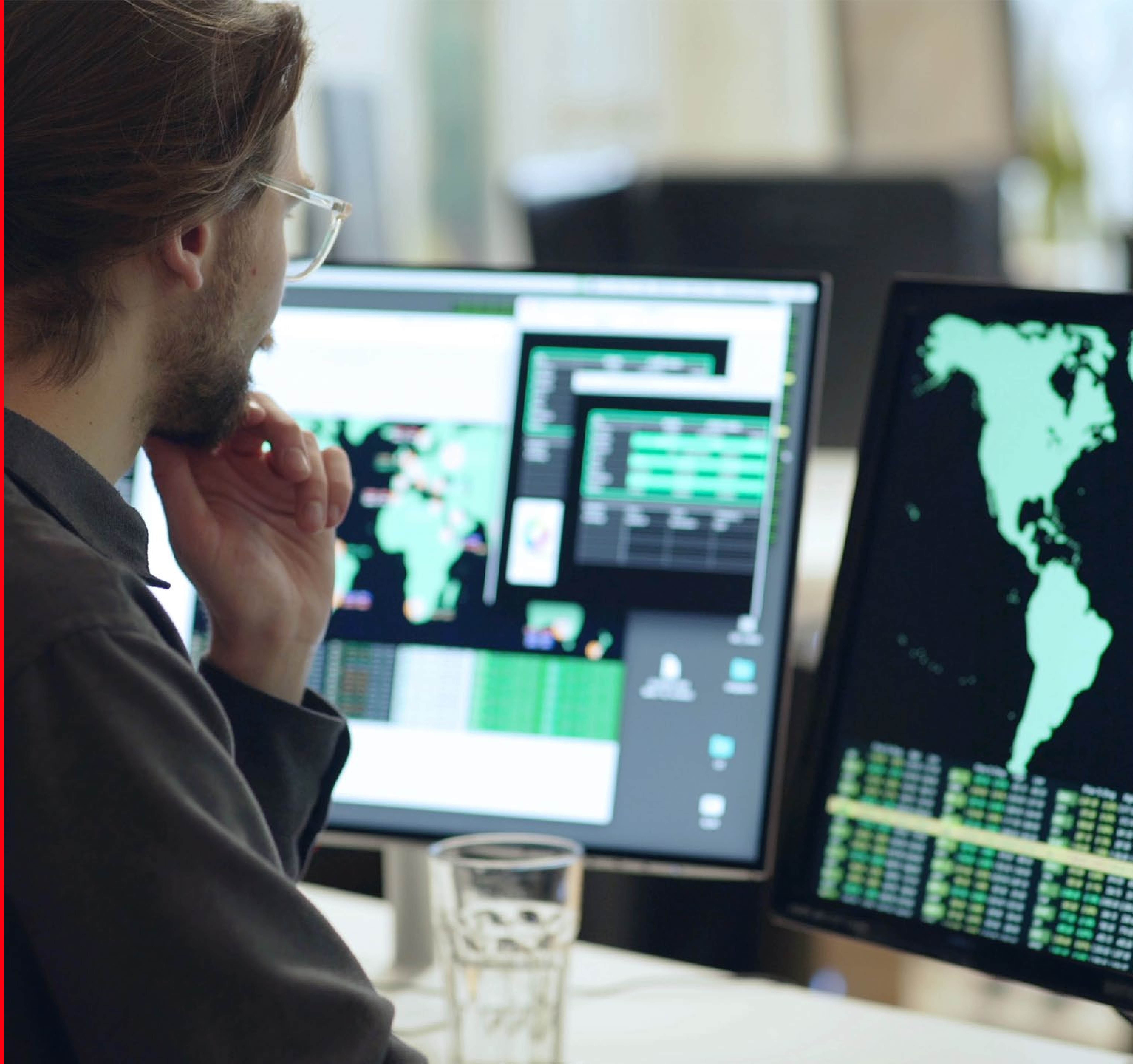
2025/26 Global Pension Risk Survey

UK Findings

Contents

1

Introduction



Introduction

Welcome to the results from the UK edition of the 2025/26 Global Pension Risk Survey.

In the two decades since we first ran the Global Pension Risk Survey in 2005, the pensions landscape has changed dramatically. Back then, defined benefit (DB) schemes were starting to grapple with the replacement of the Minimum Funding Requirement with a new funding regime for scheme valuations. That introduced the concept of technical provisions and for many schemes led to deficits that needed correcting via lengthy recovery plans. And, in 2005, many defined contribution (DC) schemes were being set up for new hires while existing employees accrued DB benefits.

Over the intervening 20 years, there have been lots of ups and downs as trustees and sponsors have reacted to the 2008 financial crisis, the COVID-19 pandemic, the 2022 mini-Budget, cost-of-living challenges and many other events in between. This has motivated a much greater appreciation of the broad range of risks that pension schemes face.

Stakeholders have risen to meet the challenges and their success is demonstrated with current DB scheme funding levels generally as high as they have ever been and well-established DC schemes now providing retirement benefits to many, including those saving for a pension for the first time as a result of auto-enrolment. While the challenges that schemes face have grown, the toolbox available to schemes to help manage risks is as large as ever and available to schemes of all sizes.

In the previous Global Pension Risk Survey, two years ago, we subtitled the results 'The Risk Prioritisation Challenge', noting respondents' concerns about the volume of regulatory change both that had already been introduced and that was on the horizon. Since then, the concern about regulatory change has only intensified. We asked respondents which risks had the biggest impact on their ability to pay DB benefits as they fall due. Regulatory risk has risen from fourth to second on this list, behind only the risk of unrealised investment returns, but ahead of other traditional risks such as longevity and interest rates and inflation.

	2023 results	2025 results
1.	Investment returns	Investment returns
2.	Interest rate and inflation risk	Regulatory risk
3.	Longevity risk	Longevity risk
4.	Regulatory risk	Data and benefit risk*
5.	Liquidity risk	Governance and operational risk
6.	Governance and operational risk	Interest rate and inflation risk
7.	Covenant risk	Covenant risk
8.	–	Liquidity risk

*Data and benefit risks not included as an explicit option in 2023 survey

More changes are still to come — all the responses to the 2025/26 survey were gathered before the publication of the Pension Schemes Bill in June 2025 that will bring further change to both DB and DC schemes. It will also be interesting to see the development of artificial intelligence (AI) in pensions. Although no respondents raised AI as a risk for their pension scheme, we expect it to be a key topic to return to in future Global Pension Risk Surveys.

For the first time, we have also extended the survey to cover DC schemes, including the DC sections of hybrid schemes. The themes we see coming from stakeholders with these schemes mirror those seen for DB schemes, with the concerns about upcoming changes and the governance burden involved in implementing them.

The experience of the last 20 years shows that trustees, sponsors and their advisers can adapt quickly to changes in the environment and deliver good outcomes for both pension scheme members and their sponsors. We are delighted to share our 2025/26 survey results over the following pages as we analyse the risks that will be at the top of schemes' agendas over the coming years.

2

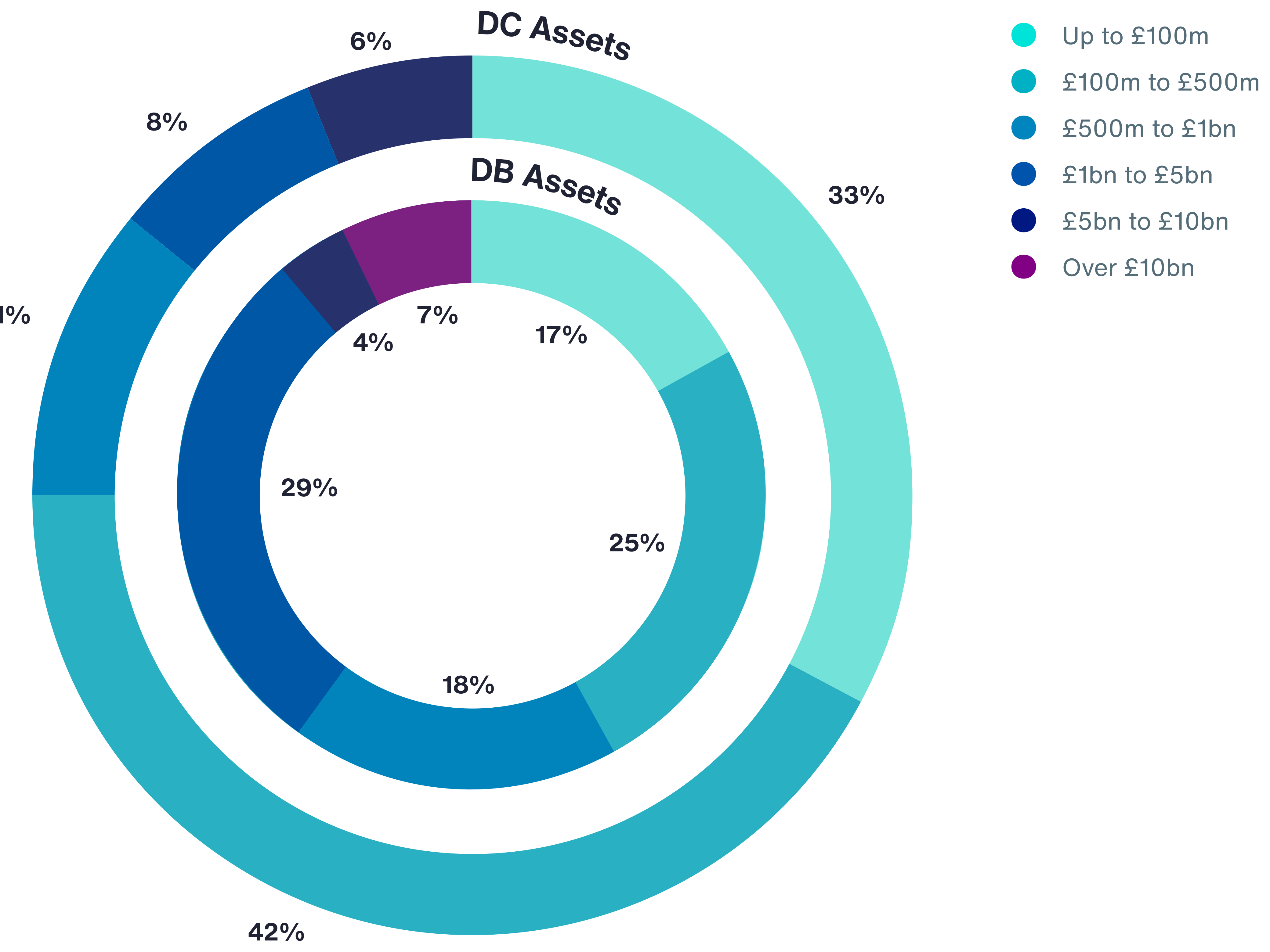
Survey Demographics

Survey Demographics

In the second quarter of 2025, our Global Pension Risk Survey collected responses from 230 UK pension schemes, encompassing both DB and DC schemes across a wide spectrum of assets from under £100 million to more than £10 billion. Some survey outcomes differed depending on scheme size, which we discuss throughout the report.

Private sector schemes accounted for 85 percent of respondents, while the remainder were from the public sector. Participants represented all industry sectors and a wide variety of roles. Trustees, including professional trustees, accounted for 58 percent of the survey responses and 31 percent of responses came from pensions managers.

Respondents Split by Scheme Asset Size

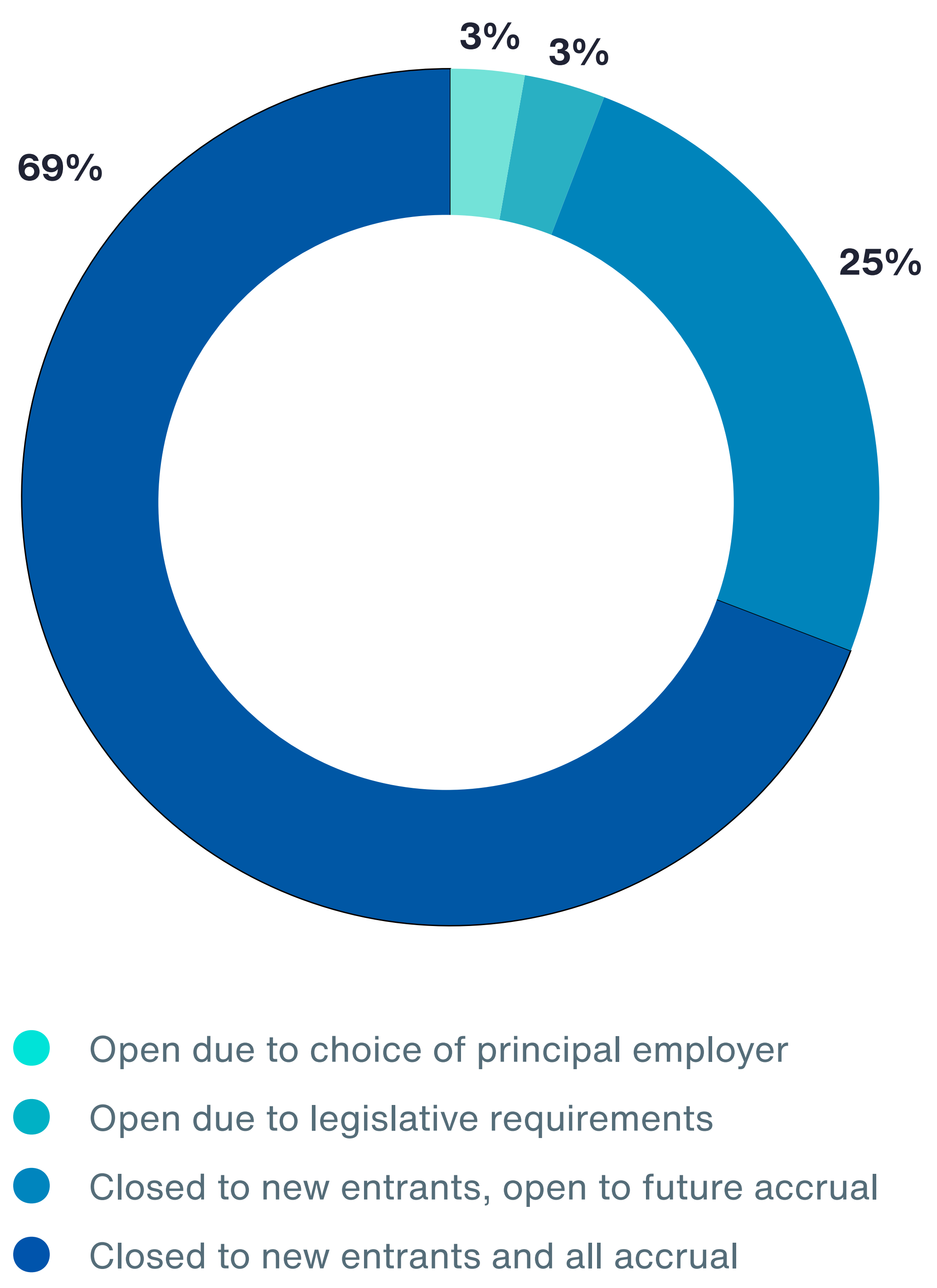


69 percent of DB schemes were closed to both new entrants and future accrual for existing members, an increase of 9 percent on the 2023 results.

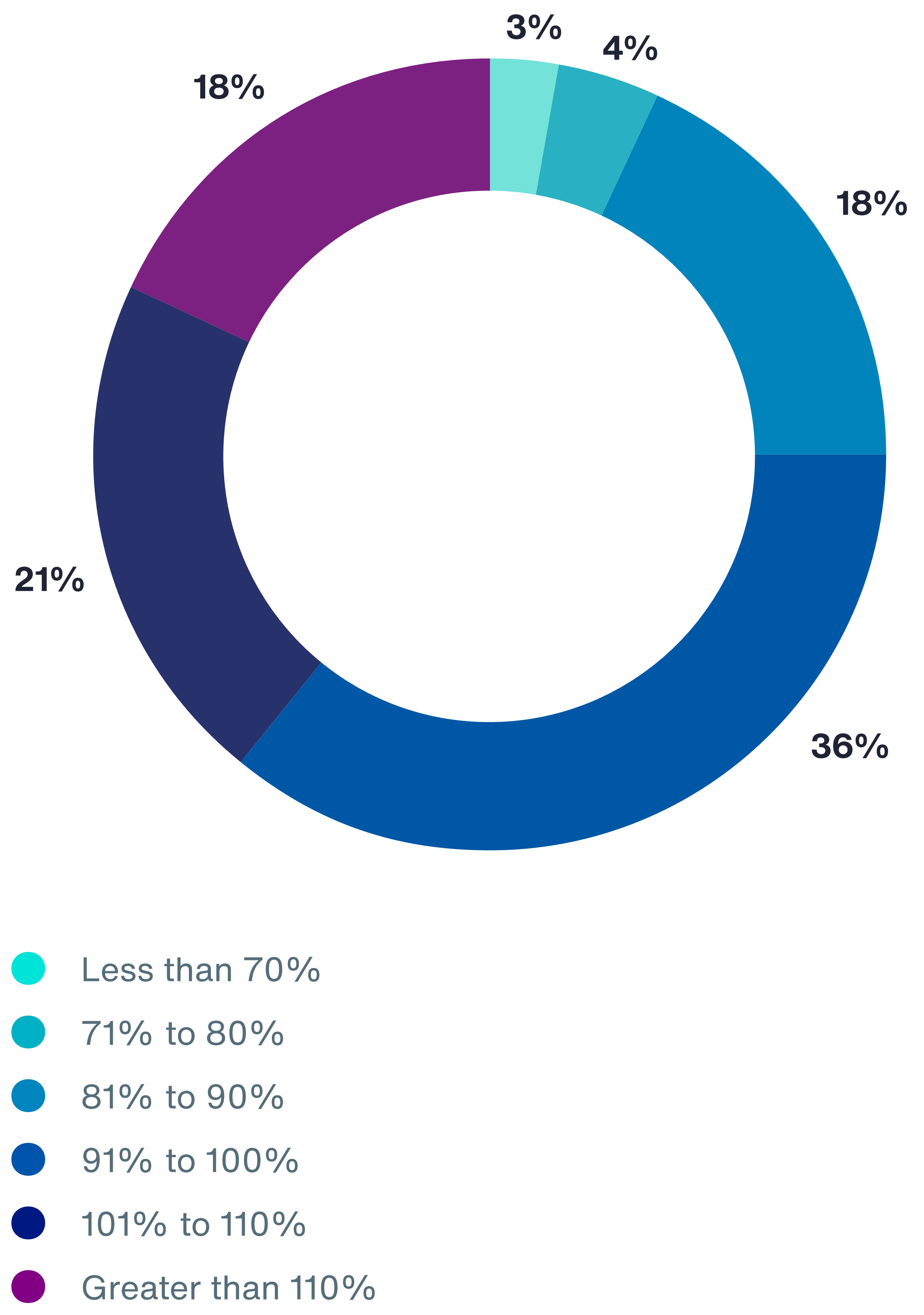
We asked respondents with DB schemes about the approximate solvency funding level. There was a range in the funding level of schemes, from 7 percent being less than 80 percent funded, to 39 percent being above 100 percent funded on a solvency basis.

We would like to thank all the respondents who completed our survey.

Respondents Split by DB Scheme Status



Respondents Split by Solvency Funding Level of Their Scheme



Defined Benefit Schemes

Long-Term Targets for DB Schemes →

DB Investment →

DB Member Options and Support →

3

Long-Term Targets for DB Schemes

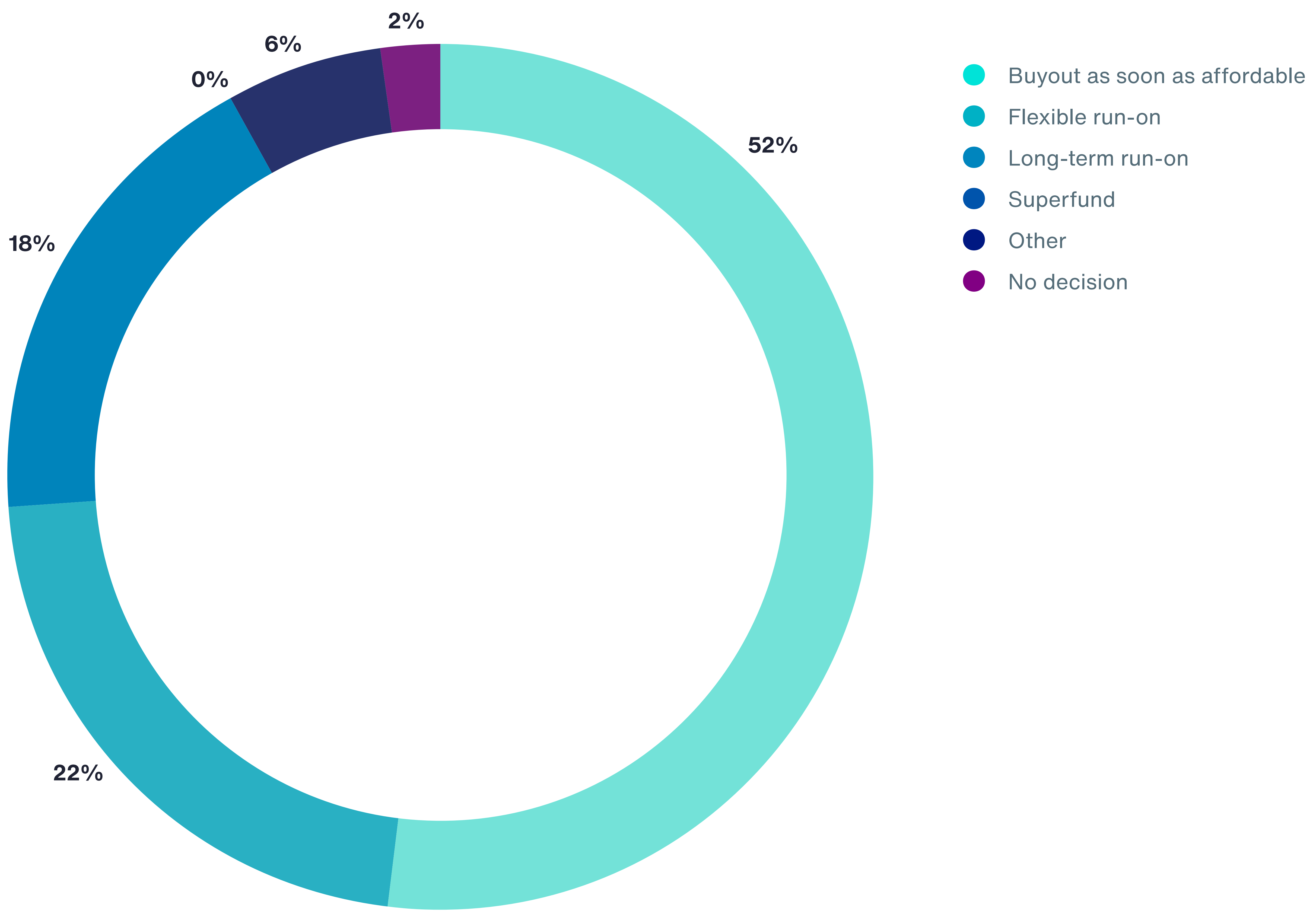
Long-Term Targets for DB Schemes

We asked respondents what the long-term target is for their DB scheme. Overall, 52 percent of schemes are targeting buyout as soon as it is affordable.

Schemes are increasingly adopting more flexible run-on solutions as a long-term target and we included this as an option in the Global Pension Risk Survey for the first time. A more flexible approach generally involves running on the scheme beyond the point at which buyout is affordable. In some cases, this may mean buying-out once settlement-ready (i.e. potentially when illiquid assets have run-off or data/benefit specifications are ready, but after the time any buyout deficit is eliminated). In other cases, this could involve a short-term run-on beyond this point in such a way that benefits can be insured at short notice should objectives change or market opportunities arise.

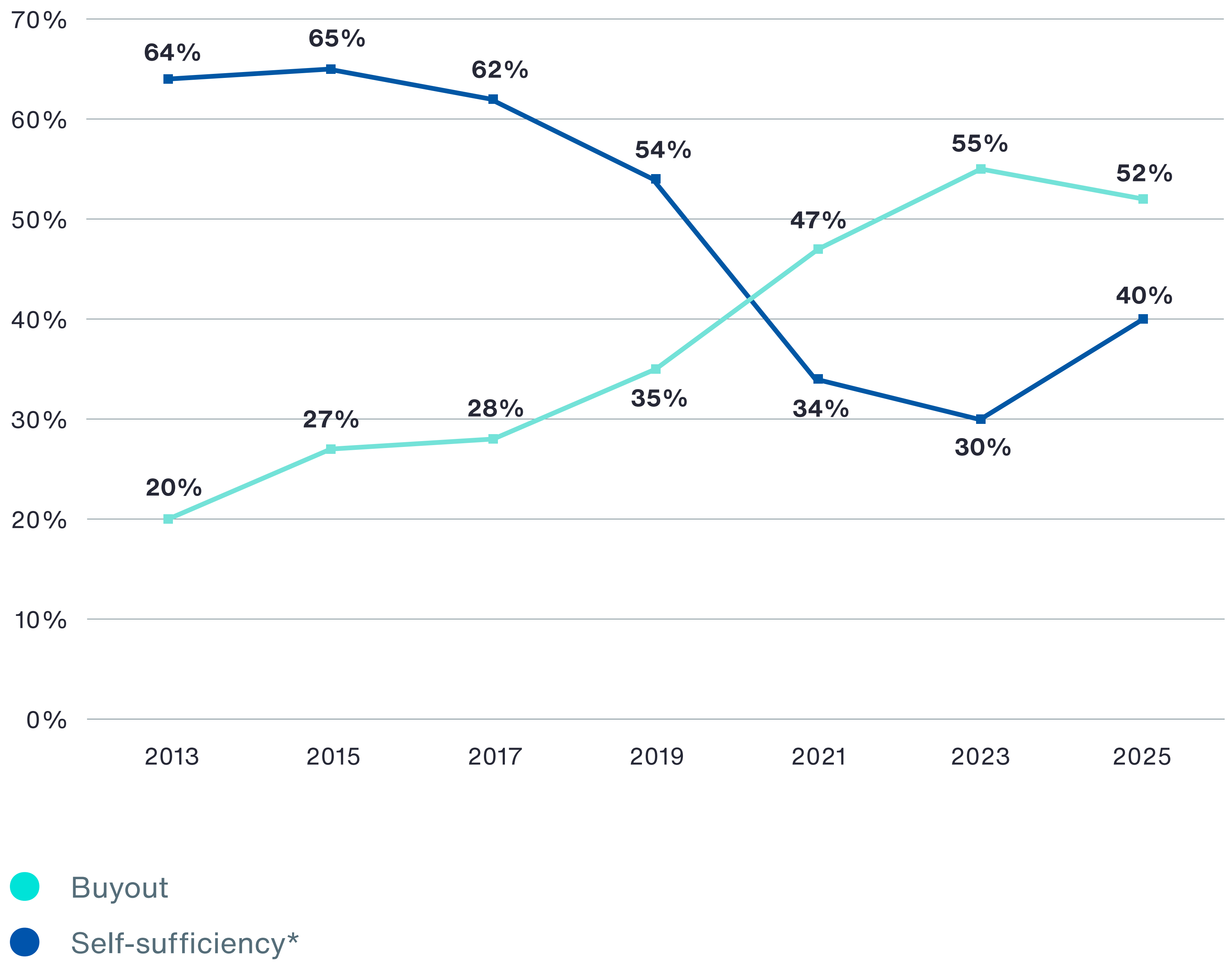
22 percent of schemes are planning a flexible run-on approach as their long-term target with a further 18 percent of all schemes planning to run on for the longer term.

Long-Term Targets



At a headline level, the proportion of schemes aiming for buyout as soon as it is affordable has fallen slightly from the 2023 result, although it remains higher than earlier surveys. The chart to the right shows how responses have changed over the last seven Global Pension Risk Surveys, going back to 2013. The trend towards buyout stabilised, although it remains the most popular long-term strategy overall. For comparative purposes, we have combined 2025 respondents choosing a flexible strategy or long-term run-on, accepting that some of these schemes will ultimately buyout. Up to 2023, self-sufficiency was instead provided as an option in the survey.

Development of Buyout and Self-Sufficiency Targets



* The "self-sufficiency" option has been replaced by flexible and long-term run-on from 2025.

Aon Insight

Significant improvements in funding levels since 2022 have led to an increased focus on endgame strategies in the pensions industry. This has led to an increase in the range of available endgame options, from third-party solutions such as superfunds and pension captives to in-scheme options such as active run-on. Buying-out as soon as affordable remains the most popular long-term strategy, with the insurance market remaining buoyant. Run-on is now widely seen as a mainstream endgame strategy, with many schemes that have found themselves in surplus on a buyout basis choosing to run-on for a variety of reasons. As suggested by the Pensions Regulator (TPR) in its 2025 endgame guidance, schemes reviewing their long-term strategy should consider the range of endgame options against their key objectives, which can include cost and risk, as well as wider considerations such as member experience and scheme governance.

If we break down these results, we see significant variation by scheme size. Buyout as soon as affordable is by far the most popular long-term target for smaller schemes. As scheme size increases, run-on and flexible strategies become more popular. For the very largest schemes, run-on and flexible strategies are much more popular than buying-out as soon as it is affordable.

Long-Term Target by Scheme Size

Aon Insight

The greater popularity of long-term run-on strategies among larger schemes reflects their better economies of scale and therefore greater ability to generate surplus to be used for the benefit of members and employers. For similar reasons, a flexible strategy (including a short-term run-on) is popular among larger schemes, albeit in some of these cases this may be with a view to resolving issues such as those relating to illiquid assets ahead of a buyout in order to be settlement-ready. Buyout as soon as affordable remains the dominant long-term solution for the under £1bn schemes.

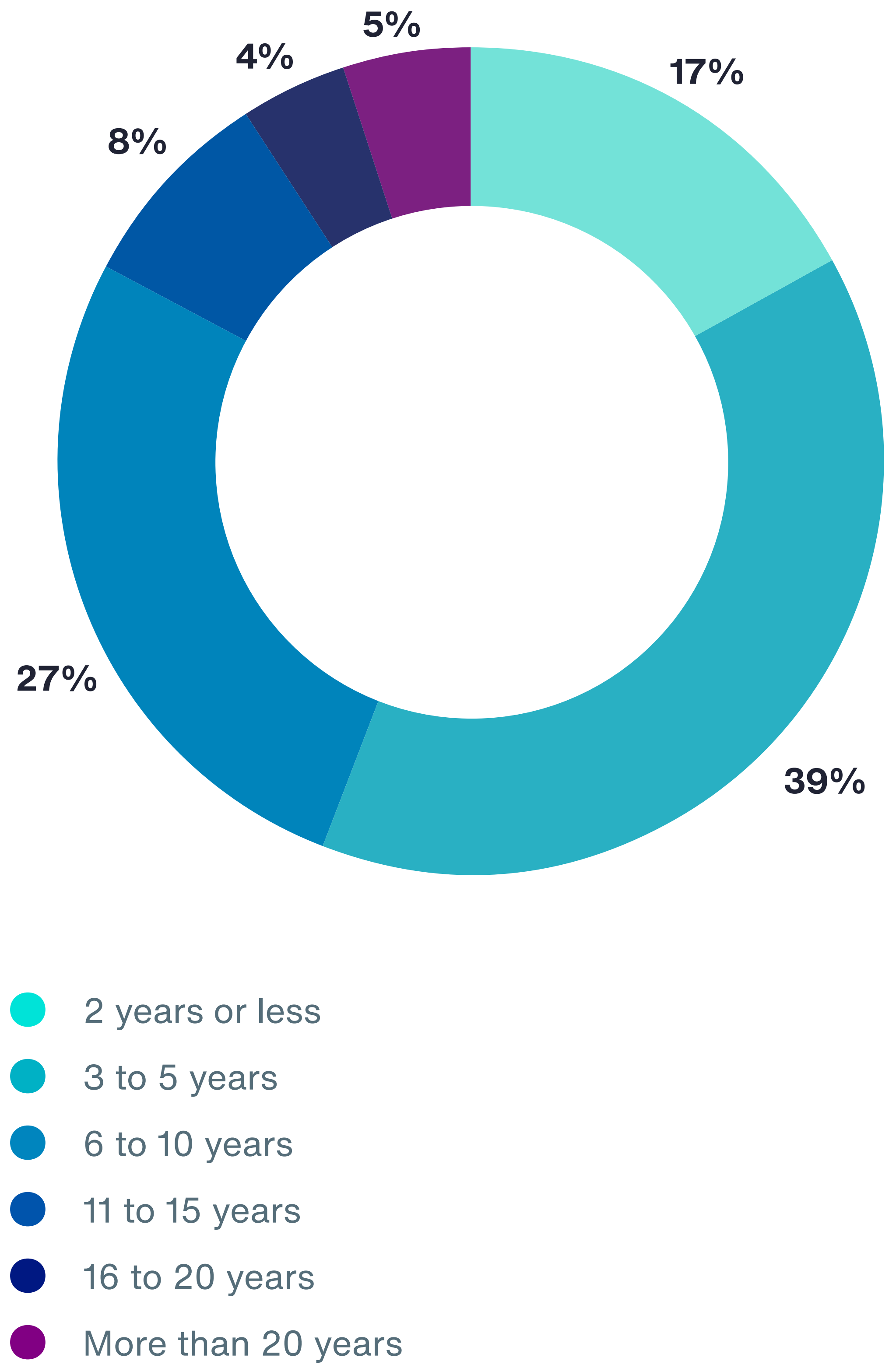
Insurers continue to have limited capacity to price and execute transactions and so schemes need to be well-prepared in order to gain insurer attention. Some schemes may need to deal with a single insurer in exclusivity before they are provided with a quotation in order to increase the certainty of agreeing a transaction.

At present, very few schemes are planning superfund transactions. However, the planned relaxations to the gateway principles for superfunds, as set out in the Pension Schemes Bill, may in the future broaden the number of deals where buyout is not within reach but a risk settlement transaction is preferred.

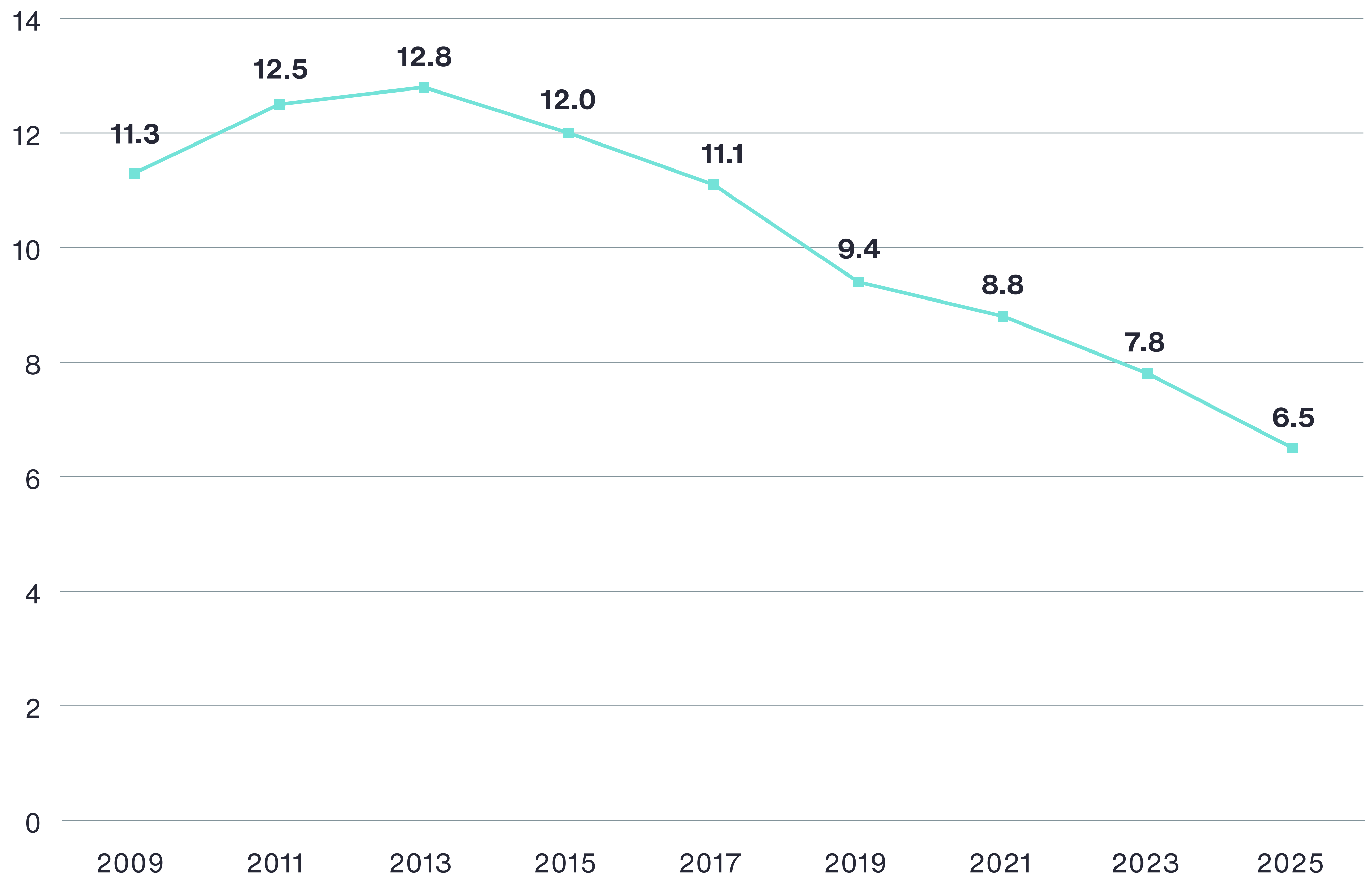
We asked respondents how long they expected to take to reach their long-term target (however defined). 17 percent of schemes have already reached their long-term target and, for the remainder who are shown in the chart, 83 percent expect to reach their long-term target in 10 years or less (up from 75 percent in 2023). Timescales to reach long-term target for those who have not yet reached it are set out to the right.

The average timescale for schemes to reach their long-term objective continues to fall, with the steady progress of recent years presenting a much more positive picture than that seen between 2009 and 2017, where, for the average scheme, reaching its long-term objective got no closer.

Timescales to Long-Term Target



Timescale to Reach Long-Term Target As Reported in Previous Global Pension Risk Surveys



Use of Surplus

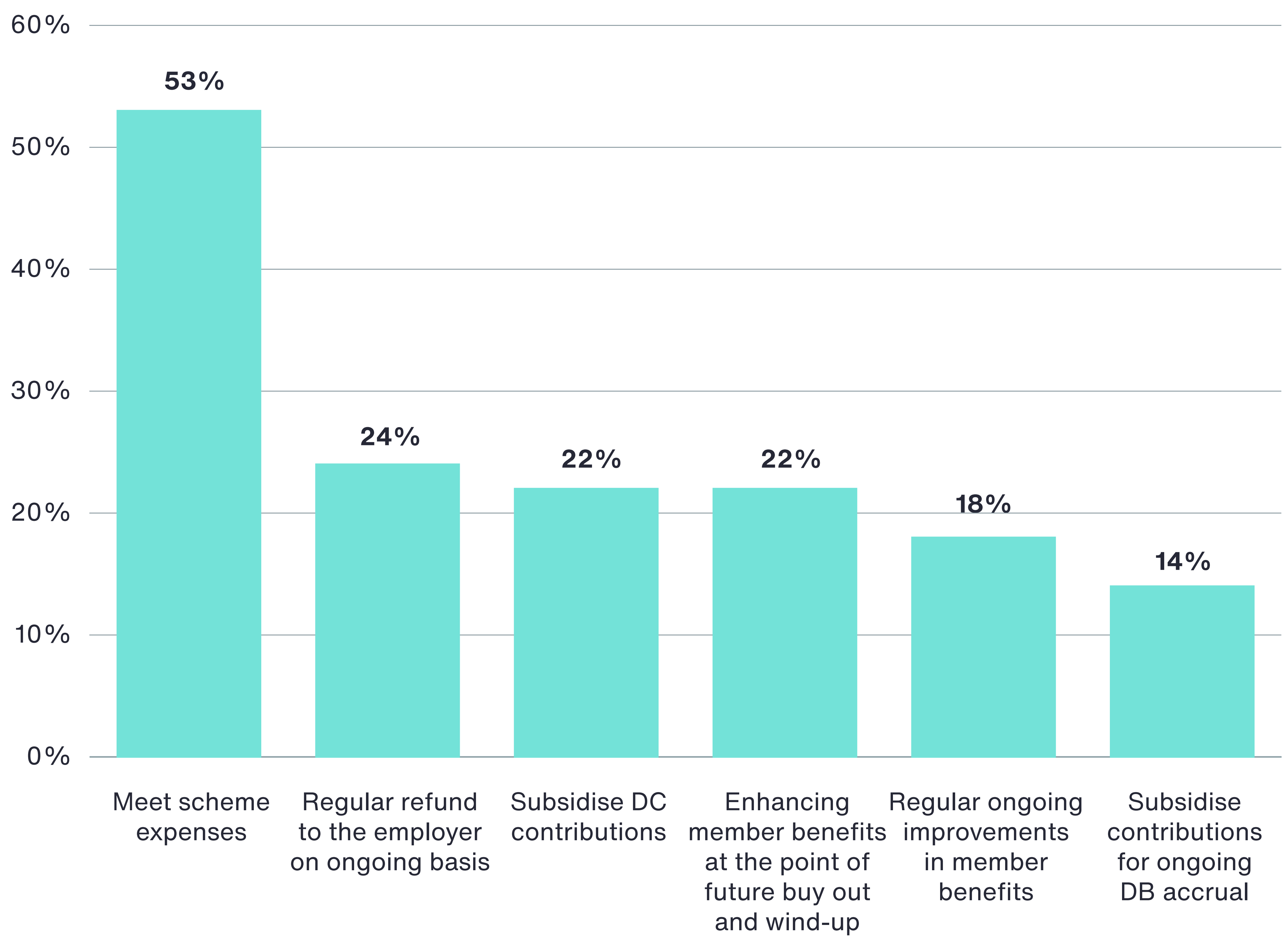
The Government has recently announced plans for legislation to facilitate direct payments of surplus to pension sponsors. New regulations are expected to be ready for use by the end of 2027. We asked respondents whether they have considered how any future surplus would be used.

Over a fifth of schemes have not yet considered how any surplus would be used in future.

For those that have considered this question, meeting scheme expenses is the most common use of surplus. A variety of other options are available but will depend on scheme circumstances as, for example, surplus can only be used to subsidise ongoing DB accrual if the scheme still has ongoing DB accrual.

Only a quarter of schemes intend to provide direct payments to pension sponsors. It will be interesting to see how answers to this question change in the 2027 survey as the regulations are finalised.

Use of Surplus



TPR has stated that it is considered good governance practice to have a policy on surplus extraction.

With increasing numbers of schemes expecting to run on for some period of time before securing benefits with an insurance company, trustees and sponsors are expected to work together to agree a policy on surplus extraction as part of their overall strategy.

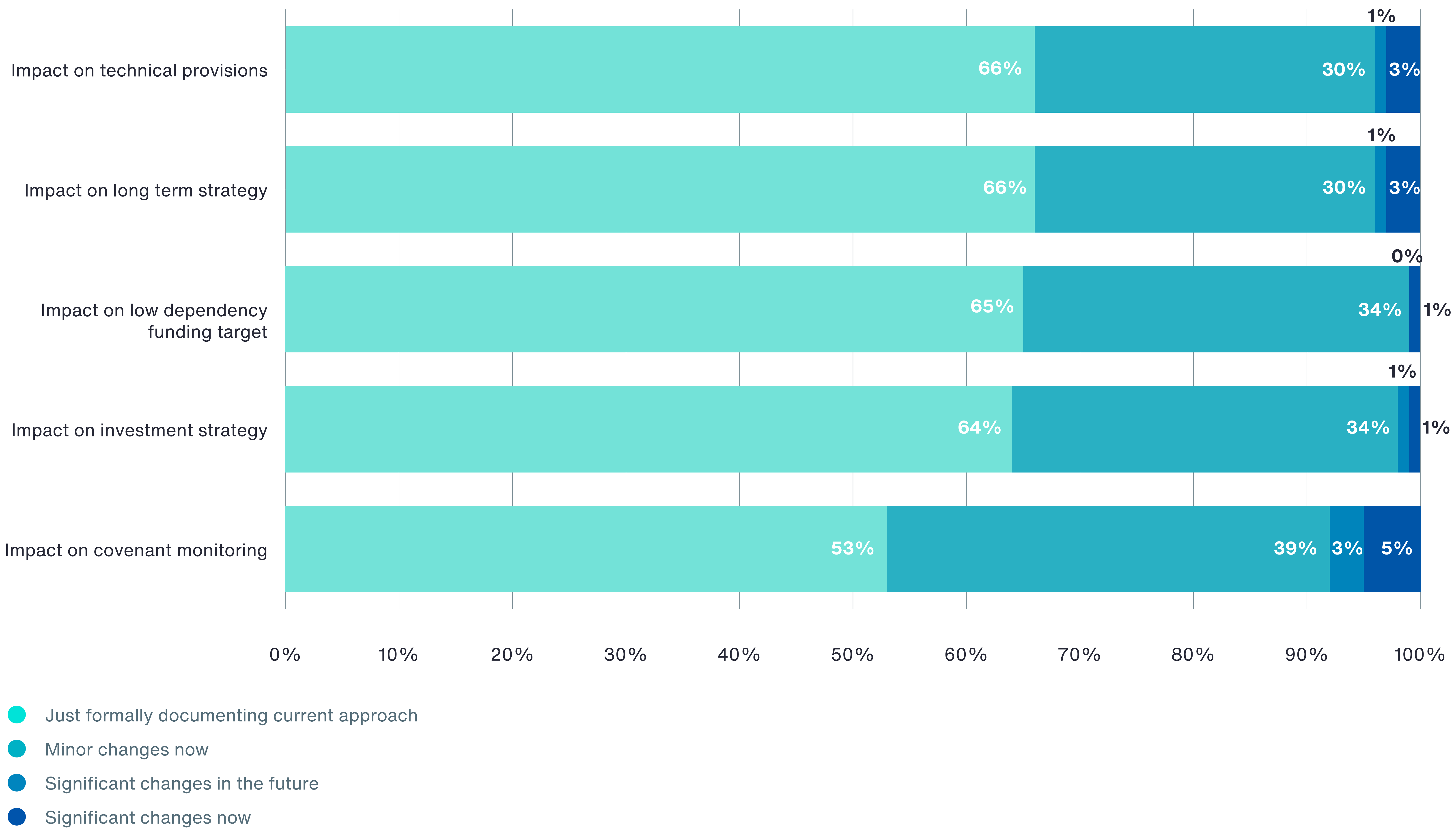
Funding Code

The new DB Funding Code has come into force and the first set of triennial valuations that are subject to the new regulations are now in progress.

We asked respondents what impact they expect the Funding Code to have on liabilities, long-term targets, investment strategy and covenant. Around two-thirds of respondents believe the Funding Code will merely be an exercise in formally documenting their current approach for most aspects, although this falls to just over half of respondents in relation to covenant monitoring. Only a very small proportion expect significant changes in any of the areas, with respondents believing they will see the greatest change to covenant monitoring.

This suggests that 20 years on from the launch of the original scheme specific funding regime, the new DB Funding Code is more of a case of evolution than revolution, but proving compliance with the new regulations is onerous.

Impact of New DB Funding Code



Aon Insight

Given the general trend of improvement in schemes' funding positions over recent years, it is unsurprising that the majority of respondents view the Funding Code primarily as a compliance exercise in most areas, except for covenant where the Code calls for a more formalised approach as well as an assessment process that is quite different to the previous regime.

Many schemes are nearing their endgame state, and their focus has turned to reaching their long-term objective, whether that is buying-out with an insurer, actively running on the scheme or something in between. As such, we are seeing that the most common approach is for schemes to make minor tweaks to their existing strategies to meet the Code. This is rather than making wholesale changes, with many using the opportunity to formally define and agree that end goal.

In our experience so far, the greatest impact is being felt by schemes that are currently underfunded on their Technical Provisions. For these schemes, complying with the new regulations can be more challenging due to limited employer cashflows or a lack of contingent asset options. Even when employer cashflows are not a constraint, we see more sponsor and trustee discussions on the need to recover deficits as soon as is reasonably affordable. In these situations, close collaboration between the trustees, sponsor, covenant adviser and actuary become key in order to develop a solution which provides security while also taking into account the position of the employer.

Hedging Longevity Risk

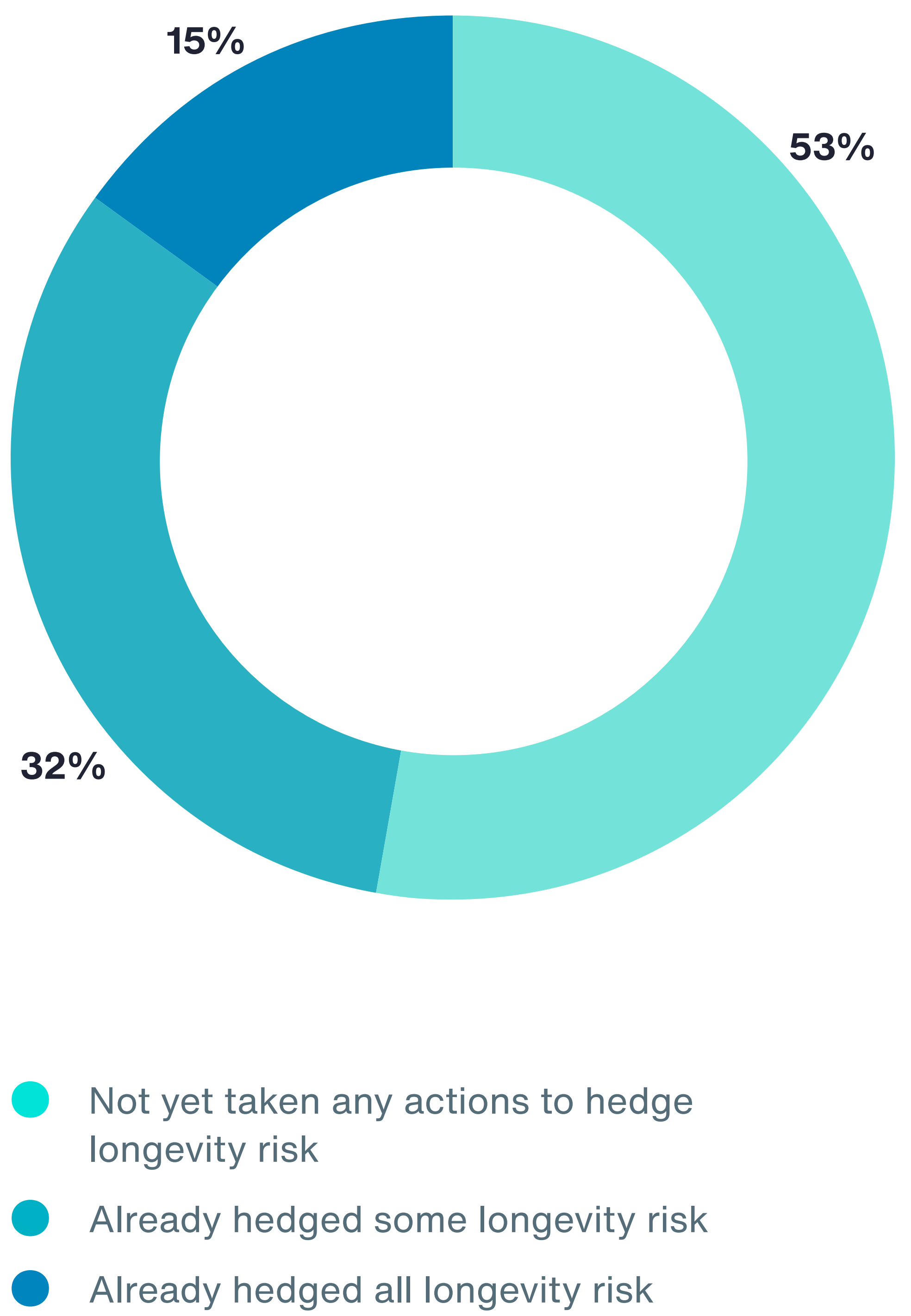
As described in the next section, trustees and sponsors have taken progressive steps to manage asset risk exposures within their pension scheme, through rates and inflation hedging, and reduction and diversification of growth asset and credit portfolios. In many cases, asset risk exposures are measured and expected to be 'rewarded'.

As a result, for most schemes, longevity risk will be a material part of the overall financial risk budget and needs to be considered.

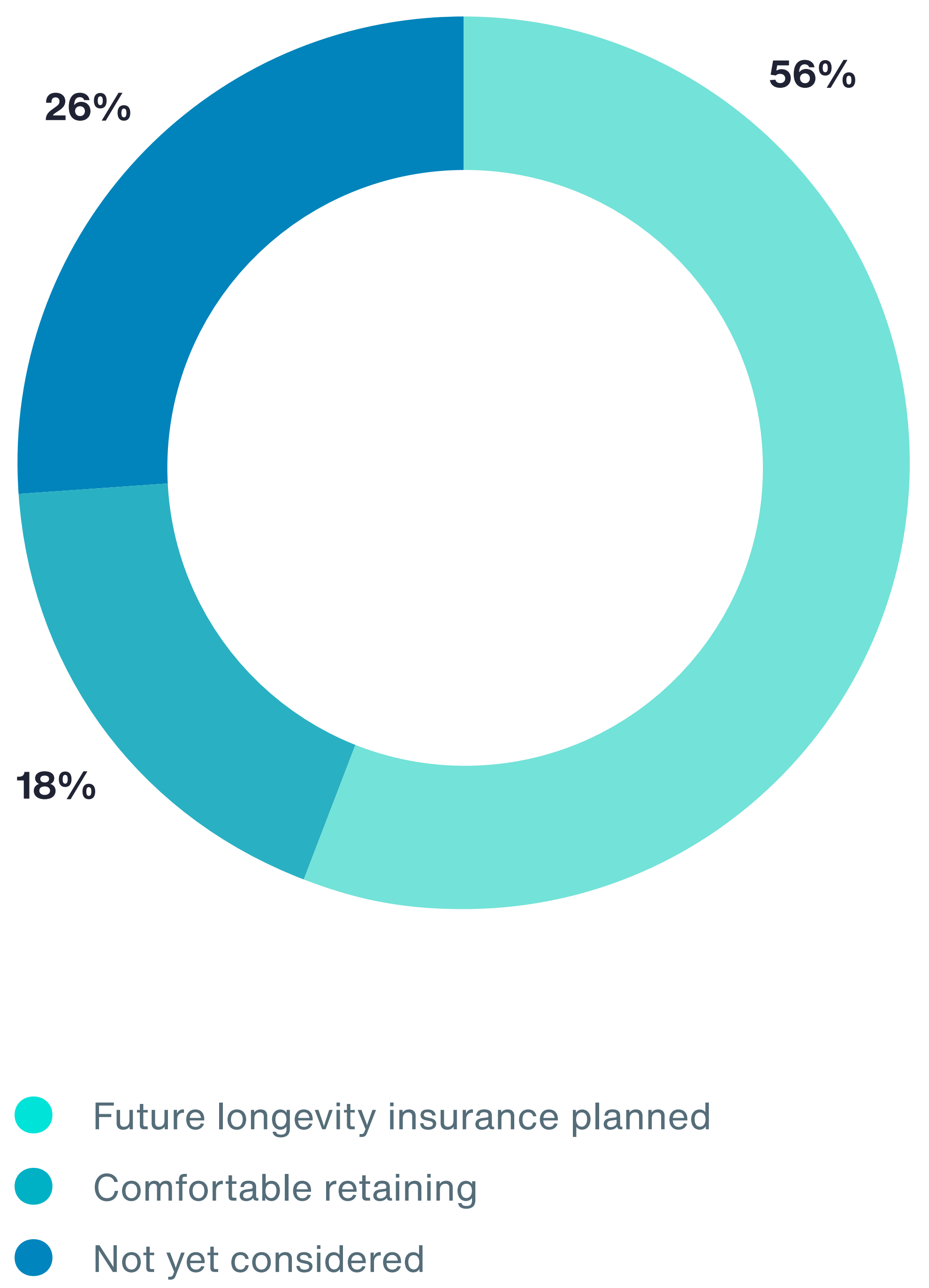
Managing longevity risk will therefore be an important part of a scheme's strategy whether that is in plotting a course to a full insurance endgame or running-on.

We asked respondents what actions had already been taken to manage the longevity risk in their scheme and what actions they plan to take in the future.

Longevity Risk Actions



Future Longevity Insurance Plans



The results show that around half of schemes have already taken steps to hedge some or all of their longevity risk. The subset of around one in seven of the total that has hedged all such risk is primarily the group of schemes that are now fully insured through bulk annuities.

This leaves around 80 percent of schemes with remaining longevity risk exposures.

We also asked respondents about their future longevity risk management plans. The range of plans, from using longevity swaps, to phased or full insurance using bulk annuities, is not unexpected. Neither is the variation in plans by scheme size, as this aligns with the differences in endgame targets.

What is quite striking is the high proportion of schemes, nearly half in total, that either:

- Have not yet considered their longevity risk management strategy, or
- Have done so and intend to retain this risk.

Aon Insight

Both parts of the UK longevity insurance market — bulk annuities (buy-ins and buyouts) and longevity swaps — have been highly active for many years, with significant volumes of transactions completed:

- Bulk annuity transactions totalled more than £45 billion in each of the last two years.
- The average volume of liabilities covered by new longevity swaps has been around £10bn a year for several years.

Key recent developments in these markets have been:

Bulk Annuities

- Increased competition through new entrants despite some consolidation of providers.
- Expanded insurer capacity, for large individual transactions — with multiple insurers competing for £5 billion+ deals, and in overall annual volumes.
- Strong pricing, in absolute terms and compared with funding measures, supported by factors including (a) market competition, (b) yield and spread levels, (c) insurer asset innovation and sourcing and (d) longevity reinsurance pricing (see right).
- Significant developments in insurers' offerings in relation to member support and experience, catching up with the tools and services which pension schemes have increasingly offered members in recent years.

Longevity Swaps

- Highly competitive, attractively priced longevity reinsurance, which provides capacity for longevity swaps for UK pension schemes.
- Risk premia have come down substantially from historic levels, reflecting (a) the higher yield environment and (b) reinsurance markets' capacity and appetite, and the resulting level of competition.
- This has led to opportunities for UK pension schemes to hedge longevity risk at a cost which is often broadly in line with funding reserves.
- Increased market appetite and improved pricing to hedge longevity risk associated with deferred members — this has been driven by demand from bulk annuity insurers, but is accessible to pension schemes direct via longevity swaps.
- Improved accessibility to longevity hedging solutions for smaller schemes.

The resulting key take-away is that trustees and sponsors should keep risk management strategies under regular review in light of changing perspective, endgame objectives and also market developments.

4

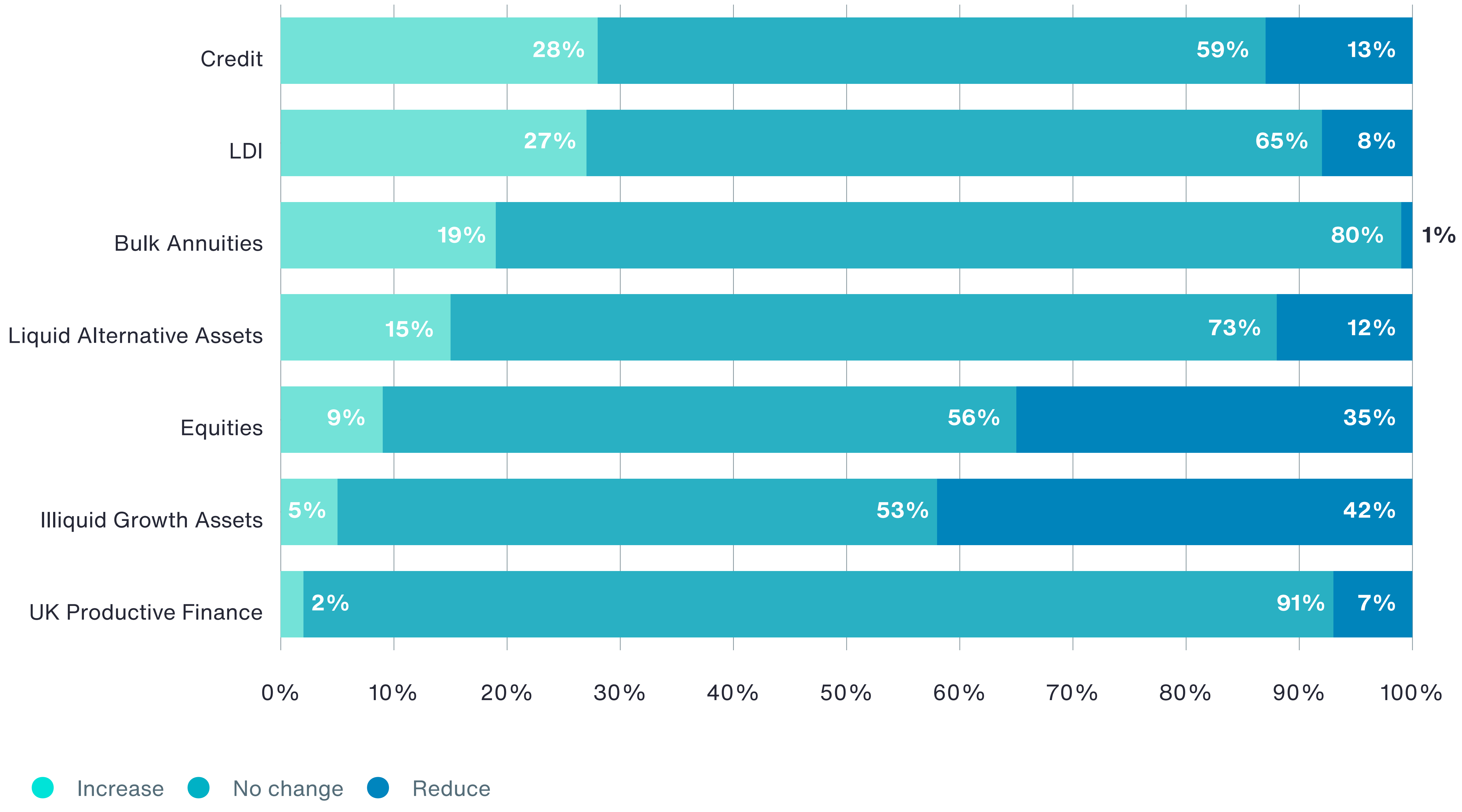
DB Investment

DB Investment

Derisking continues to be the dominant theme in the asset allocation strategies of DB schemes. This is hardly surprising given that 39 percent of respondents report being more than fully funded on a solvency basis. As funding positions strengthen, many schemes are choosing to lock in these gains and reduce risk, reflecting a prudent, forward-looking approach to investment management.

The pace of derisking in liquid markets has moderated compared to previous surveys. Fewer schemes now plan to reduce equity investments (35 percent compared to 40 percent in 2023), and there is also a decline in those intending to decrease credit allocations (13 percent compared to 30 percent in 2023). This slowdown probably reflects the significant derisking already achieved but may also be influenced by the current investment environment, where tight credit spreads and limited credit exposure in insurer pricing bases are shaping allocation decisions.

Investment Strategy Changes Expected in the Next 12 Months



One of the most significant trends emerging from this year's survey is the marked increase in schemes planning to disinvest from illiquid growth assets. Currently, 42 percent of schemes expect to reduce their holdings in these assets, a notable rise from 35 percent in 2023. It is likely that this shift is driven by the growing number of schemes preparing for annuity purchases. Despite this overall move towards derisking, there remains a minority, 5 percent of respondents, who plan to increase their allocations to illiquid growth assets. This suggests that some schemes, particularly those pursuing a run-on strategy, continue to see value in maintaining exposure to illiquids rather than targeting an approaching buy-in.

The focus on derisking is even more pronounced among schemes with less than £100 million in assets. In this group, 26 percent are increasing their allocations to Liability Driven Investment (LDI) strategies, while 30 percent are directing more resources towards annuities. These actions underscore a strong commitment to managing risk and insuring member benefits in a volatile market environment. It is also noteworthy that none of these sub-£100 million schemes surveyed plan to allocate to UK productive finance at this time, reflecting a more cautious approach.

Success Story

In practice, the derisking journey is not just a simple case of switching between asset classes — as this case study illustrates:

As a result of Aon's investment advice, the scheme achieved strong investment returns and the scheme's funding level improved from 70 percent to 100 percent with no further contributions.

Close to their planned buyout, the trustee's priority became to protect the fully funded buyout position, minimising the risk of having to rely on the sponsor for any further contributions and not being able to transact. The trustee needed to take the final steps to prepare the assets for transaction — improving liquidity and better-matching insurer pricing. This was achieved through:

- Maintaining the hedge to the buyout liabilities.
- Managing the scheme on a least-risk basis: with all growth assets being sold for a 'liability matching' portfolio.
- Introducing a 10 percent exposure to synthetic credit as a flexible way to better match insurer pricing until the final provider was known.
- Using our expertise to dispose of illiquid assets. We captured favourable opportunities for sales in primary and secondary markets.

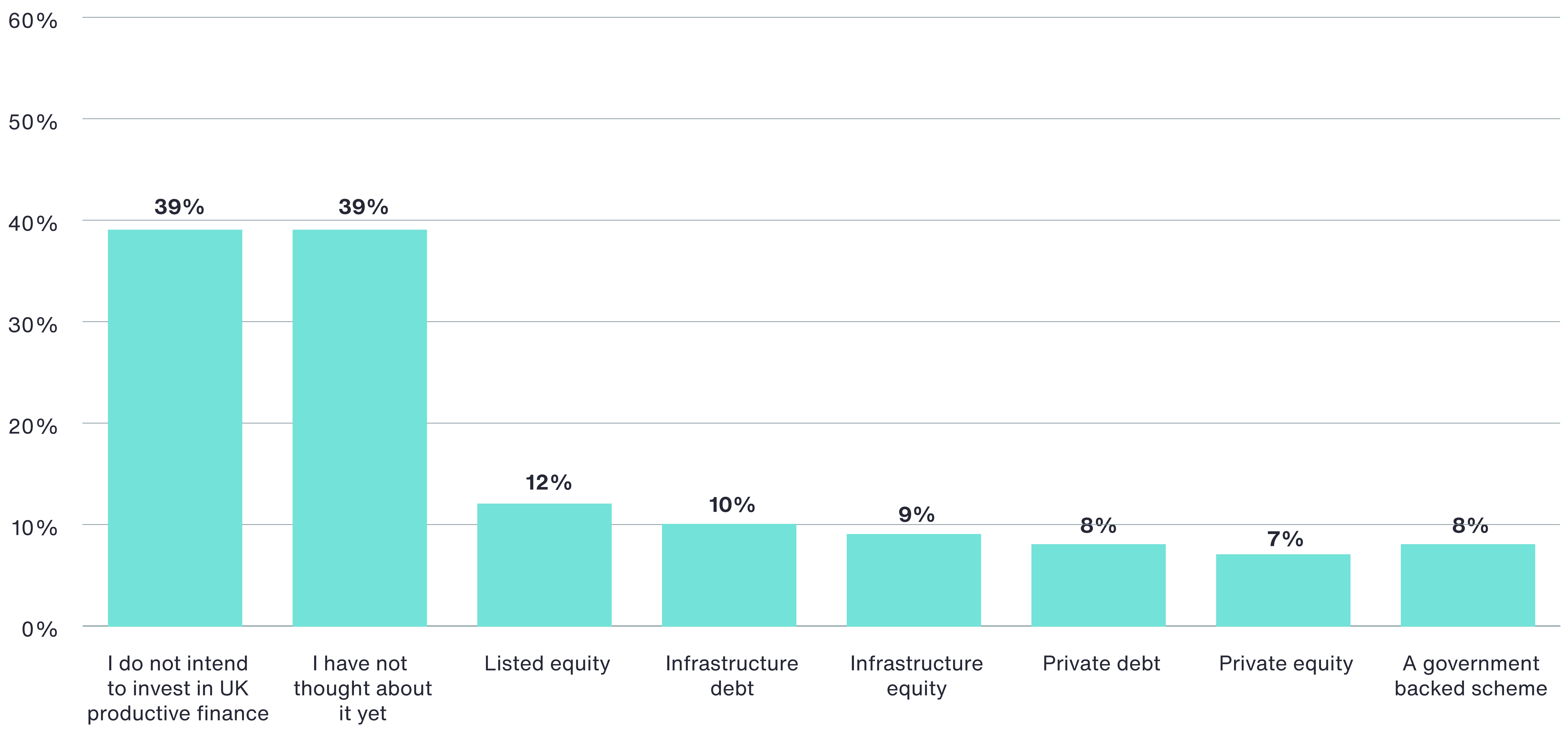
Finally, we negotiated a gilt-based price lock with two different insurers before completing the transaction with an attractive buyout price. Overall, through the careful management of the assets, the client's risk limitation objective was met and the transaction could be successfully completed.

UK Productive Finance

Two years ago, we observed a marked decline in appetite for illiquid growth assets among pension schemes. This shift was largely driven by improved funding positions and a growing preference among schemes to secure annuities in the near term. At the time, we anticipated that this trend would pose a significant challenge to the UK Government's ambitions for increased pension scheme investment in UK productive finance. The latest survey results confirm this prediction more strongly than expected. Only 2 percent of respondents are considering allocating to UK productive finance over the next 12 months.

When we explored how schemes might approach investment in UK productive finance, 39 percent indicated that they would not choose to invest. However, there remains a further 39 percent, who have yet to form a view, suggesting the potential for attitudes to shift as the market and policy environment evolves.

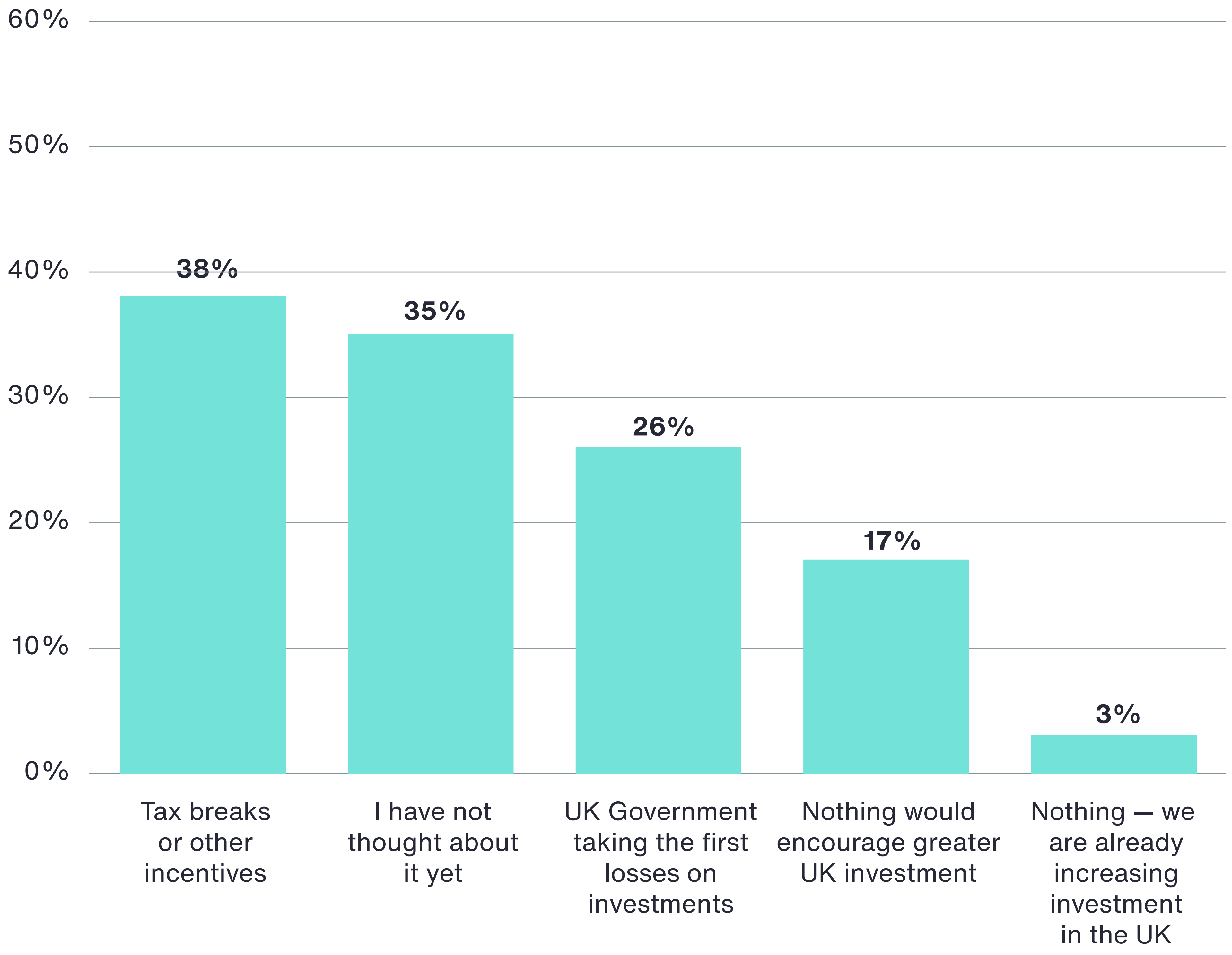
If Investing in UK Productive Finance, I Would Prefer to Invest In...



For those open to considering UK productive finance, the survey highlights several preferred characteristics. Schemes favour investments in liquid, quoted equities that offer straightforward and cost-effective access to UK market listings.

We also asked what respondents need in order to invest more in UK productive finance. Their answers emphasise the importance of incentives, such as tax breaks or government-backed first-loss guarantees, to make these investments more attractive.

In Order to Invest More Assets in the UK I Need...

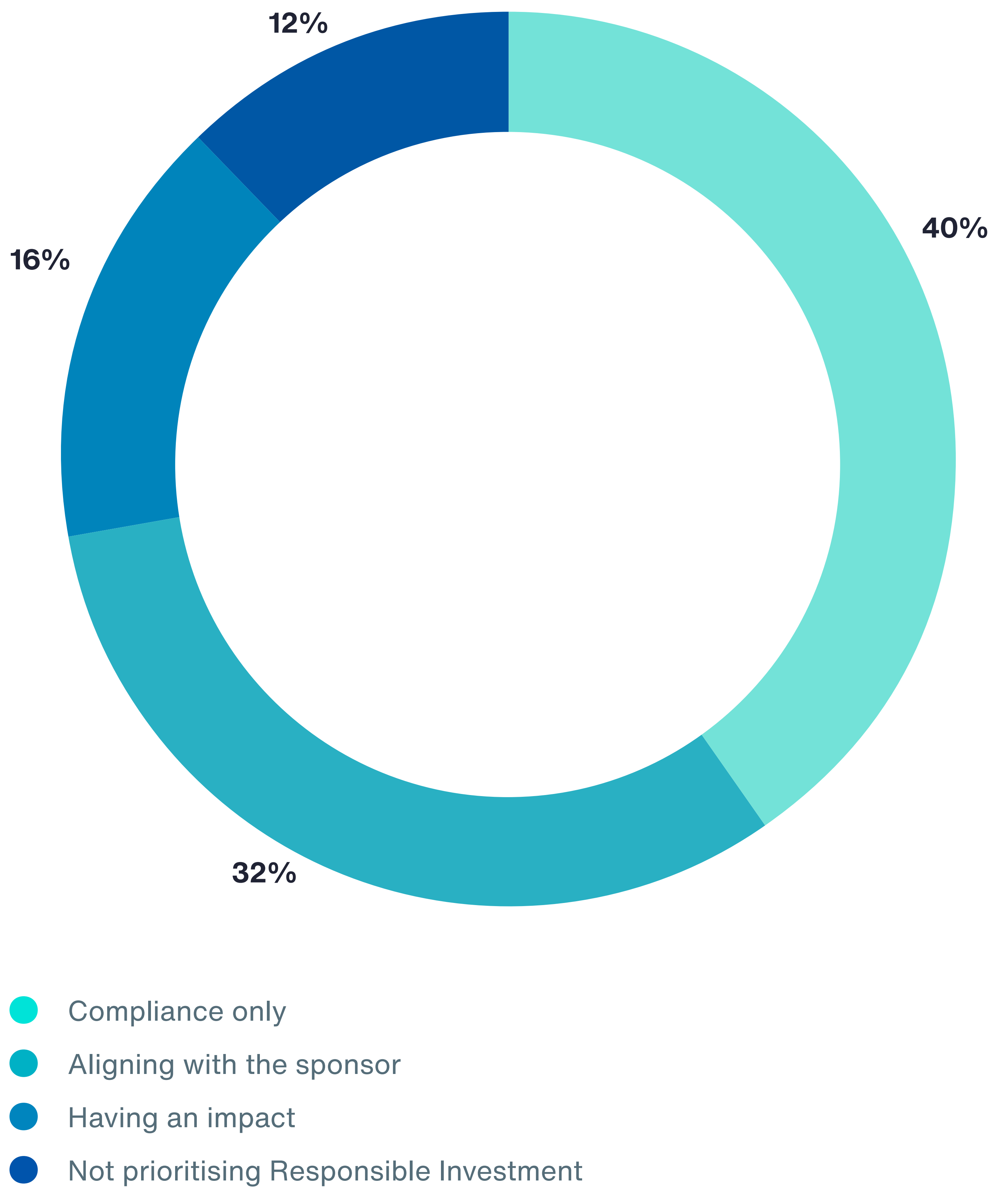


Aon Insight

Despite some interest in productive finance, it is clear that pension scheme decision-makers face considerable constraints, with regulatory requirements demanding much of their attention and a focus on liquidity and the short term, if looking for a risk settlement transaction. Given these competing priorities, it is unlikely that private sector DB schemes will adopt UK productive finance investments at scale without incentives to reduce the investment risks.

A clear benefit for any UK productive finance investment would be to ensure that the vehicles are sufficiently liquid and flexible to be transferred into insurers or superfunds as the market continues to consolidate. This would address the risk that a UK productive finance investment may impact the timing or price of a future transaction.

Responsible Investment Over the Next Two Years



Responsible Investment Priorities

Regulatory developments, particularly the introduction of the General Code, have prompted schemes to consider the risks and opportunities associated with climate change, which are now a central part of scheme governance.

When we asked about their responsible investment priorities for the next two years, the majority either desired a compliance-only approach or to be aligned with their sponsor.

Relatively few respondents indicated a focus on impact investing. This may reflect the substantial work already undertaken in this area, as well as the current regulatory landscape.

This feature is even more pronounced for DB schemes with assets under £100 million. They are more likely to adopt a compliance-only approach, with 50 percent indicating this preference and 25 percent not prioritising responsible investment at all, potentially reflecting their lower governance budgets to consider these issues in more detail.

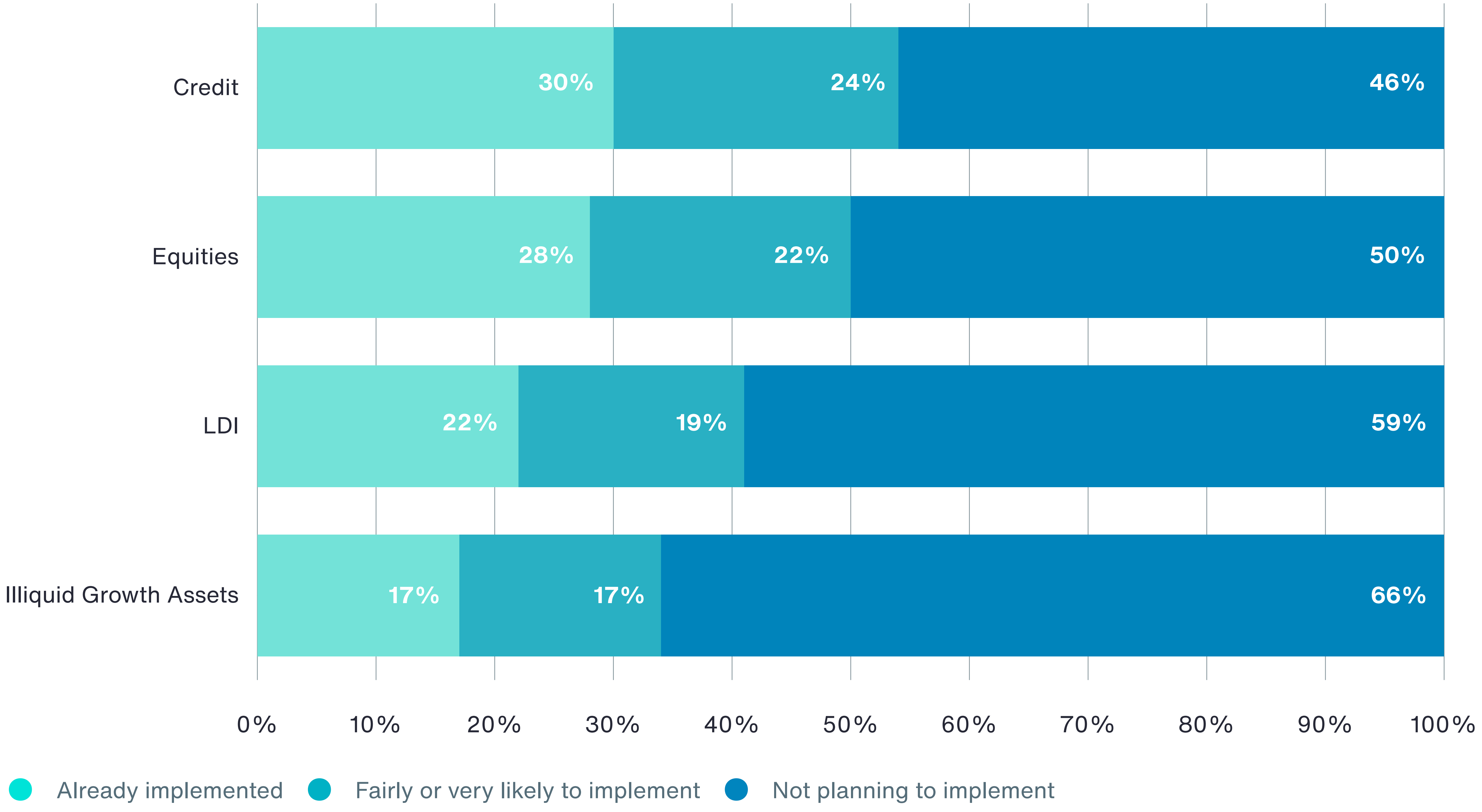
Aon Insight

It is important to recognise that climate change presents both risks and opportunities. Schemes that do not prioritise responsible investment may miss out on potential returns and could be exposed to greater risks.

ESG-Focused Investment

Compared to two years ago, there is a noticeable decrease in the appetite for ESG-focused funds, although interest remains significant. This fall potentially reflects work already carried out, or potentially a change in sentiment towards ESG arising from the change in the geopolitical debate.

ESG-Focused Investment



Aon Insight

We are seeing many schemes approaching risk settlement and integrating ESG considerations into liquid credit portfolios ahead of transacting. This is with the aim of meeting both ESG-related goals and financial objectives.

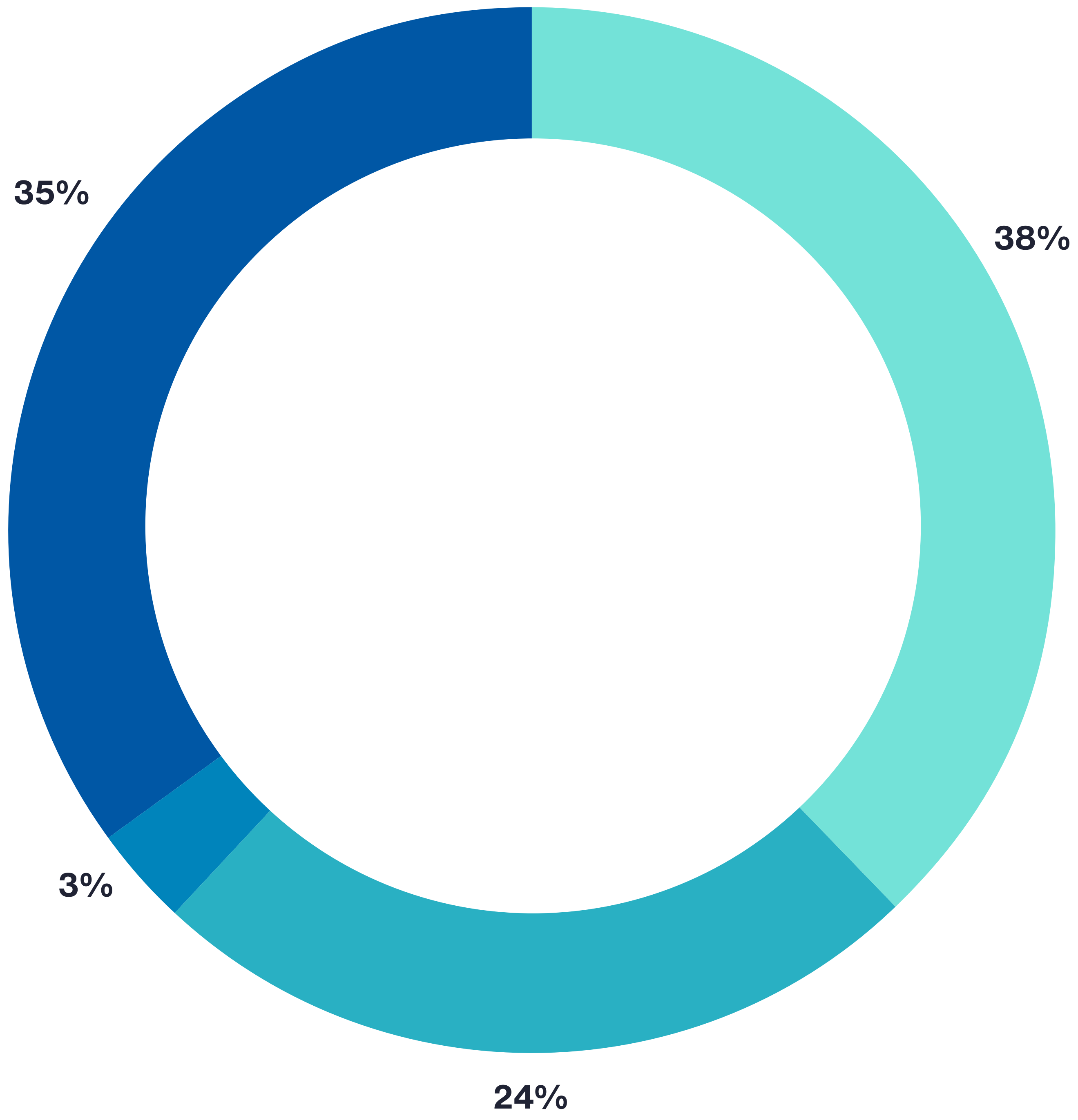
For schemes with longer term investment horizons, private markets provide attractive opportunities to generate strong risk-adjusted returns and deliver real-world impact.

Success Story

A scheme was looking to align its responsible investment policy with its sponsor to minimise the risk of reputational damage while not impacting total portfolio risk and return in a detrimental fashion. They withdrew from one of their global equity strategies because the mandate had a higher allocation to alcohol and gambling industries relative to the MSCI World benchmark.

This scheme has separately also aligned their liquid credit allocation with the UNs sustainable development goals. This not only leads to a higher yields and more diversified return stream but also helps to implement their overall responsible investment policy.

Attitudes Towards Delegation



- Fully considered — we currently outsource
- Fully considered — we decided against it
- Considered — we are planning to in the near term
- Not considered recently

A substantial 38 percent of respondents have adopted a fiduciary or Outsourced Chief Investment Officer (OCIO) approach to managing their scheme assets. By delegating investment structure and asset management responsibilities to a third party within a defined risk and return framework, these schemes have been able to free up valuable governance time. In today's demanding regulatory environment, this ability to focus trustee attention on broader strategic issues is increasingly important.

Just under a quarter of respondents have evaluated the fiduciary or OCIO model but chosen not to proceed, which may reflect a shorter time horizon to buyout or a preference for retaining direct control.

The proportion of schemes currently considering a switch to fiduciary management remains small and consistent with previous years. This stability suggests that most schemes have already made a clear decision about their preferred governance model, and relatively few were actively reviewing their approach during the couple of months of the survey period.

Among smaller DB schemes, those with assets under £100 million, the uptake of fiduciary management is notably higher, at 52 percent. This is likely to reflect the limited internal resources available to these schemes and the appeal of outsourcing investment governance to specialist providers, enabling them to meet regulatory and operational demands more efficiently.

Success Stories

For a £1 billion+ scheme, Aon was appointed to provide broking and investment advice for a full scheme buy-in, leveraging our expertise with large schemes to address complex asset challenges.

Regulatory signals supported run-on strategies and the client wanted to consider the risks and opportunities of running on the scheme. Aon introduced a framework targeting surplus extraction with high member security. The client recognised this fit with their objectives, particularly in achieving higher investment returns. However, they wanted to outsource the governance burden and risks of implementing a run-on strategy and Aon's appointment was extended to become the OCIO.

At the other end of the spectrum, a client with a sub-£10 million scheme decided to set a target return of gilts + 1.5 percent and a 100 percent hedge ratio, but, in order to free up limited trustee time to consider the funding code, dashboards and GMP, it decided to outsource the investment oversight. It appointed Aon to ensure that the asset allocation, manager selection and implementation, along with tactical decisions are managed proactively within Aon funds. This also ensured an easy compliance path with the General Code as well as freeing up trustee time.

5

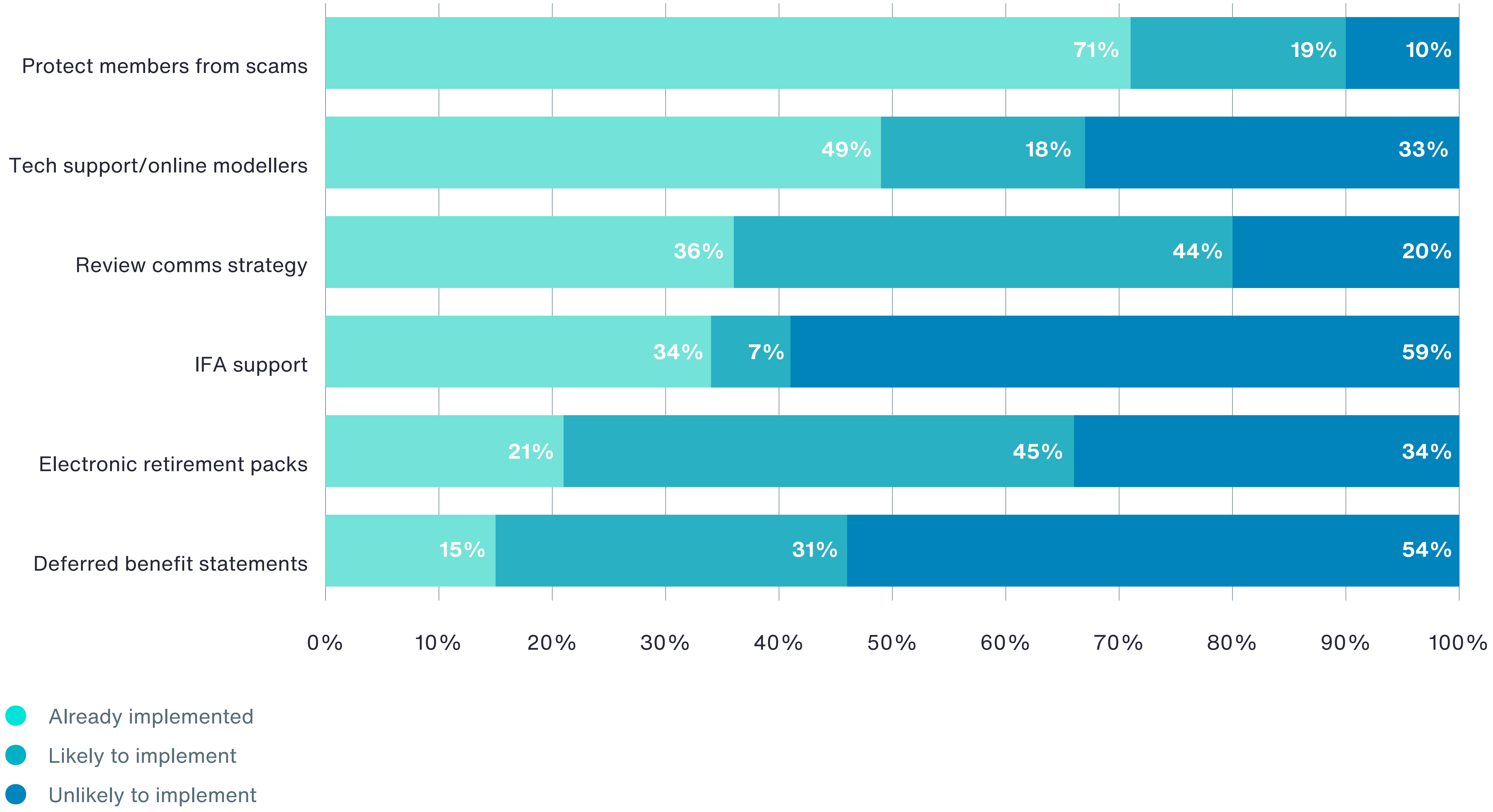
DB Member Options and Support

DB Member Options and Support

Since our last survey, there has been a notable increase in the use of technology to support members. The proportion of schemes providing technological tools, such as online modellers, has risen from 38 percent to 49 percent, and two-thirds of schemes expect to have these tools in place within two years. The shift towards a digital member experience is accelerating. Currently, 21 percent of schemes enable members to access their retirement packs electronically, but this is projected to rise sharply to 66 percent in the near future.

Many schemes are also broadening the support available to members through independent financial advice (IFA). Over half of schemes now either have a preferred IFA or provide online modellers to help members understand their retirement choices. This trend extends beyond DB schemes: in our 2024 DC survey, 35 percent of schemes signposted an IFA for members, with this figure expected to reach 50 percent soon.

Member Support



Aon Insight

These trends are consistent with the findings from our 2025 Member Options and Support Market Insights Report, which revealed that over half of schemes either have a preferred IFA in place or offer sophisticated online modelling tools to educate members about their choices.

The imminent launch of pensions dashboards is set to transform how members engage with their pension savings, providing a consolidated view of all benefits in one place. While this development promises greater transparency, it also introduces the risk of members misinterpreting the information presented. To address this, 44 percent of schemes are planning to review their member communications, and 31 percent intend to introduce benefit statements for deferred members, providing members with clear, annual updates about their pensions.

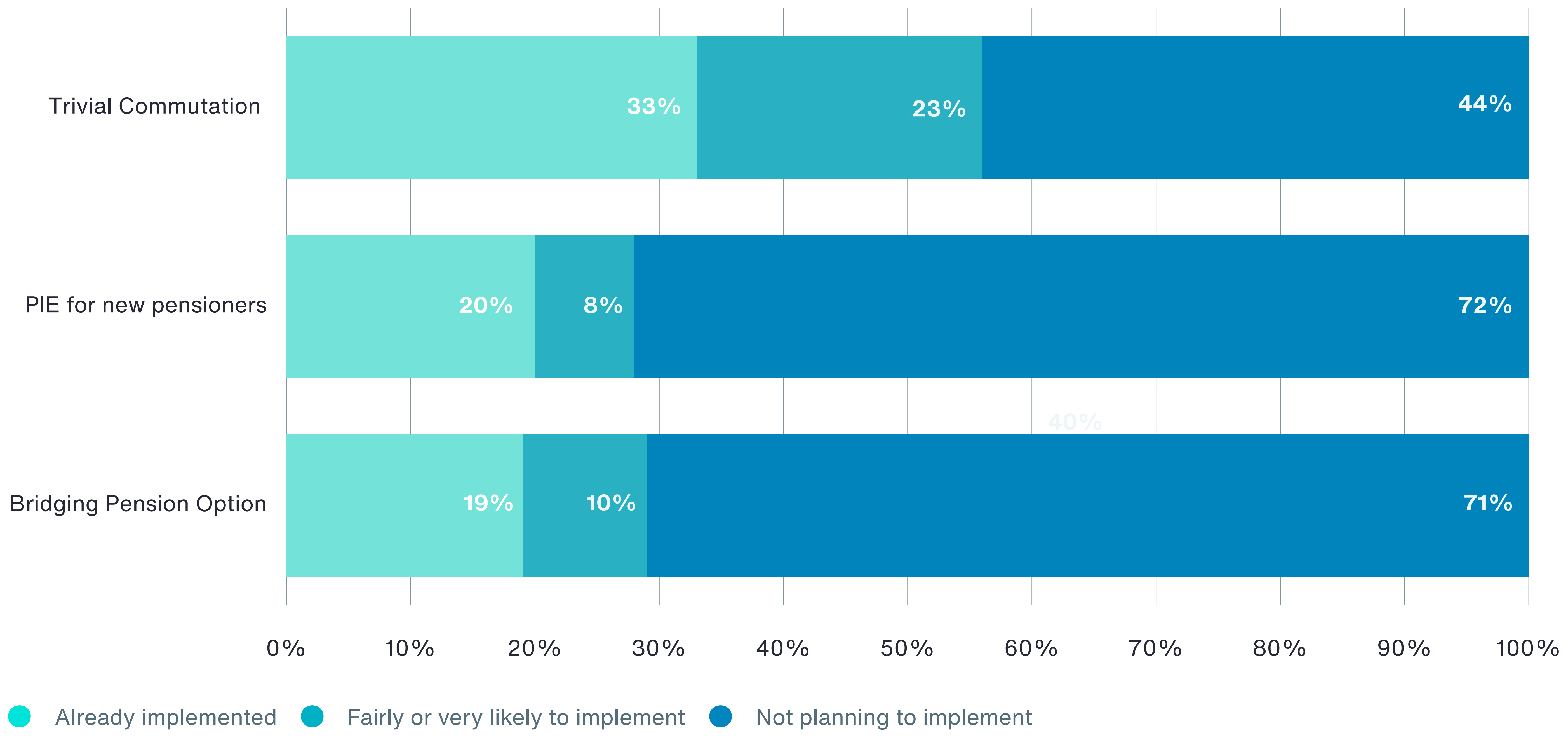
Notably, better-funded schemes continue to lead the way in member support. As the use of surplus becomes an increasingly relevant topic, well-funded schemes are introducing additional forms of support. Aon's 2025 Discretionary Increase Survey found that implementing IFA support was the second most common discretionary benefit, following discretionary pension increases. This commitment to member-centric initiatives reinforces the importance of clear guidance and robust support in delivering positive outcomes for scheme members.

Growing Flexibility

An increasing number of schemes are offering new in-scheme retirement options, giving members more choice in how they take their benefits to fit their circumstances at a time when transfer value take-up rates remain low. The chart shows two popular options, Pension Increase Exchange (PIE)[1] and Bridging Pension Option (BPO)[2]. 28 percent of schemes have at least one of these in place for members now, with that figure expected to rise to 42 percent over the next two years based on survey responses.

Schemes are also returning to trivial commutation exercises, particularly as GMP equalisation exercises conclude. Around a quarter of schemes plan to implement these in the next two years, building on the 33 percent which already have.

Member Options at Retirement



[1] PIE offers an opportunity for members to exchange some (or all) of their future annual pension increases for a one-off immediate increase in pension and lower (or no) future increases.

[2] BPO enables members to take a higher pension from the scheme now and a lower pension after State Pension Age (SPA), smoothing their income so that their total income (from the scheme and the state) is broadly equal before and after their SPA.

Aon Insight

Schemes are increasingly embracing flexibility, giving members more ways to tailor their benefits to their individual needs. Based on data from Aon-administered schemes since the start of 2024, 36 percent of members opt for a PIE option where available, and 55 percent take a BPO where offered. These options provide valuable alternatives for members seeking to reshape their benefits, whether to retire before state pension age or to maximise tax-free cash.

Insurers are also adapting to this shift, and our 2025 Member Options and Support Market Insights Report found that 70 percent of insurers would be willing to continue to offer BPO at retirement regardless of scheme size.

Many schemes are implementing these flexible options in conjunction with GMP equalisation exercises, turning a compliance requirement into an opportunity for members. Over the past four years, Aon has supported nearly 50 PIE exercises for pensioners alongside GMP equalisation, involving over 50,000 members — with around 30 percent accepting the PIE offer.

It is encouraging to see schemes investing in member support and flexibility, equipping members with the tools and information they need to make informed decisions about their retirement. As the regulatory and digital landscape evolves, schemes that prioritise clear communication and robust support will be best placed to deliver positive member outcomes and navigate the challenges ahead.

Success Story

Delivering Value for Members and Sponsors

A large multinational company approached its GMP equalisation exercise with clear objectives: give members more flexibility, simplify benefits and administration, and achieve a liability saving and a positive P&L impact.

It decided to equalise using GMP conversion and offer pensioners a PIE option alongside this. The company supported members throughout the process with paid-for independent financial advice and access to an online modeller.

The outcome? The liability savings from the PIE more than offset the liability impact of GMP equalisation plus the implementation cost of the exercise, delivering a material P&L credit. Members responded positively, with 46 percent of them engaging with the IFA and 22 percent taking the PIE offer, while the company achieved its aim of simplifying the benefit structure of the scheme.

All Schemes

Operational Governance →

6 Operational Governance

Operational Governance

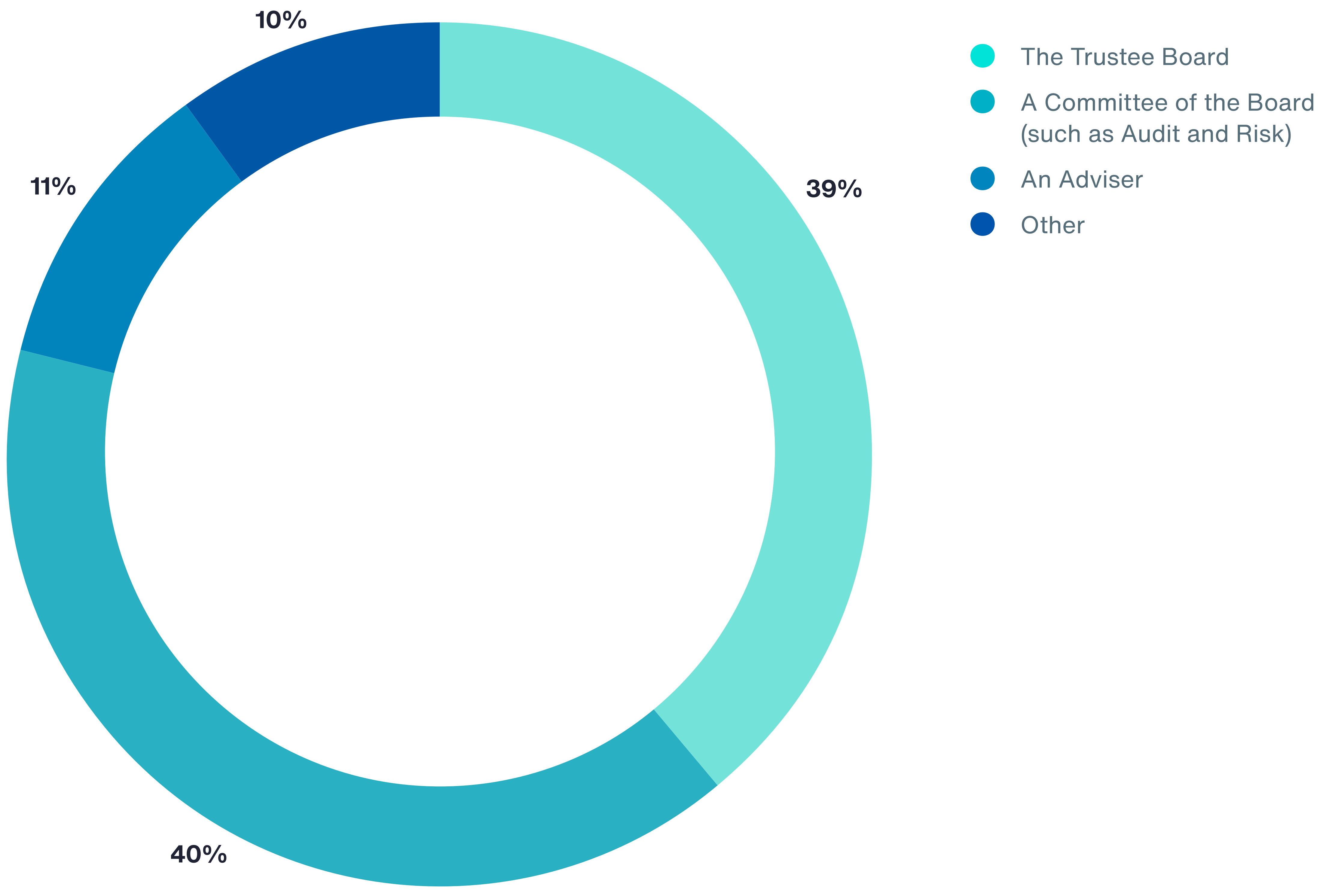
Risk Management

The UK pensions sector will see major regulatory changes in the next few years, emphasising consolidation, governance, and member outcomes. With new rules affecting both DB and DC schemes and increasing amounts of project work involving specialist advisers, managing pension schemes is more complex than ever, which introduces more risks for pension schemes.

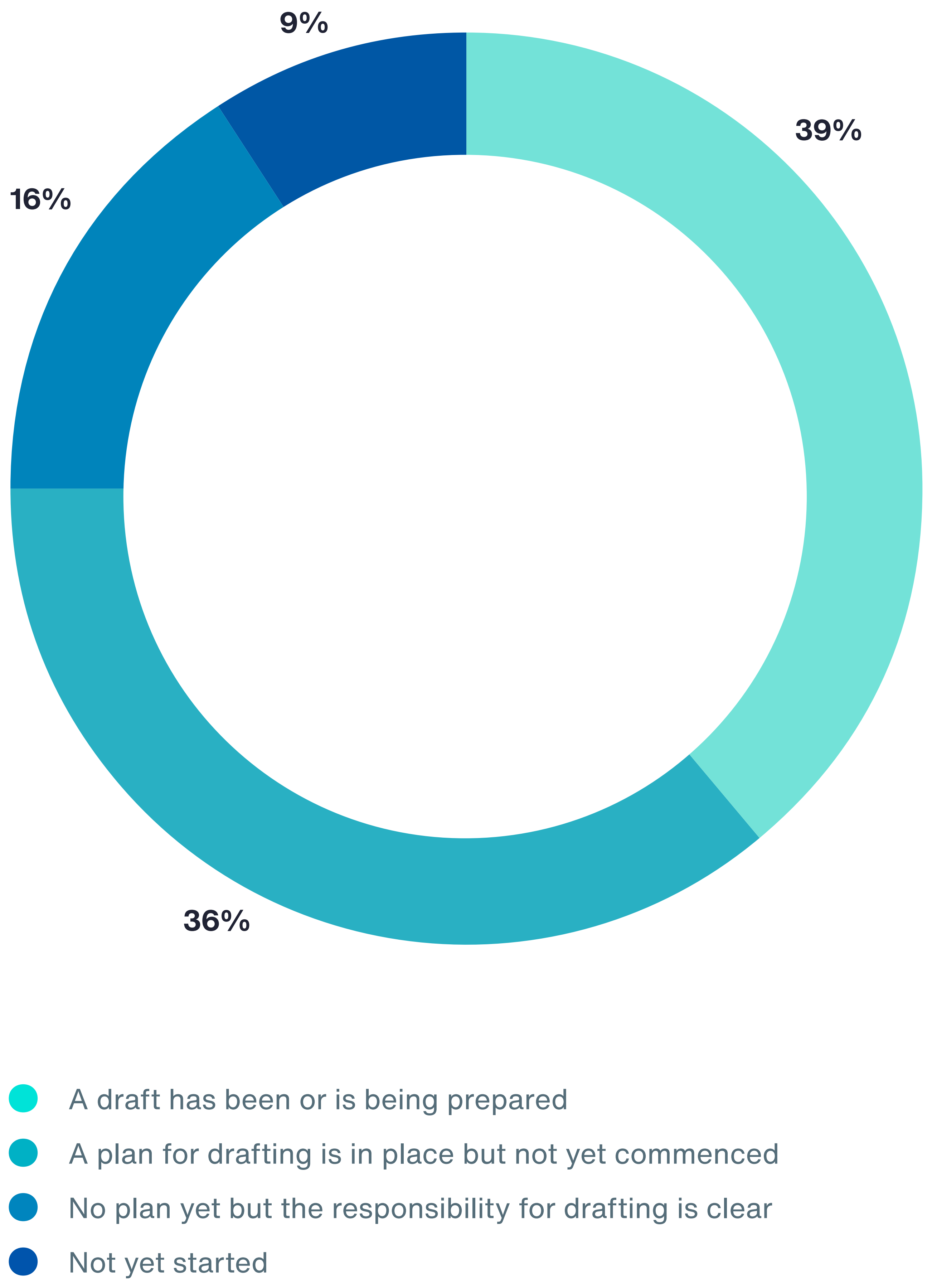
The introduction of TPR's General Code of Practice, which heightens risk management requirements, is therefore timely.

One of the immediate priorities for trustee boards is to identify and appoint a nominated Risk Management Function (RMF) for their scheme. Our survey revealed that 79 percent of respondents have designated their trustee board or a trustee sub-committee as the RMF with the remaining schemes assigning the role to individuals or advisers outside of the trustee board.

Risk Management Function



ORA Progress



Looking ahead, the next major milestone for boards is the preparation of their first Own Risk Assessment (ORA), with most schemes required to complete this by 2026. Many are using the intervening period to enhance their risk management frameworks and to align their practices with the new regulatory requirements. Encouragingly, three-quarters of schemes have either started or planned their first ORA, while nearly 10 percent have not yet begun planning. For those yet to start, the immediate focus should be on meeting Effective System of Governance (ESOG) requirements and documenting a risk management approach that aligns with the General Code of Practice — critical steps in preparing for the initial ORA.

The ORA will become a recurring requirement, to be completed at least every three years. Boards should therefore consider how their ongoing risk management approach will support the completion of future ORAs, embedding good governance practices for the long term.

Aon Insight

Over the past two decades, the range of issues that pension schemes must manage has expanded dramatically, driven by escalating regulatory demands and increasingly sophisticated solutions. This has created new challenges for trustees and scheme managers — not only in terms of technical knowledge and understanding, but also in terms of available capacity and time. The ORA represents an opportunity to further strengthen scheme governance, supporting better decision-making and enhancing operational resilience across the sector.

In our experience, the most effective schemes have utilised the period following the introduction of the General Code to re-evaluate their governance and risk management processes.

This approach usually leads to a clarity of risk appetite and clearer objectives for trustees, more focused risk registers, and improved understanding of risk management and key roles and responsibilities, preparing them better for their initial Own Risk Assessment.

Equality, Diversity and Inclusion (EDI)

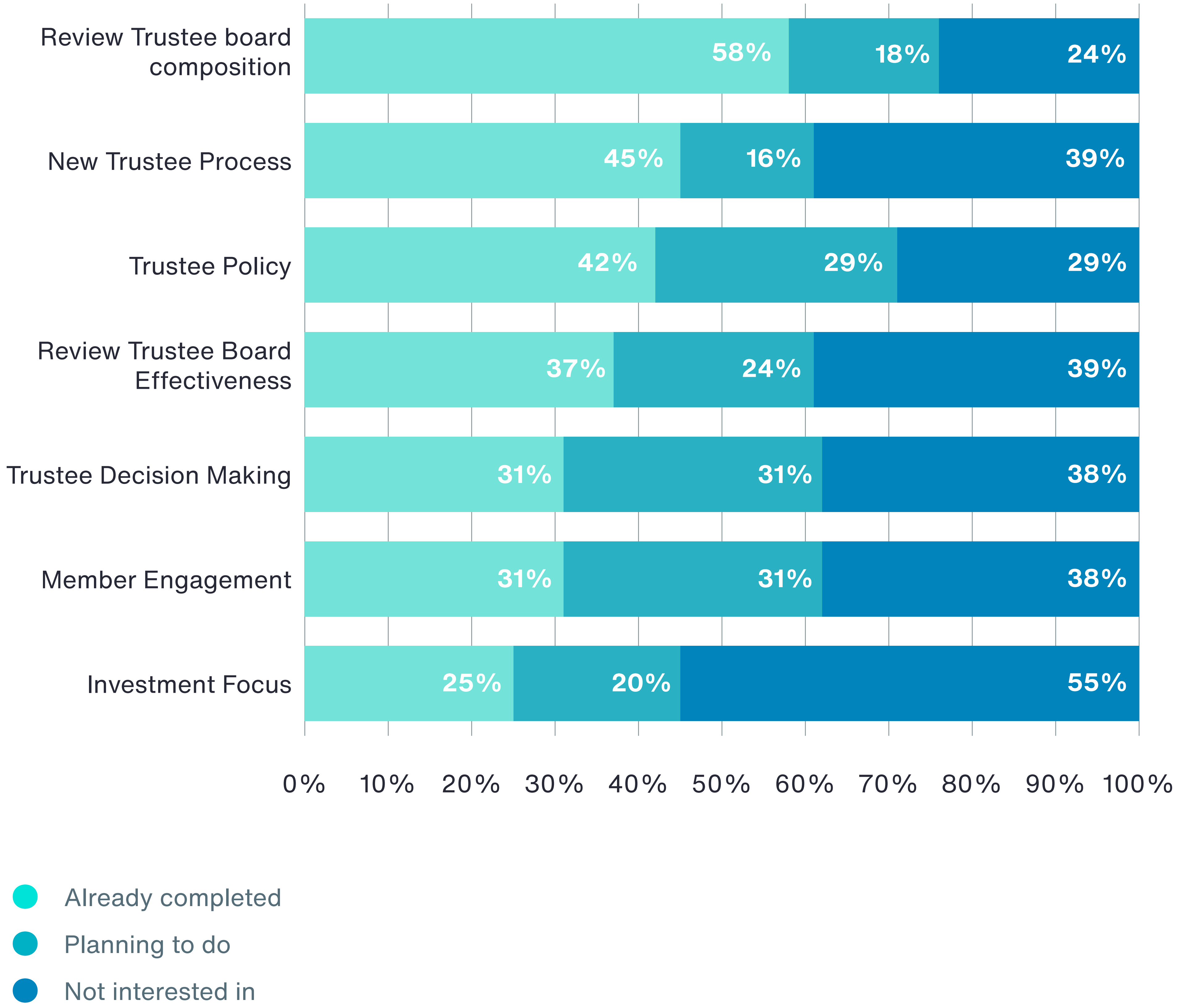
Pension schemes are increasingly moving beyond basic EDI training and embracing practical, measurable actions to foster diversity and inclusion.

The proportion of boards with a formal EDI policy has doubled since the last survey, rising from 21 percent to 42 percent, with an additional 29 percent actively considering the implementation of such a policy. Notably, the gap between large and small schemes is narrowing; 39 percent of small schemes now have a formal EDI policy, a substantial increase from 10 percent in 2023, while 48 percent of large schemes have adopted EDI policies, up from 30 percent previously.

Most boards report active engagement with EDI-related initiatives. Common activities include reviewing board composition through skills and diversity assessments, developing tailored trustee EDI policies, and creating inclusive processes for trustee appointments and elections. Many schemes are also conducting board effectiveness reviews with a focus on behavioural dynamics and inclusivity.

There is clear momentum behind these efforts. Over 60 percent of boards have either reviewed or plan to review their board effectiveness with respect to EDI, and 31 percent of trustees now consider decision-making through an EDI lens, an increase from 21 percent in the previous survey. This growing engagement demonstrates a commitment to continuous improvement and the integration of diverse perspectives in scheme governance.

EDI Activities



Aon Insight

We encourage schemes to integrate EDI considerations into all current and future projects. Embedding EDI principles throughout every aspect of scheme operations enhances overall effectiveness and ensures that diversity and inclusion become a natural part of decision-making, rather than a separate or additional initiative.

The most effective boards we have worked with have successfully woven EDI into every layer of their operations. This integration starts with board composition, recruitment, and succession planning, and extends through to member communications, discretionary decisions, and investment strategies. Progress is achieved by systematically addressing each area, learning from each initiative, and applying those insights to future activities.

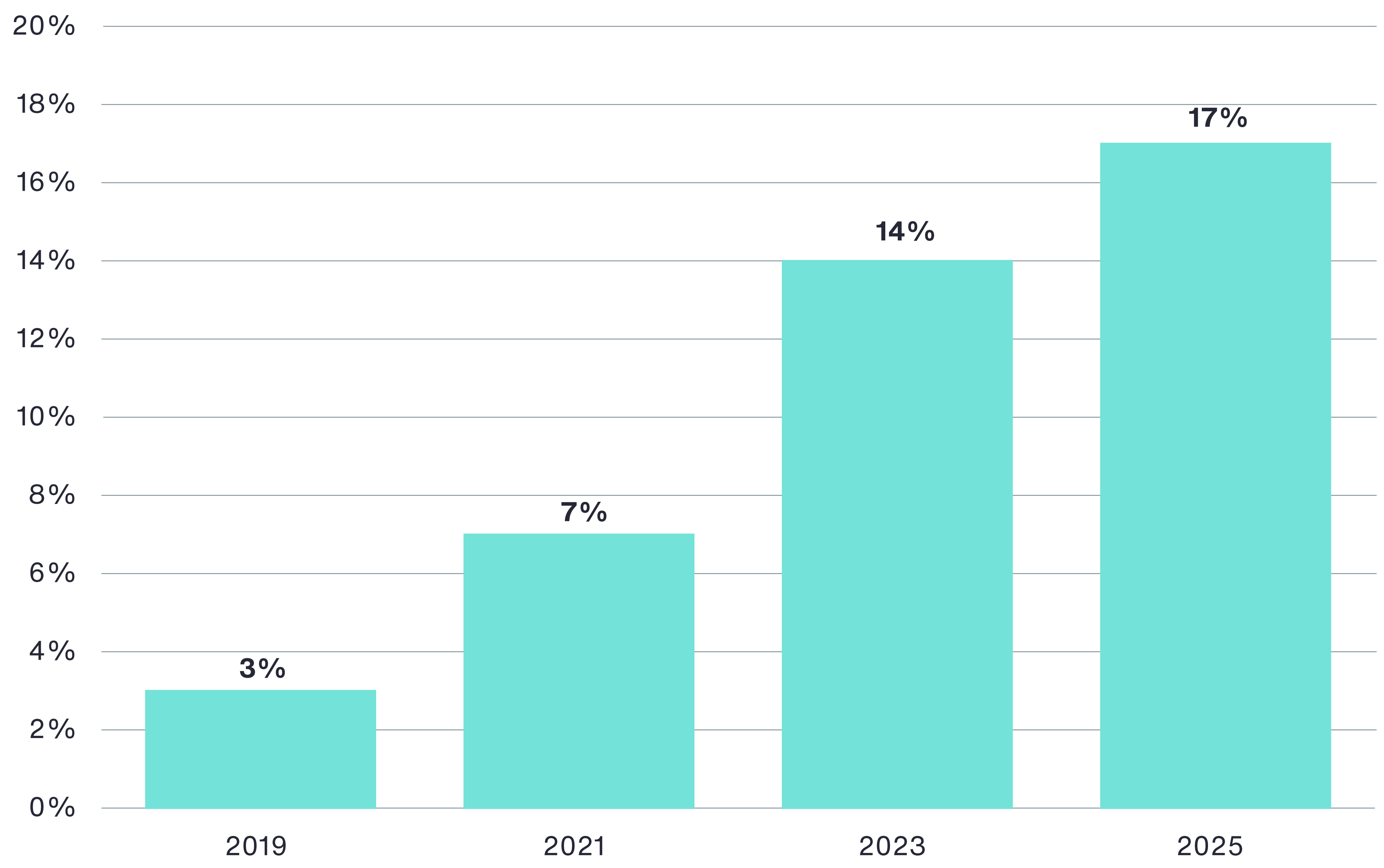
Cyber Risk

Cyber incidents remain a significant and growing area of concern for pension schemes. While many trustees recognise the data risks inherent in managing a pension scheme, the impact of a cyber incident can extend far beyond data breaches, potentially disrupting scheme operations and threatening scheme assets.

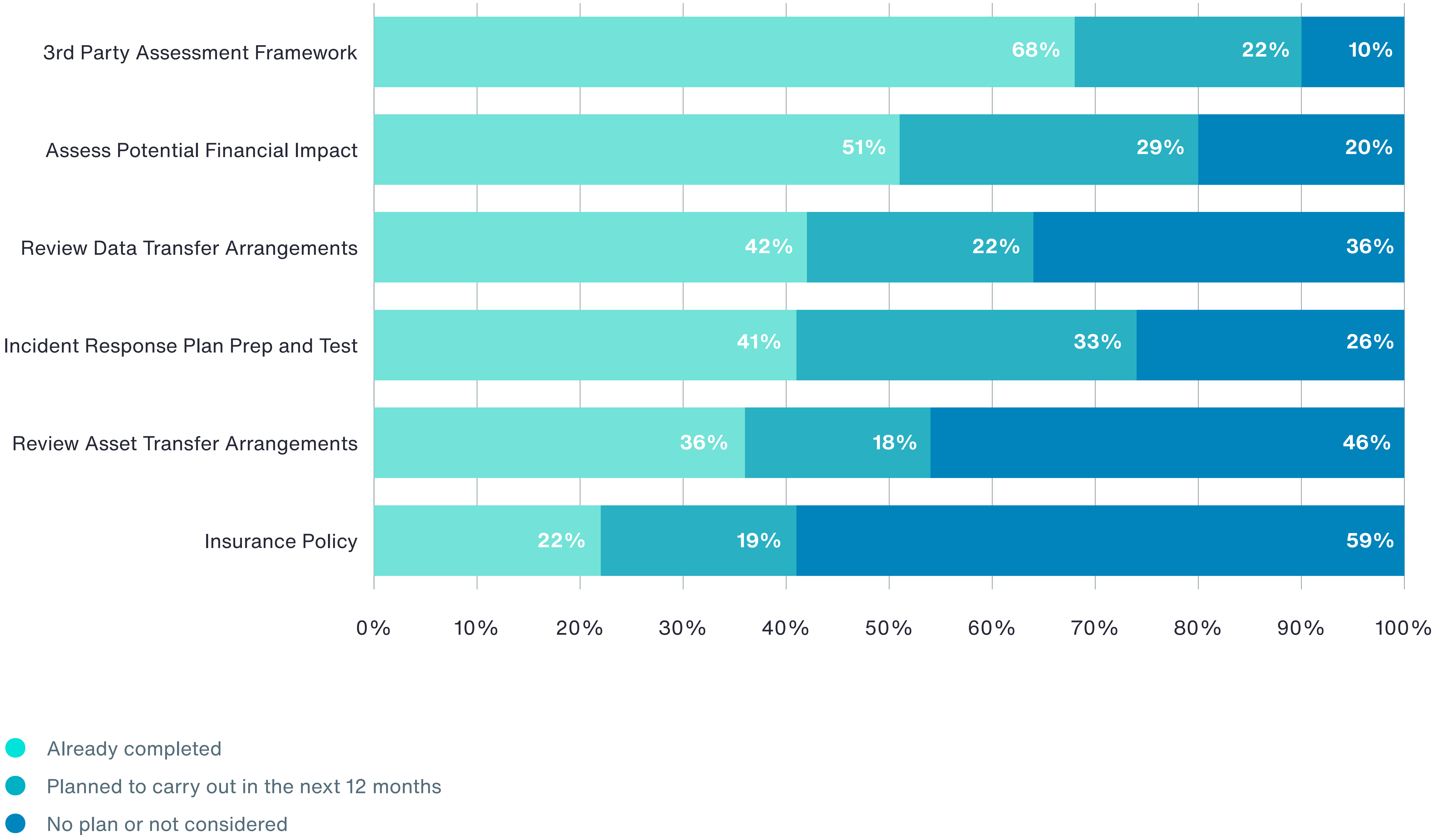
Many pension schemes have experienced this risk firsthand. As our previous Global Pension Risk Survey was being published in 2023, a significant cyber attack on a major provider of pensions administration services affected a significant number of pension schemes. This incident has reverberated across the pensions industry throughout the last two years, prompting many schemes to consider not if, but when they might be impacted by a similar event. The 2025 survey reflects this heightened awareness, with nearly one in five schemes reporting that they have experienced a cyber incident — a sustained upward trend that shows no sign of abating.

In response to these developments, regulatory requirements for trustees have been considerably strengthened. TPR issued updated cyber guidance in December 2023, and cyber controls are now an explicit part of the administration module in the General Code. These changes underscore the importance of robust cyber risk management across all aspects of scheme governance.

Proportion of Schemes Impacted by Cyber Incident



Progress on Cyber-Related Action in Next 12 Months



What is the Industry Doing In Response?

Despite heightened awareness, the survey reveals a slight reduction in activity around common cyber resilience measures. For example, only 41 percent of schemes have tested their incident response plans, down from 49 percent in 2023. Encouragingly, one in three schemes has incident response planning or testing on their agenda for the coming year. However, the competing demands on trustee time and resources — particularly over the past 24 months — are likely to have contributed to this dip in activity, as other strategic projects have taken precedence.

Schemes are also placing greater emphasis on third-party contracts, yet significant gaps remain. 64 percent have not reviewed asset transfer arrangements and 58 percent have not reviewed data transfer arrangements — both of which are high-risk areas. The increasing complexity of scheme data ecosystems, particularly with the trend towards buyouts and the involvement of more third-parties, further elevates the risk of cyber incidents.

Trustees clearly intend to improve cyber resilience, but the data suggests that more action is needed. As the pensions industry becomes more digital, with initiatives such as pensions dashboards and increasing automation, the potential impact of a cyber incident on member experience and strategic project delivery grows. Trustees should ensure that cyber risk remains a priority on their agendas.

Cyber Insurance

Given the rising incidence of cyber attacks, more schemes are considering cyber insurance as a means of support in the event of an incident. 19 percent of schemes are considering it within the next year, up from 10 percent previously. However, nearly 60 percent of schemes have not yet considered or do not plan to implement cyber insurance, so there remains scope for this to grow in the future.

Assessing the potential financial impact of a cyber event is a critical first step, and it is encouraging that over half of respondents have already undertaken this analysis. This assessment helps inform whether transferring the financial risk through insurance is appropriate.

Many cyber insurance policies also offer access to expert advice, communications support, and incident management specialists. For trustees, these additional services can be as valuable as the financial cover itself, providing practical support when it is most needed.

Recommendations for Improving Cyber Resilience

Aon's long-established approach to managing pensions cyber risk is based on a **Seek, Shield, Solve** framework.

- **Seek:** Understand the nature of the cyber risk you are exposed to.
- **Shield:** Protect yourself against that risk.
- **Solve:** Be prepared to deal with an incident should it happen.

At a minimum, well-managed schemes should map data and asset flows (Seek), rigorously assess third-party providers (Shield), and maintain a robust, regularly tested incident response plan (Solve). While some schemes are considering the financial implications of a cyber incident and exploring insurance, it is essential not to lose sight of these fundamental steps.

Aon Insight

Managing cyber risk is inherently complex, and trustees may find it challenging to know where to begin. With regulatory requirements strengthening and the consequences of cyber incidents becoming ever more significant, seeking specialist advice and support is vital. Schemes that proactively address cyber risk, learn from past incidents, and develop comprehensive response plans will be best placed to protect their members and maintain operational resilience.

Success Story

Recently, a large client experienced a cyber incident affecting their sponsoring employer. While the pension scheme itself was not directly impacted, there was significant disruption to the in-house pensions team and trustees employed by the sponsor. Having previously experienced a similar incident, the scheme had already developed a comprehensive incident response plan. The trustee board was well-prepared, understood the necessary actions, and responded swiftly and effectively. When TPR requested details of the incident response plan and the actions being taken, the trustees were able to provide immediate assurance that members' data and benefits were secure. This example highlights the value of preparation and collaboration between trustees and sponsors. All schemes should strive to enhance their preparedness and minimise the impact of future cyber incidents on their members.

Defined Contribution Schemes

DC Scheme Structures →

DC Member Support and Risk Management →

DC Investment →

7

DC Scheme Structures

DC Scheme Structures

Continuing Change for DC Pension Structures

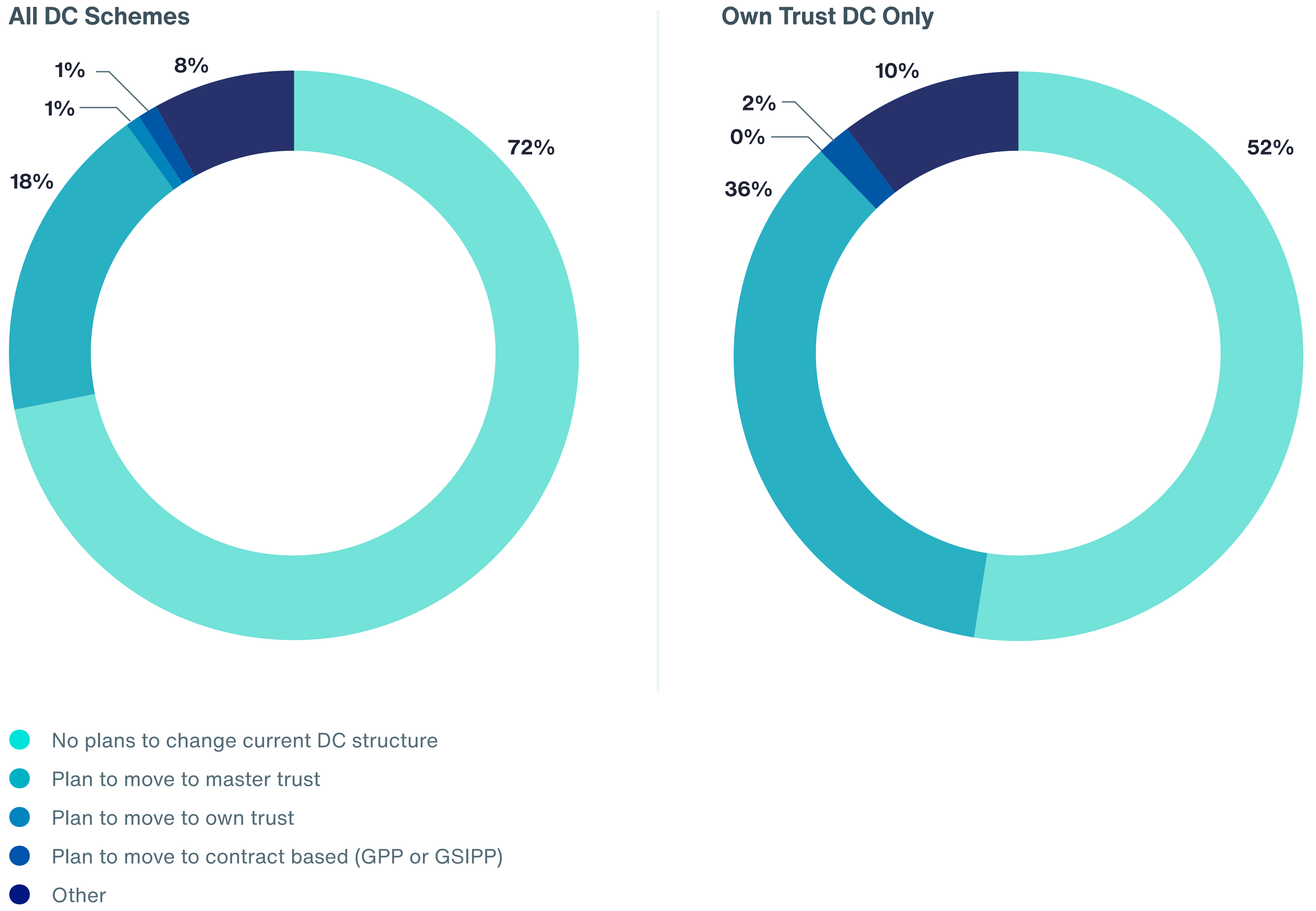
We asked schemes about their long-term plans for delivering benefits to their DC members. Over a quarter of respondents (28 percent) indicated they are planning to change the way they offer DC pensions, reflecting a continued appetite for innovation and improvement in the DC landscape.

Among those operating their own trust-based DC arrangements, the picture is evolving. While 52 percent have no current plans to alter their structure, 38 percent are considering a move away from an own trust model. This is in line with our 2024 DC Pension Scheme Survey 'Five Steps to Better Workplace Pensions', where 35 percent of own trust DC plans were contemplating such a transition. This shows a continuing interest in alternative models, such as master trusts and contract-based schemes, as sponsors and trustees seek to enhance governance, achieve efficiencies, and deliver better value for members.

For own trust DC schemes that are not planning to move and also have an associated DB scheme, nearly half (46 percent) are exploring the use of DB surplus to fund future DC contributions. With many DB schemes now in stronger funding positions, this approach offers a practical way to optimise financial resources and support the long-term sustainability of DC schemes.

Regulatory developments are set to stimulate further activity in the DC market. The introduction of the Pension Schemes Bill this year brings new measures, including the requirement for DC schemes to offer clear default options for converting savings into retirement income, a Value for Money framework to assess scheme performance, and initiatives to consolidate small pension pots. Schemes considering changes should be mindful of potential capacity constraints and plan early to avoid bottlenecks, particularly as DB administration resources are increasingly stretched by regulatory and project demands.

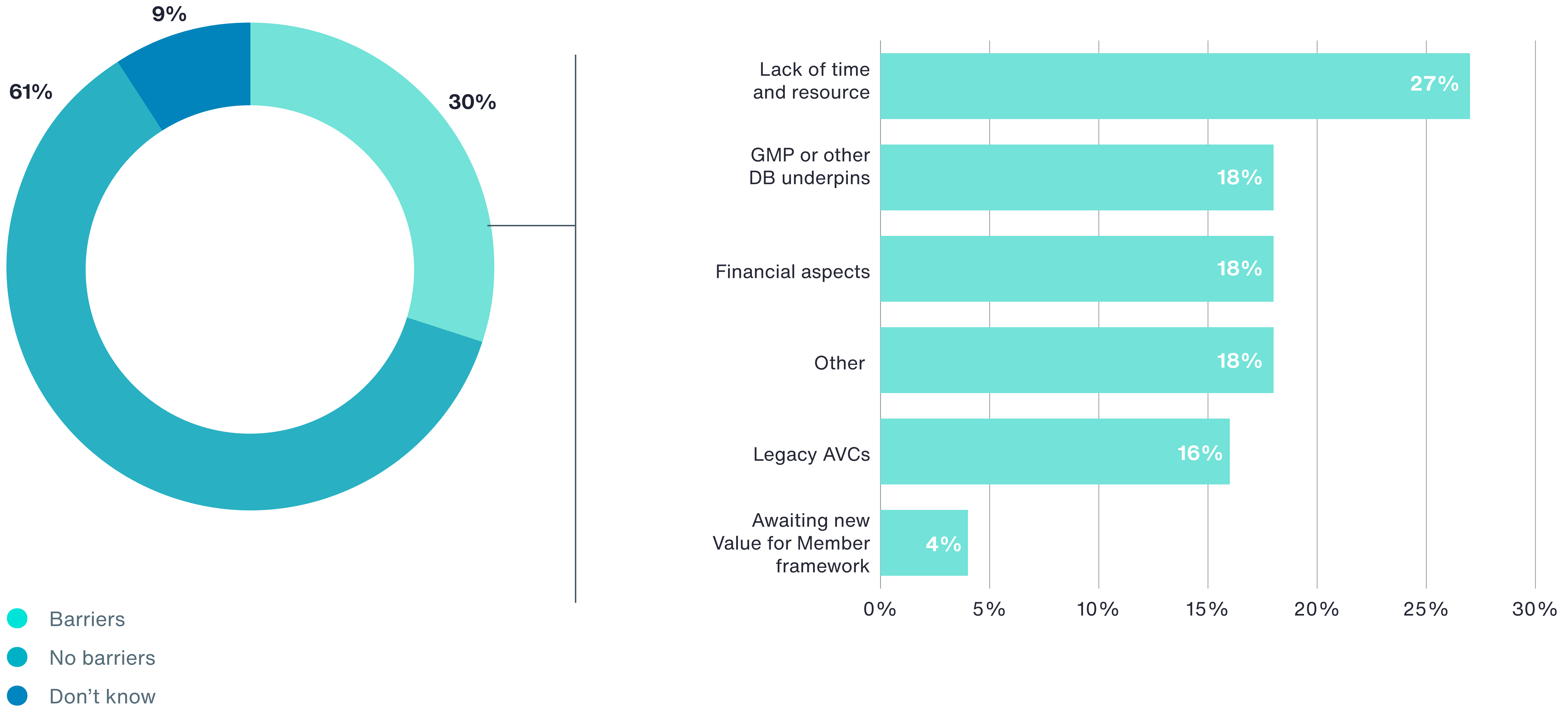
Future Plans



Despite this momentum, around a third of DC schemes (30 percent) identify barriers to making changes in how they deliver DC benefits. The most commonly cited challenges are lack of time and resource (27 percent), followed by complexities such as GMP or DB underpins, financial considerations, legacy AVCs, and the need to await the new Value for Member framework.

Importantly, these barriers should not deter schemes from pursuing necessary changes. While issues like GMP underpins can be complex, effective solutions are available — for example, arranging a GMP buyout with an insurer and transferring the remaining pot to a master trust. Similarly, legacy AVCs can be managed by quantifying the value of guarantees, enabling schemes to move forward without being held back by legacy issues. By proactively addressing these challenges, schemes can continue to evolve and deliver better outcomes for their members.

Do You Have Any Barriers to Making Changes to Your DC Plan?



8

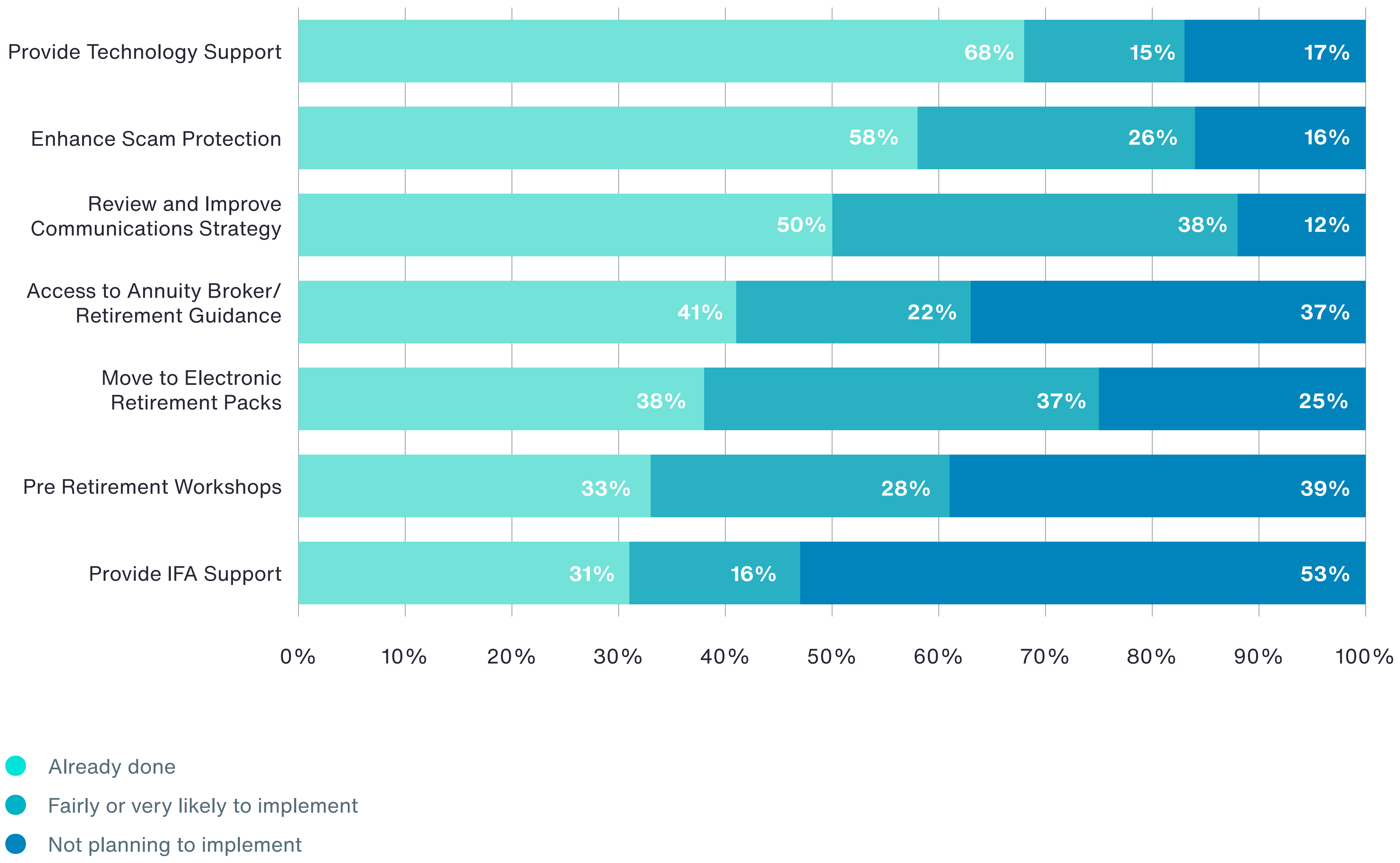
DC Member Support and Risk Management

DC Member Support and Risk Management

The Government's proposed requirement for DC schemes to offer clear default options for converting savings into retirement income, as set out in the Pension Schemes Bill, marks a significant step forward for member outcomes. In light of these developments, we explored what schemes are planning over the next 12 to 24 months to enhance retirement options and member support.

The survey results reveal a positive shift in approach, with schemes increasingly focused on improving communications, strengthening scam protection, and expanding technological support for members. Nearly a third of schemes have already taken proactive steps to enhance the options and support available to members approaching retirement. This reflects a commitment to continuous improvement, as trustees and sponsors work to deliver more comprehensive and tailored support to their members.

Are You Planning Any of the Following Changes to Your Member Retirement Journey Over the Next 12–24 Months?

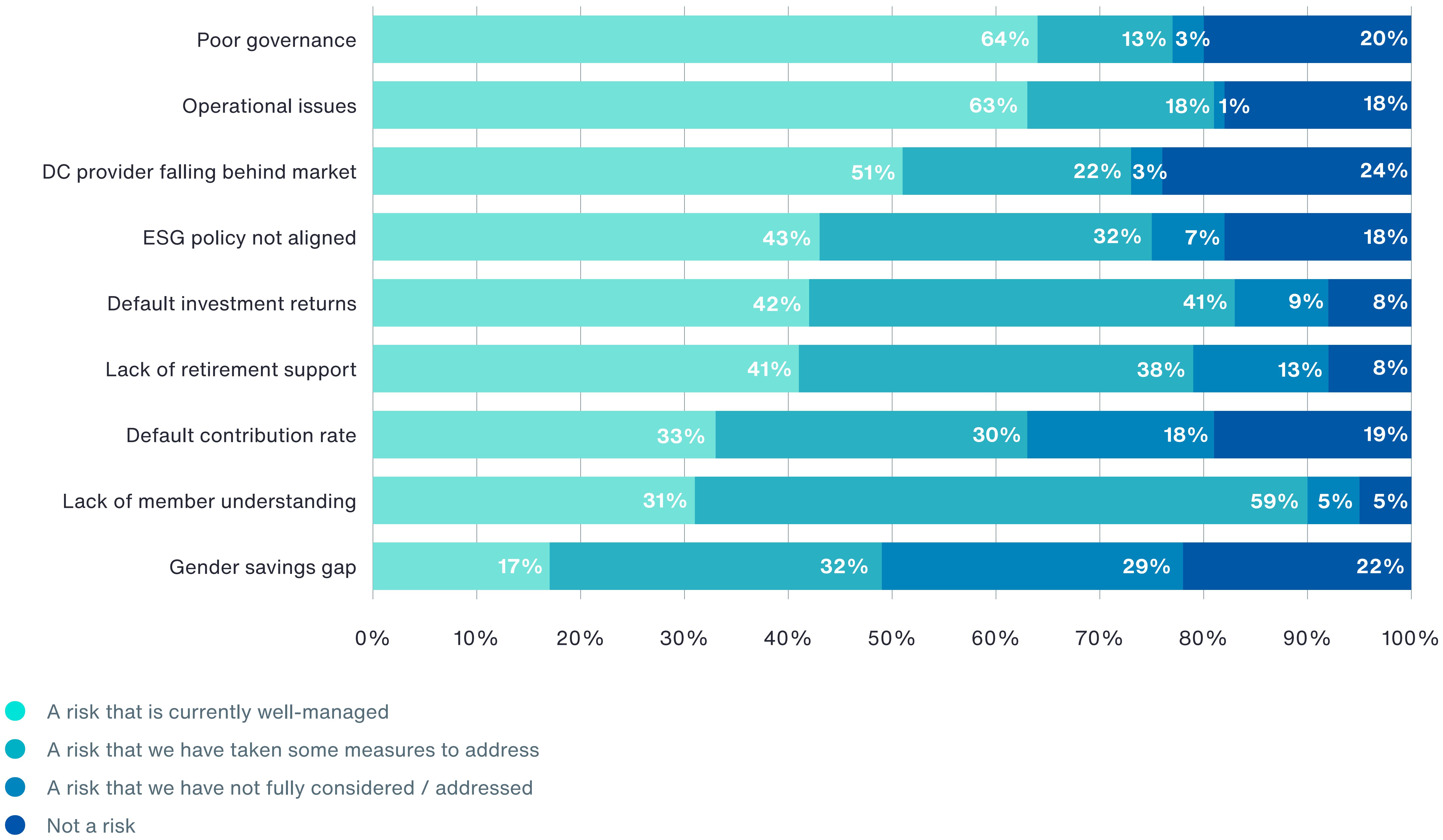


Providing IFA support is emerging as an area of focus. 47 percent of respondents are either already offering or likely to introduce this service — a figure that remains consistent with the 50 percent reported in our 2024 DC Pension Scheme Survey. This trend highlights growing recognition of the value of professional financial advice in helping members navigate complex retirement decisions.

Proposals from the Financial Conduct Authority (FCA) around targeted support further encourage schemes to provide more personalised and relevant guidance, bridging the gap between basic information and regulated advice. These initiatives are designed to enhance the retirement planning experience, ensuring members have access to the resources they need to make informed choices.

The recent Pension Schemes Bill sets out the proposed high-level requirements for schemes to provide 'default pension benefit solutions' designed to provide members with a regular income. Although the Government's timeline for implementing these is still some way off, many schemes we work with at Aon are already reviewing their communications strategies to ensure readiness. In a recent example, a financial services firm carried out a market review of retirement income solutions currently available. They then selected the most appropriate, negotiated on fees and signposted this provider as an option to their DC members. In this way, their scheme is positioned to adapt quickly to future regulatory requirements and deliver improved retirement outcomes for their members.

DC Pension Risks



We asked respondents to identify the risks they considered most relevant to their DC schemes.

Poor governance is a risk that respondents felt is the most well managed (64 percent). On the operational front, 63 percent of schemes believe they have effectively managed operational risks. However, there has been an uptick in incorrect automatic enrolment payments, suggesting that while 18 percent consider operational issues not to be a risk, there may be a need for process audits and further monitoring.

Member understanding is a critical area of risk. 59 percent of respondents recognise the risk that members may not fully understand their DC benefits or the impact of their decisions on retirement outcomes. While many schemes have taken steps to address this, only 5 percent consider it not a risk, and another 5 percent have not yet fully considered or addressed it. This remains an ongoing challenge, with very few schemes believing they have fully mitigated the issue. Ensuring that members are well-informed about their benefits is essential to helping them achieve positive retirement outcomes.

The gender savings gap continues to be a prominent risk in the industry, with 29 percent of respondents acknowledging that they have not yet fully considered or addressed this issue. The gap is shaped by a range of factors, including career breaks, wage disparities, and differences in investment behaviour between men and women. While there is growing industry focus on understanding and closing this gap, significant work remains to ensure it is addressed comprehensively across all schemes.

It is encouraging to see respondents demonstrating strong awareness of the risks associated with investment returns, contribution levels, and member decision-making. Addressing these areas is fundamental to the long-term success of DC schemes. Trustees and sponsors should understand their provider's approach to these risks and benchmark against market alternatives to ensure members receive the best possible outcomes.

Aon Insight

Our modelling illustrates the tangible impact that poor value can have on DC savers. For a typical new joiner — aged 21, earning £25,000 per year, and saving 12 percent of salary over a 47-year career (ie to age 68) — **a good retirement outcome can be reduced by more than half (52 percent) by poor investment performance.** This figure is based on the difference between the actual upper and lower quartile master trust default investment performance over the five years to Q4 2024, during the growth phase of a lifestyle strategy. These findings underscore the importance of robust investment governance and regular review to safeguard member outcomes.

Success Story

A clear understanding of the gender pensions gap within a scheme enables trustees and sponsors to pinpoint the underlying drivers and implement targeted solutions. Regularly tracking the gap allows for ongoing monitoring, benchmarking against industry standards, and the measurement of progress over time.

For example, one client undertook a detailed analysis of their scheme's gender pensions gap. They discovered that a primary driver was lower contribution rates among women. Further investigation revealed that this was largely due to a higher proportion of women in lower-earning roles, where contribution rates tended to be lower overall. Armed with this insight, the trustee issued targeted communications to the entire low-earner population, focusing on the benefits of pension contributions, rather than addressing only the female population. The company also reviewed its contribution structure, seeking to remove barriers for low earners by considering defaulting employees onto a higher matching contribution level.

This in turn led to increased pension savings across all the low earner population (not solely the female population), which was a big driver in starting to reduce the level of gender pensions gap among the workforce in subsequent ongoing monitoring. The results of the analysis also contributed towards the company decision to revise their DC contribution structure, introducing a lower entry-level of employee contributions within their matching structure, to make pension saving more accessible to lower-paid employees.

9

DC Investment

DC Investment

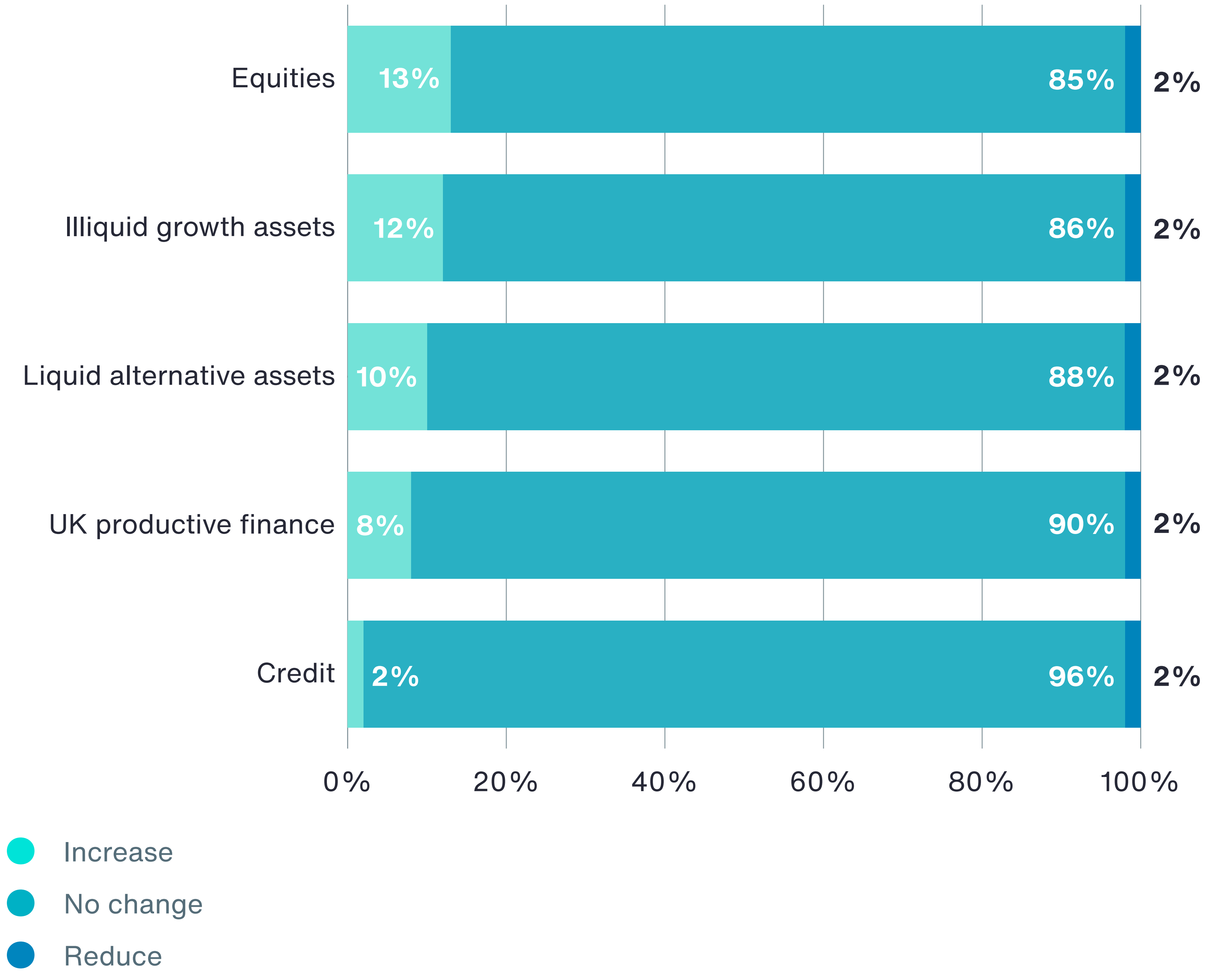
We asked respondents what changes they expected to make in the next 12 months to the default investment strategy of their DC scheme.

Default investment strategies continue to favour a high allocation to growth assets for younger members. Our survey results indicate that this approach remains prevalent, with many schemes planning to further increase allocations to these traditionally higher investment risk asset classes. This strategy is well-suited to the growth phase of a member's pre-retirement savings journey, where the primary objective is to maximise returns by taking advantage of the longer investment horizon available to younger savers. However, as members approach retirement, the focus naturally shifts towards managing volatility and preserving accumulated wealth. Achieving the right balance between growth and risk management is essential to ensure stable and positive outcomes for members nearing retirement.

The inclusion of illiquid growth assets aligns with the Government's Mansion House agenda, which encourages pension schemes to diversify and seek higher returns through investments such as private equity and infrastructure. These asset classes offer the potential for enhanced returns and greater diversification compared to traditional liquid assets. However, any move towards illiquid growth assets must be approached with caution. These investments typically come with higher fees, less regulatory oversight, and increased governance demands, all of which require careful consideration and robust due diligence by schemes and their sponsors.

It is important to note that there is significant dispersion in performance among private asset investments — much greater than is typically seen in public markets. As a result, selecting the right manager, or ideally a well-diversified blend of managers, is vital for managing risk effectively. This approach helps ensure that schemes can capture the potential benefits of illiquid assets while maintaining the overall stability and integrity of the investment portfolio.

Looking Ahead, What Changes Do You Expect to Make in the Next 12 Months to the Default Investment Strategy for Your DC Scheme?

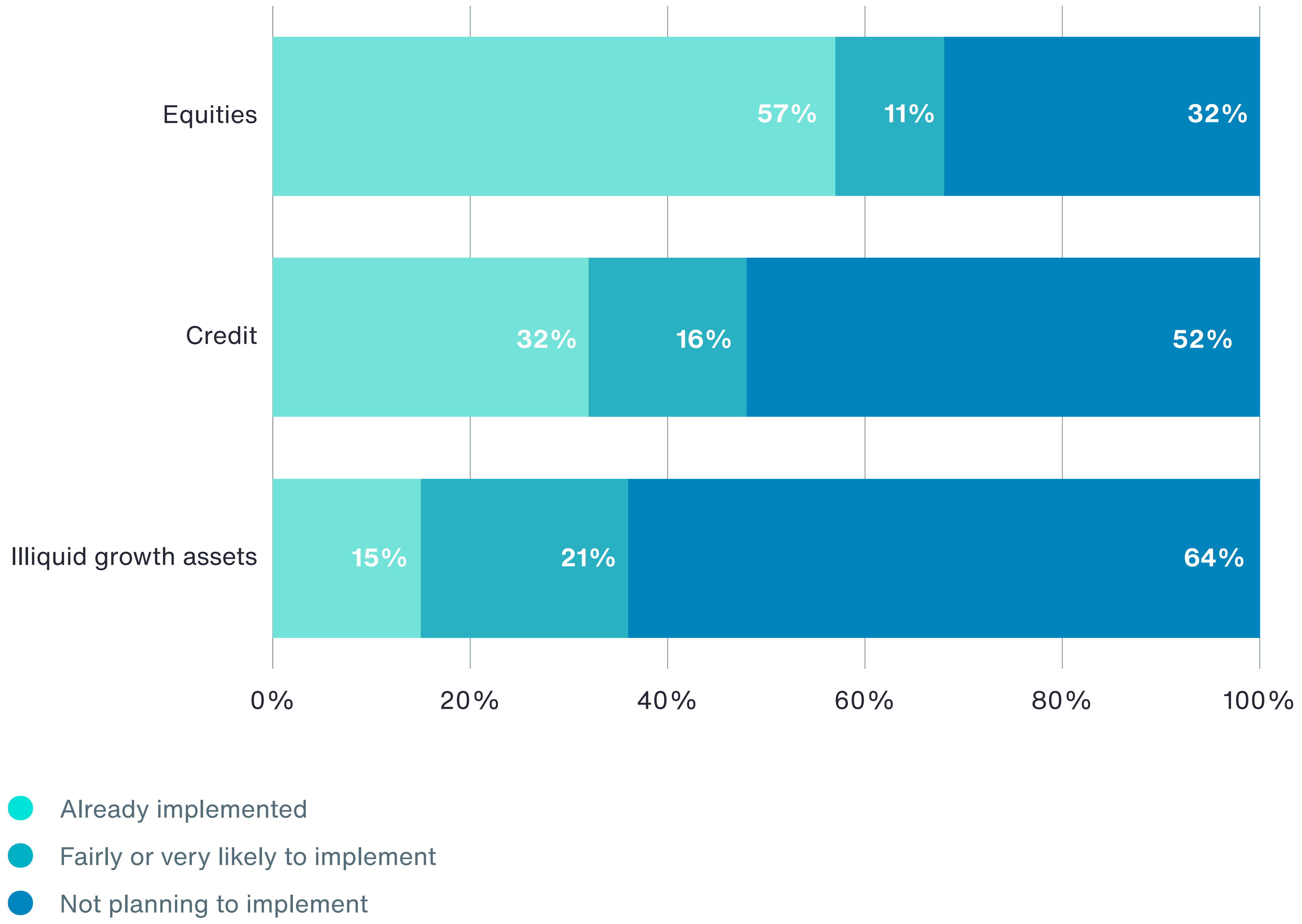


ESG Implementation Across Asset Classes

An ESG tilt involves adjusting an investment portfolio to favour companies or assets that score well on ESG criteria. This approach embeds ESG factors into investment decision-making, aiming to align portfolios with sustainable and ethical practices.

We asked respondents how likely they were to include ESG-tilted funds within their DC default strategies. Despite recent shifts in sentiment in some areas — particularly around investment in fossil fuels, a key driver of climate change — interest in ESG integration remains strong across asset classes.

ESG Tilt in DC Strategies



Equities stand out as the leading asset class for ESG implementation, with 57 percent of respondents having already incorporated ESG tilts into their strategies. An additional 11 percent are fairly or very likely to implement ESG strategies, while 32 percent are not planning to do so. This reflects the broad range of ESG options available within equities and highlights the asset class' flexibility in adopting sustainable investment practices.

Credit investments also show a meaningful amount of ESG integration, with 32 percent of schemes already applying ESG tilts. A further 16 percent are likely to implement ESG strategies, although 52 percent are not planning to do so. This suggests a moderate but growing engagement with ESG principles in credit, and points to further opportunity for sustainable investment in this area.

Illiquid growth assets, however, lag behind in ESG adoption. Only 15 percent of respondents have implemented ESG tilts in these assets, while 21 percent are fairly or very likely to do so. A significant 64 percent are not planning to implement ESG strategies in this asset class. This raises important questions about whether investors are overlooking the potential diversification and long-term sustainability benefits that ESG integration could offer in illiquid growth assets.

Overall, while equities are at the forefront of ESG implementation, there is clear potential for increased ESG integration across other asset classes — particularly in illiquid growth assets, where perceived challenges or lack of awareness may be holding back adoption.

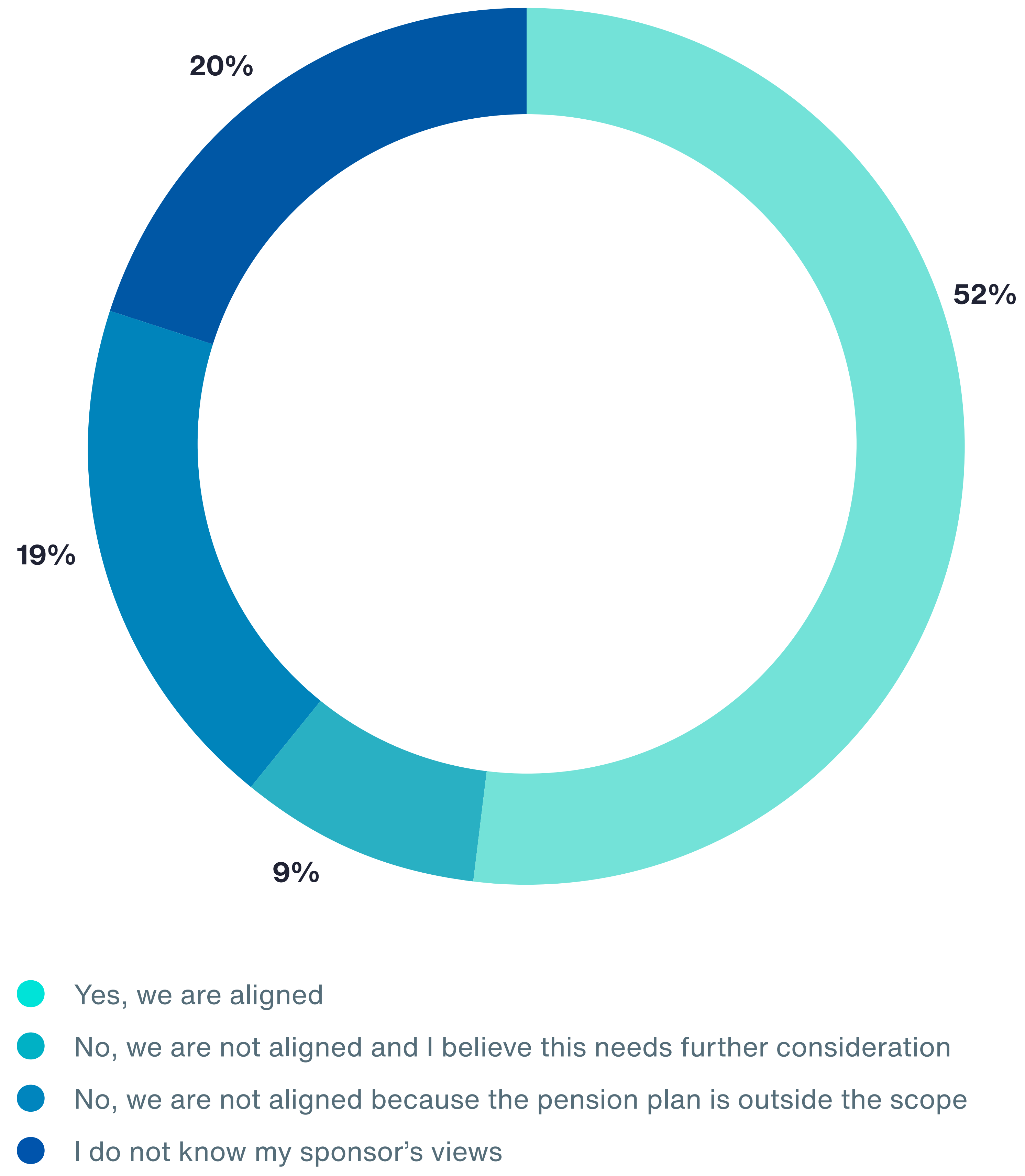
We also explored whether DC schemes are aligned with their sponsor's ESG and net-zero objectives. The findings show that only 52 percent of pension plans are aligned with their sponsors on ESG criteria, indicating that nearly half of schemes need to take further action to ensure alignment.

Among respondents, only 9 percent acknowledge that their schemes are not aligned and believe this requires further consideration — a recognition that proactive engagement and reassessment of ESG strategies are needed to bridge any gaps. 19 percent report that their schemes are not aligned because they believe that the pension scheme falls outside the scope of the sponsor's ESG considerations. This highlights a potential structural or strategic disconnect, an area that is less likely to be an issue for DB schemes. Addressing these disconnects and exploring ways to integrate ESG considerations across all aspects of the pension scheme can enhance overall alignment.

Notably, 20 percent of respondents do not know their sponsor's views on ESG. This lack of awareness poses reputational risks, especially if there is a mismatch between the sponsor's ESG commitments and the pension scheme's approach. For these schemes, open dialogue and collaboration are essential to ensure strategies are aligned, supporting both sustainability goals and positive stakeholder perceptions.

By fostering communication and proactively aligning ESG strategies with sponsor objectives, pension schemes can enhance their sustainability credentials, manage reputational risk, and deliver greater ethical impact for members and stakeholders.

Is Your DC Plan Aligned with the ESG/Net-Zero Goals of the Sponsor?



Further Reading

This survey is exclusively focused on the risks of running DB and DC pension schemes. Aon also conducts surveys on a wide range of other pension topics, as well as on broader HR issues and general corporate risk management.
A selection of our surveys for further reading follows:

Aon Pensions and Retirement Research

2023/24 UK Global Pension Risk Survey

Research Insights: The UK Risk Settlement Market

2024 Defined Contribution Pension Scheme Survey

2025 Defined Benefit Endgames Survey

Other Aon Research

2025 UK Benefit and Trends Survey

2025 Employee Sentiment Study

2025 Global Risk Management Survey

About Aon

Aon plc (NYSE: AON) exists to shape decisions for the better — to protect and enrich the lives of people around the world. Through actionable analytic insight, globally integrated Risk Capital and Human Capital expertise, and locally relevant solutions, our colleagues provide clients in over 120 countries with the clarity and confidence to make better risk and people decisions that help protect and grow their businesses.

Follow Aon on LinkedIn, X, Facebook and Instagram. Stay up-to-date by visiting Aon's newsroom and sign up for news alerts here.

aon.com

Contact Us

Matthew Arends
Partner and Head of UK Retirement Policy
matthew.arends@aon.com

Clare Freeman
Senior Consultant
clare.freeman@aon.com

Susan Hoare
Partner
susan.hoare@aon.com

Rupert Kotowski
Associate Partner
rupert.kotowski@aon.com

Felicity Lewis
Senior Consultant
felicity.lewis@aon.com

Alastair McIntosh
Partner
alastair.mcintosh@aon.com