

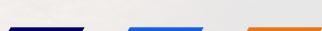
# The changing ecosystem of defined benefit pensions



Volume 6 – Autumn/winter 2025



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## Fully funded, time for endgame

“This year’s edition of our Defined Benefit Research captures an increasingly confident market that’s focusing on the next step of their journey – endgame.”

**Simon Partridge**  
Head of UK Fiduciary Management

## Survey key findings



**Buyout is still the most desired endgame destination** with 38% of respondents citing it as their current target. Behind it is low dependency **run on/off**, which was selected by 32% of respondents, up from 27% last year.



Many schemes’ **endgame journeys are already underway**, but they are not in a rush. 39% of respondents said they had already carried out a **risk transfer**, with only 24% considering one in the next twelve months.



The most cited challenges facing schemes include **geopolitical conflict** (41%) and **inflation and central bank policies** (34%). Growing concerns include **market selloffs and volatility**, which rose to 32%, up from 20%, and **recession**, which more than doubled to reach 22%.



Factors such as **depth of expertise** (57%) and **assistance with moving to endgame** (27%) saw increases as a reason for appointing an outsourced provider. **Manager selection** (43%) and **risk management** (42%) remain key factors.



**More than half of schemes (54%) have set a net-zero target**, while the proportion still undecided or without a target has fallen from last year.

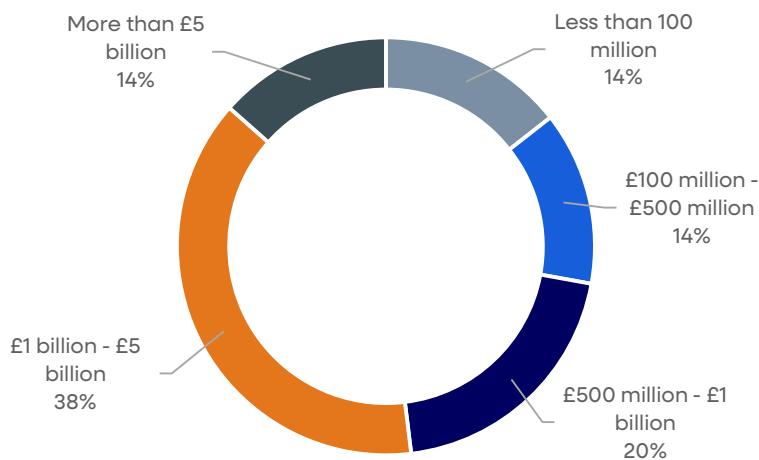
## Survey methodology

The Russell Investments' UK Defined Benefit Market Insights survey is based on 104 responses from key stakeholders at UK defined benefit schemes in September and October 2025, representing a total of nearly £250 billion of assets.

Respondents include scheme CEOs, CIOs, professional, company- and member-nominated trustees, and pension managers.

Detailed interviews were conducted with a focus group of 10 professional trustees and investment consultants. We would like to thank those individuals for their time and insights.

**Quotes reflect personal rather than their firm's views.**



Source: Russell Investments, October 2025.

## Interview insights

### Key takeaways:

- Better funding has accelerated schemes' endgame planning
- Strong demand for risk transfer is constrained by data, governance and capacity challenges
- Schemes are more defensive in investment and pragmatic on ESG

### Funding and endgame

There is agreement that funding improvements have reshaped the defined benefit landscape, meaning more schemes have had to accelerate their thinking about endgame.

Most schemes now have a defined route to endgame but are taking a measured approach to getting there. Interviewees were conscious of the practical and human capacity needed to complete the journey.

The consensus among interviewees is that smaller schemes will move first, driven by affordability, while larger ones are free to explore different options.

### Focus group quotes

*“There are a lot of schemes now looking at what they can do given their funding positions have improved.”*

Sarah Leslie, Professional Trustee, ndapt

*“A lot of schemes know where they're going, but there's no huge pressure to get there tomorrow, wherever it [their endgame objective] may be.”*

*“The big word at the moment is 'bespoke' because every single scheme is now different.”*

*“We are seeing the time between buying in and the ultimate buyout and closure of schemes is creeping up.”*

Graham Jung, Professional Trustee, Pi Partnership

*“It's about the need to be nimble and have a tailored strategy. I think it is really important as schemes mature, funding improves and objectives potentially change - a one-size-fits-all approach really doesn't apply.”*

Kevin Humpherson, Investment Consultant, EY

## Risk transfer

There is broad enthusiasm for risk transfer, but also realism about the constraints in execution.

Trustees and consultants both report strong insurer appetite, but warn that deal capacity and data readiness are now the biggest barriers.

Some interviewees noted that the time gap between buy-in and full buyout is widening, with operational complexities extending timelines.

Several also flagged that covenant risk and market volatility are pushing some trustees to act sooner, even if systems are not fully ready.

Many voiced concern that smaller schemes may be left behind due to limited adviser and administrator bandwidth.



*“Because of the amount of time, money and effort on both the P&L and balance sheet, they [some smaller schemes] are very keen to go to buy-in towards buyout. But the buy-in to buyout process is long. And if you throw GMP [equalisation] into that equation, it is expensive.”*

Miki Fairfax, Professional Trustee, BESTrustees

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*“There needs to be a lot more innovation in the marketplace. It needs to be made more cost effective for smaller pension schemes to be able to [run on].”*

André Kerr, Investment Consultant, XPS

## Investment strategy

Schemes appear more defensively positioned, with lower allocations to growth assets and higher exposure to (a wider spectrum of) credit and gilts.

Consultants emphasise the importance of diversification and flexibility, while trustees spoke more about liquidity and execution readiness.

There was consensus that the 2022 gilts crisis accelerated learning, forcing schemes to think about endgame resilience rather than performance.

Others cautioned that markets remain volatile and correlations unpredictable, requiring ongoing monitoring and bespoke solutions.



*“These [ABS and similar assets] are very specialised sectors where people may not understand the correlation of risk... and so what is perceived as lower risk may actually be higher risk.”*

*“Whilst I’m not one to want more regulation, I just worry about the level of expertise on all sides.”*

Miki Fairfax, BESTrustees





*"There are conversations being had as to whether, with the pension scheme, [trustees and sponsors are] sat on an asset rather than a liability and whether you make that work a bit better for you."*

*"The majority of my schemes that are on the path to buy in and buy out are credit heavy, if not exclusively credit and gilts."*

*"Given yields on credit and gilts, some advisers are talking about slightly different credit exposure in terms of asset backed or structured finance which have a similar credit profile but a slightly higher expected return."*

Dan Walsh, Professional Trustee, Zedra

## Governance

Interviewees agreed that governance standards have improved significantly in recent years, but not without cost.

Trustees spoke of increasing regulatory scrutiny, with the new DB Funding Code and The Pensions Regulator oversight all heightening complexity.

Several noted that boards are working harder than ever, but with limited additional resource or support.

This has led to a heavier reliance on advisers and professional trustees, and in some cases, a move toward delegated solutions such as fiduciary management or OCIO.

Interviewees repeatedly warned that governance fatigue is becoming a risk, particularly for smaller schemes managing compliance manually.

Several respondents also observed that high-quality administration and data cleansing have become preconditions for any endgame or risk-transfer strategy.



*"Governance requirements are significantly more than they were five years ago."*

*"The biggest schemes have often had more money and resource to address a lot of those [data] areas or make sure that record keeping has been better, whereas for some of the medium and smaller size schemes data perhaps hasn't been top of the priority list."*

*"For those schemes now wanting to explore insurance options, data is becoming a headache."*

Sarah Leslie, ndapt



## ESG

The tone around ESG was also pragmatic.

While schemes have not abandoned their ESG ambitions, many acknowledged that cost, resource, and measurement challenges are slowing delivery.

Trustees described ESG as embedded, but less dominant and something that must now be practical.

Insurer due diligence and investment stewardship still reflect ESG principles, but implementation is more gradual.



*"With the current priorities, ESG has slipped down the list. We still report on it. But for example, with net zero — a question around that is affordability."*

Miki Fairfax, BESTTrustees

*"I've had conversations with several trustee boards where sponsors are less focused on the value that an ESG review brings. However, when you start talking about whether the risks of stranded assets, climate impact and things like that have been considered, risk is suddenly very much front and centre of the discussion. ESG therefore becomes part of the agenda."*

Sarah Leslie, ndapt

# Quantitative insights

## Life after the mini-budget

Memories of the 2022 mini-budget storm and subsequent impact appear to be diminishing for many pension schemes.

Priorities relating to this stressful period continue their downward trend from 2023, including: increasing liquidity (11%, down from 22% in 2023), managing market risk (39%, down from 56%), and improving or maintaining funding levels (50%, down from 56%).

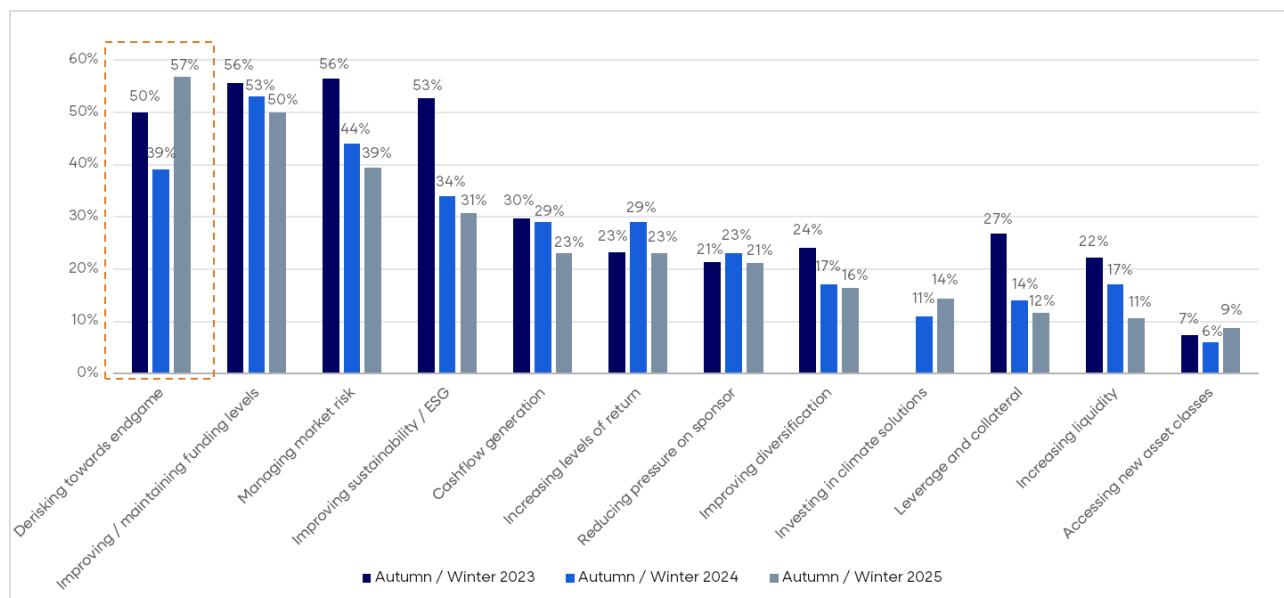
As several interviewees noted, this likely reflects that schemes are increasingly well funded, reducing the immediate urgency of active risk management.

The only area to record a meaningful rise as a priority was **Derisking towards endgame**, cited by 57% of respondents, up from 39% a year ago.

## Fewer priorities, more endgame focus

Derisking towards endgame sees biggest increase as a priority

*Q. What are your main investment priorities currently (please select all that apply)?*



Source: Russell Investments, October 2025. Investing in climate solutions was added as an option in 2024.

## Rebalancing of challenges

When quizzed on their biggest challenges, survey respondents showed signs of cooling on trends that had previously been sources of concern.

Only 32% cited regulation as their biggest challenge, down from 46% last year. Challenges around liquidity management (13%), reporting requirements (10%), fees and transparency (5%), and climate change (13%) also saw declines.

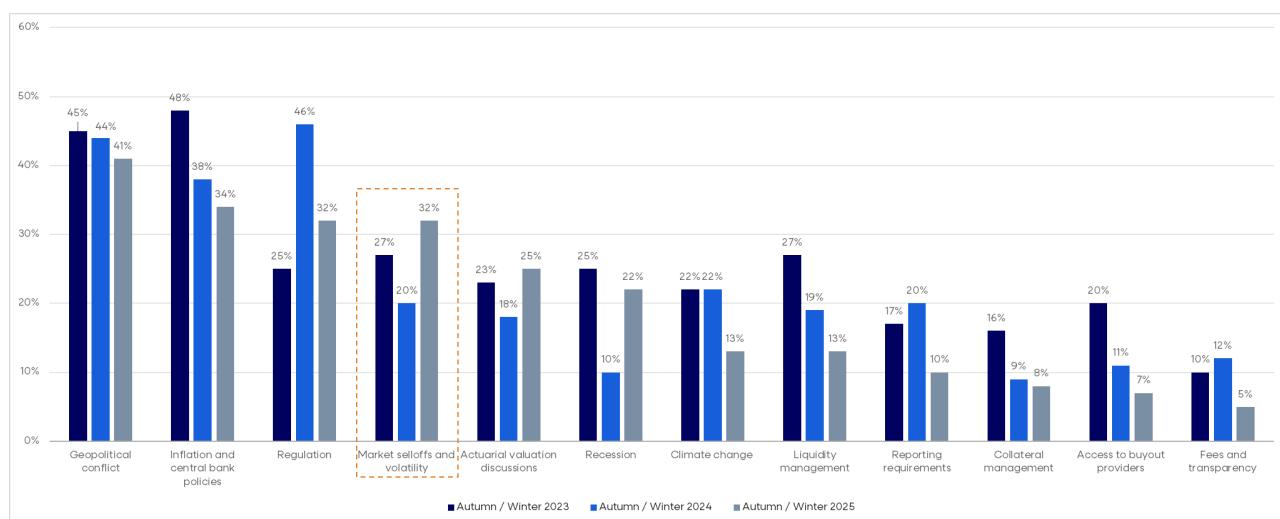
Conversely, a standout increase was **market selloffs and volatility**, having risen to 32%, from 20% last year. Concerns relating to a recession also rose, more than doubling to reach 22%.

These challenges may indicate that schemes are increasingly focusing on domestic risks, such as the [November Budget](#), with improved funding levels making portfolio-level risks less of a worry.

## Concerns cool

Volatility concern sees biggest spike

*Q. What do you see as being the biggest challenges facing your scheme in the next six months (please select all that apply)?*



Source: Russell Investments, October 2025.

## Endgame progress continues

**Buyout remains the dominant endgame target**, cited by 38% of respondents and consistent with the previous year's results.

Low-dependency or run-on strategies have gained modest ground, rising to almost 32% when combined, signalling greater variety in endgame approaches.

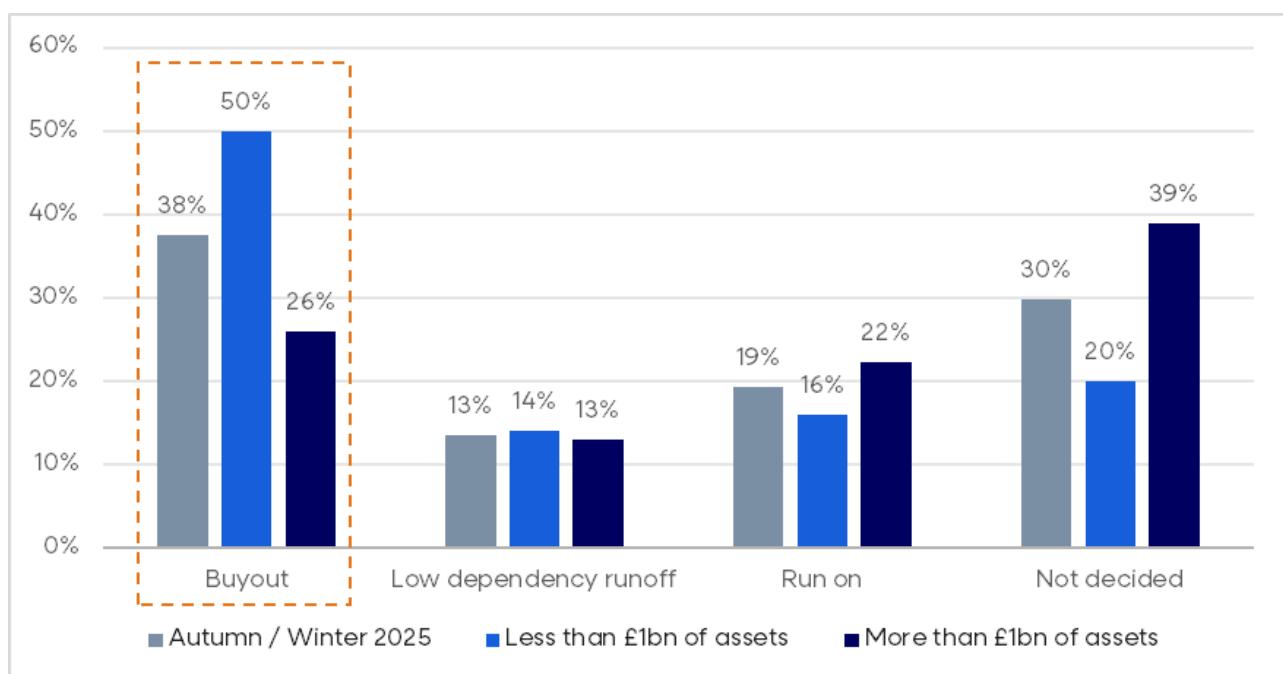
Notably, smaller schemes respondents (less than £1 billion in assets) appear more focused on buyout (50%) than larger schemes (26%), who seem more likely to consider other options.

It is also apparent that schemes are clear on their objectives. 70% of respondents cited no change in target or timeframe for their endgame, up from 61% last year.

## More options for large schemes

Schemes over £1 billion in assets less likely to opt for buyout

Q. What is your current endgame target?



Source: Russell Investments, October 2025.



*"Unless you're at a size where you can afford ongoing running costs, a lot of sponsors want to get these [pension schemes] insured and off the books."*

Sarah Leslie, ndapt

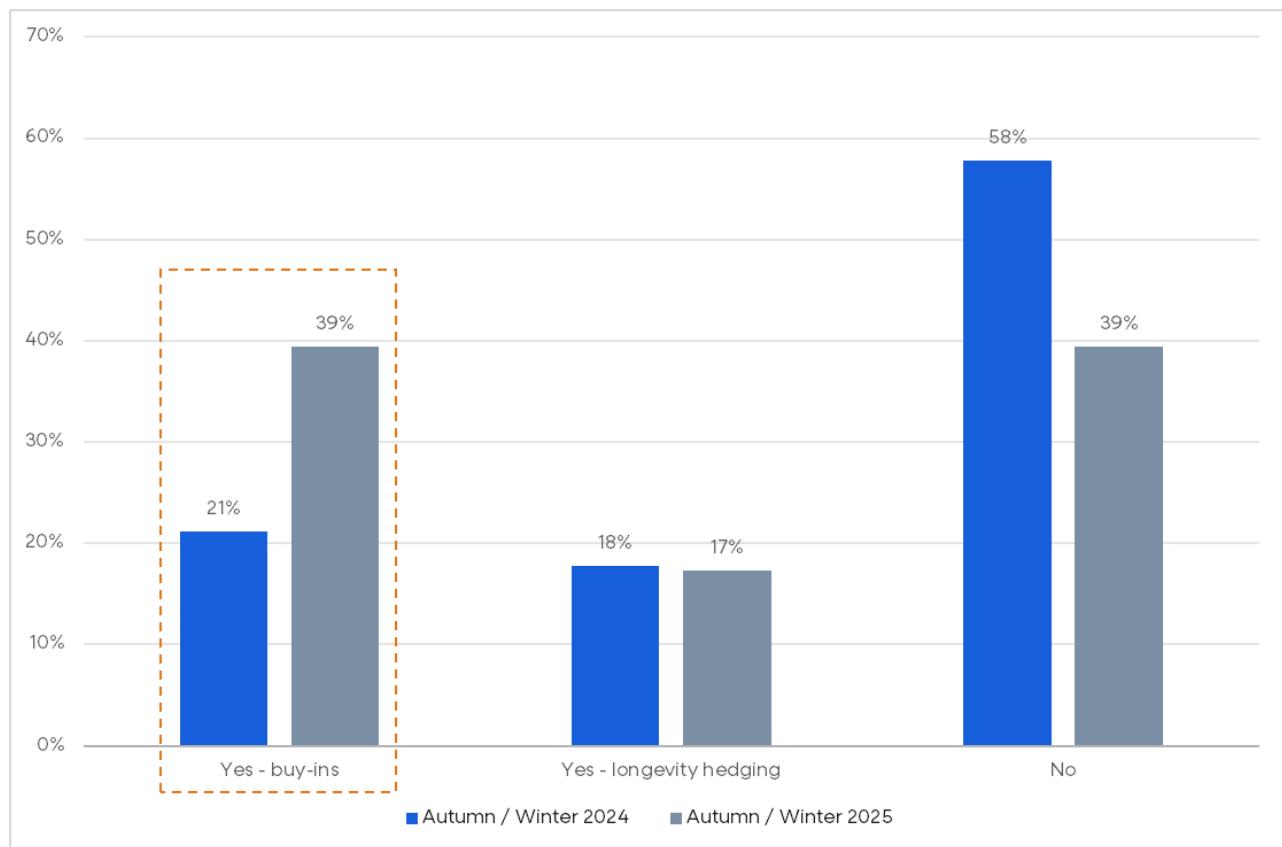
## Risk transfer - appetite high, capacity tight

The results indicate that scheme **derisking has continued over the past year**. Respondents stating they have previously undertaken a risk transfer have almost doubled year-on-year, rising from 21% in 2024, to nearly 40% in 2025.

### Risk transfers double

A bigger proportion of respondents have conducted a risk transfer

*Q. Have you carried out any risk transfers previously?*



Source: Russell Investments, October 2025.

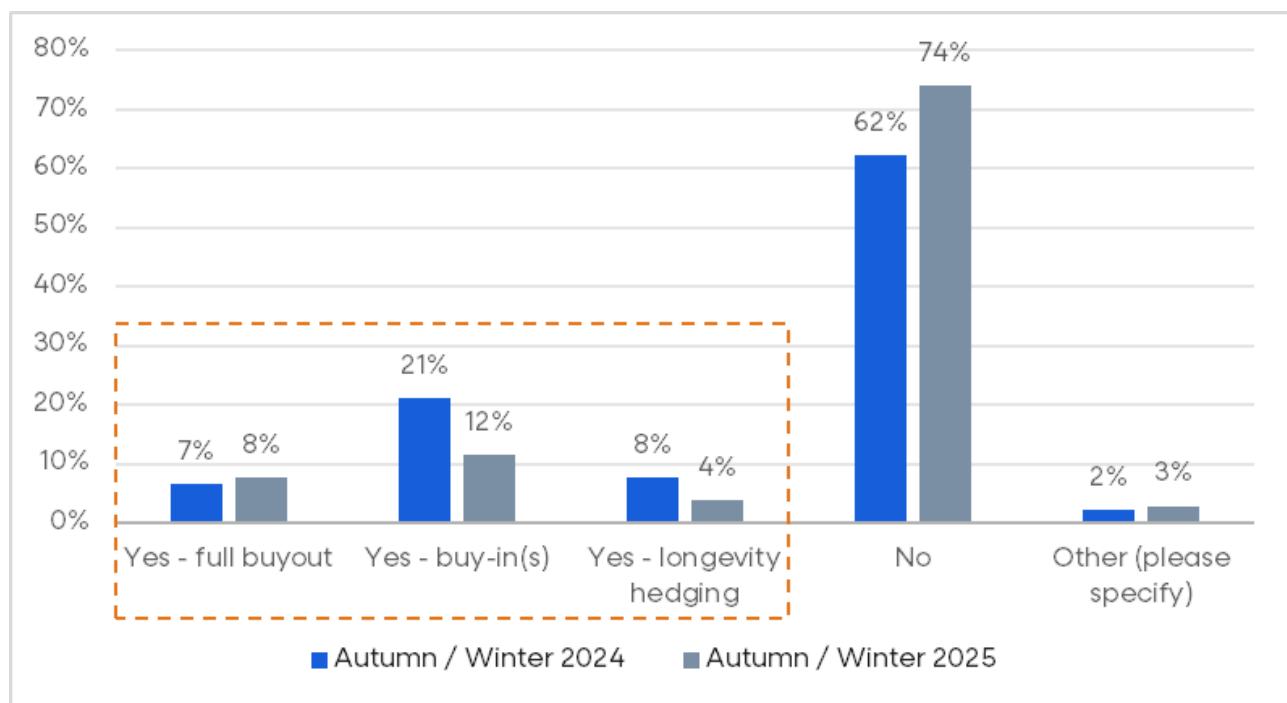
Conversely, the proportion of schemes intending to undergo a risk transfer over the next twelve months has fallen from 36% to 24%. This is logical, as schemes typically wait several years after performing a risk transfer before performing another one.

Interviewees described this period as one of preparation and precision, where they ensure data, documentation, and governance are watertight before executing.

## A period of preparation

Fewer schemes are looking to perform a risk transfer in the next 12 months.

*Q. Are you likely to consider any risk transfers in the next 12 months?*



Source: Russell Investments, October 2025.

## Asset class - searching for yield

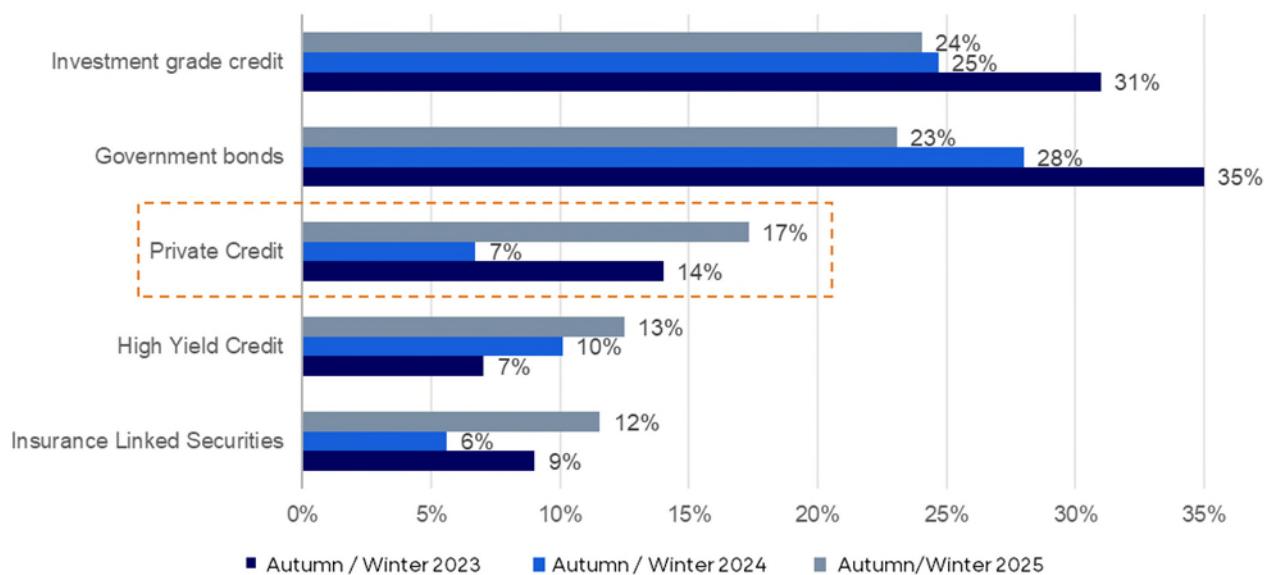
Unsurprisingly, the top two asset classes for increased allocations were **investment grade credit** (24%) and **government bonds** (23%). However, these saw significant drop offs from prior years, potentially due to tightening spreads, falling yields in those asset classes, as well as schemes most likely being fully hedged.

Another key trend was a growing appetite to allocate to private credit, which rose to 17%, up from 7% last year.

### Private credit surge

Higher yielding credit seen as attractive options to respondents

Q. *Which asset classes do you plan to add exposure to over the next six months (please select all that apply)?*



Source: Russell Investments, October 2025.

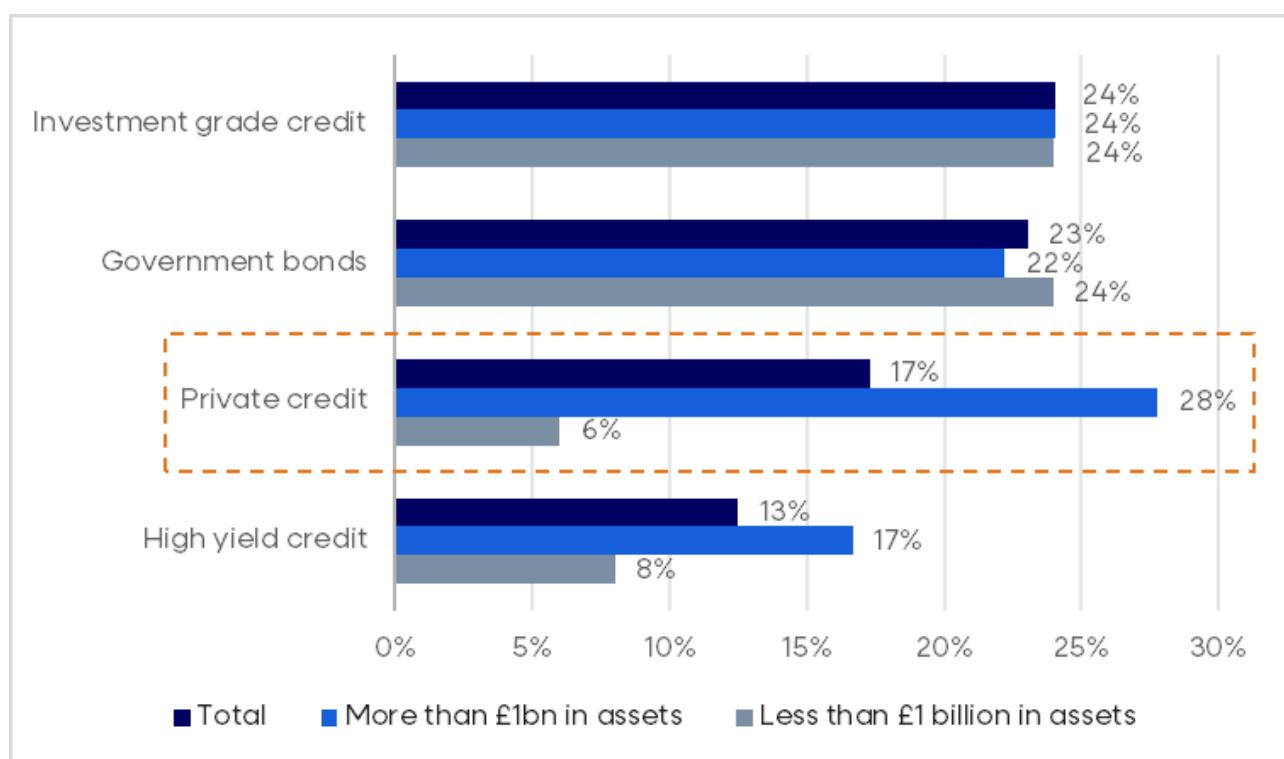
This was most pronounced among larger schemes (schemes with £1 billion assets or more), with 28% of respondents intending to grow their private credit allocations, versus 17% for smaller schemes.

The interest in higher yield-producing asset classes could indicate that respondents are looking to strike a balance between liquidity and yield generation.

### Large schemes drive demand

Schemes with more than £1 billion in assets are more likely to increase allocations to private credit.

*Q. Which asset classes do you plan to add exposure to over the next six months (please select all that apply)*



Source: Russell Investments, October 2025.

## Asset class - illiquidity unwind

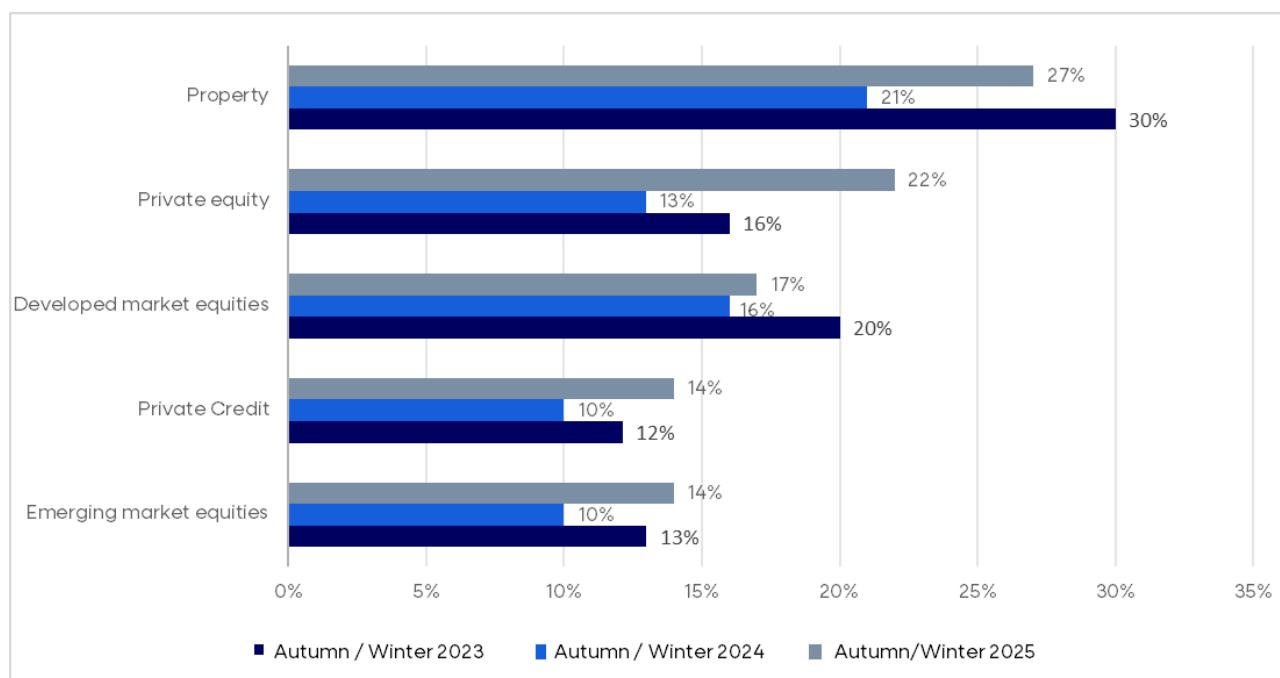
As schemes move towards endgame, there appears to be a meaningful reallocation away from illiquid holdings to better allow for transaction optionality and cash flow flexibility. Across all categories there was an **increased appetite to reduce illiquid exposures**.

Property (27%) and private equity (22%) were the top categories where respondents intend to reduce their exposures, continuing the trend of schemes increasing their liquidity.

## Continued sell-down

Sell-down of illiquid holdings across most asset classes

*Q. Which asset classes do you plan to reduce exposure to over the next six months (please select all that apply)?*



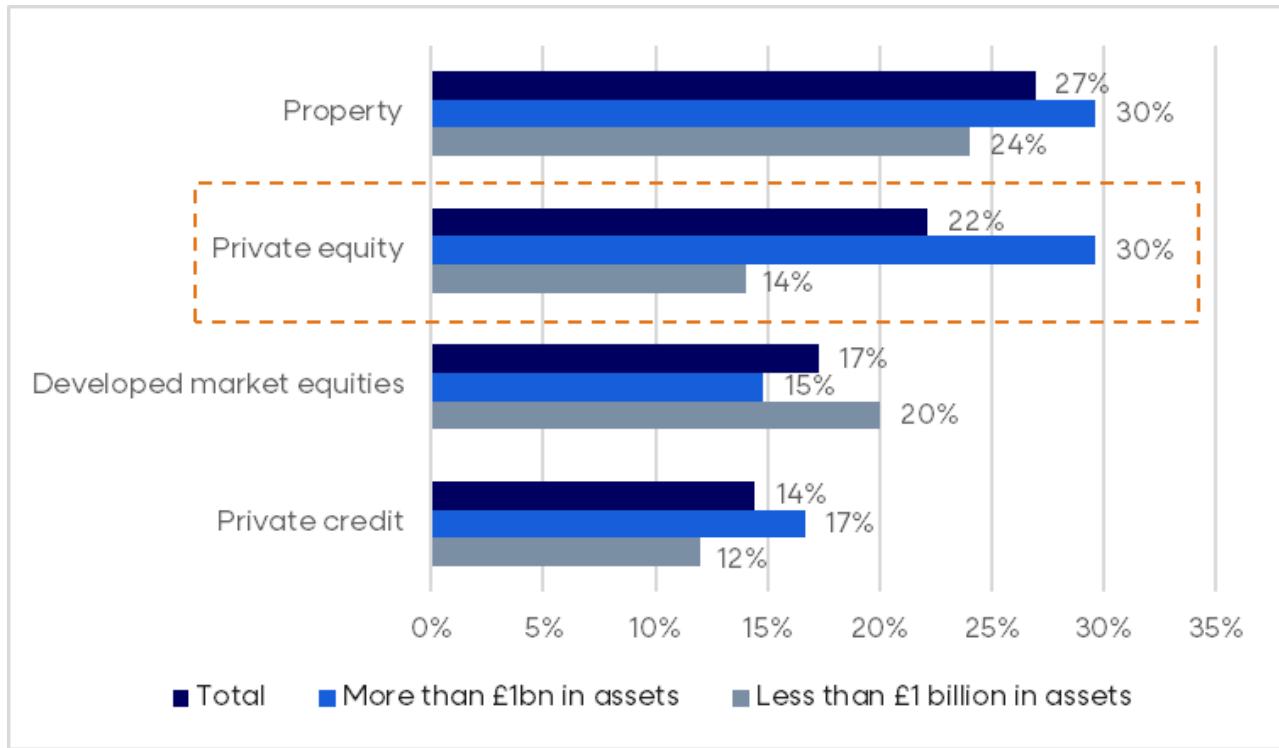
Source: Russell Investments, October 2025.

Derisking trends were slightly less pronounced among smaller schemes, likely due to them being less allocated to illiquid assets in the first place.

### More allocated, more derisking

Larger schemes more likely to be derisking in illiquid assets such as private equity

*Q. Which asset classes do you plan to reduce exposure to over the next six months (please select all that apply)?*



Source: Russell Investments, October 2025.

## Outsourcing - alleviating burden

The data confirms that 64% of respondents have appointed or are looking to appoint an outsourced provider, and they are increasingly looking to do so to help manage the **growing weight of governance, compliance, and investment oversight**.

When asked what they want an OCIO or outsourced provider to improve, 57% of respondents cited depth of expertise, making it the most frequently selected reason for delegation.

This trend was most pronounced among larger schemes (those with over £1 billion in assets), with 69% selecting depth of expertise vs 46% for smaller schemes. Similarly, 44% of larger schemes also cited cost reductions as a reason for outsourcing vs 23% for smaller schemes.

Additionally, a growing number of respondents cited assistance with moving to endgame as a reason for outsourcing (27%, up from 22% last year), reinforcing the idea that endgame is front of their minds.



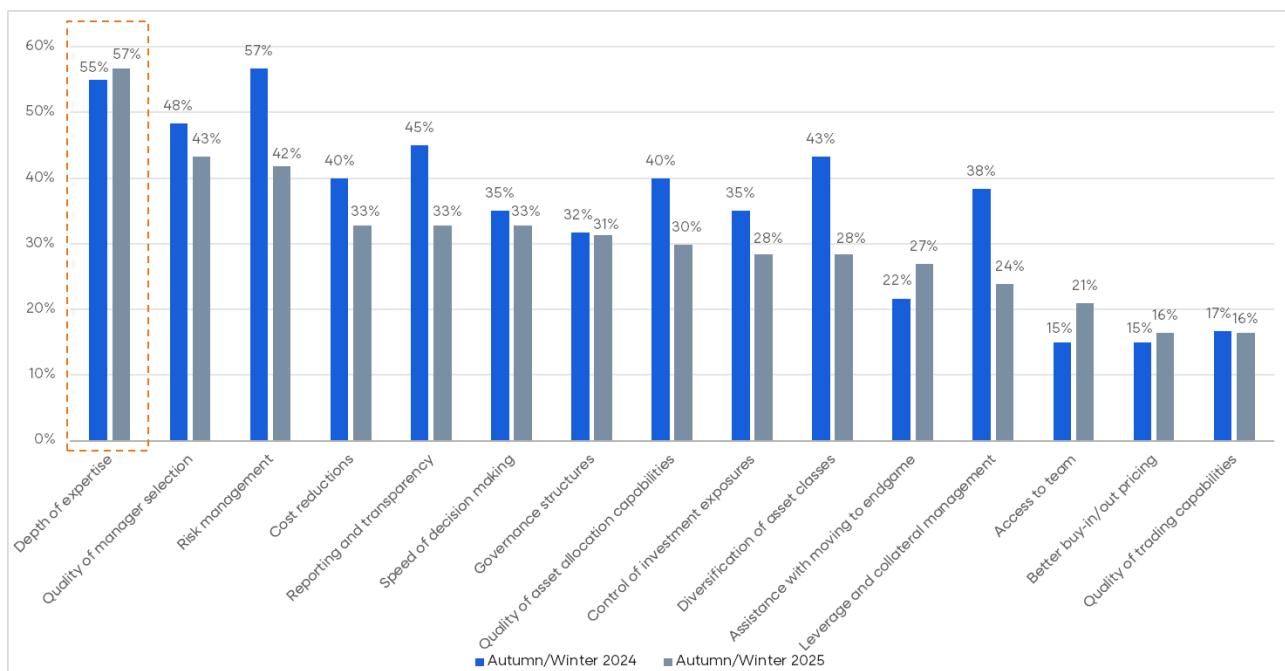
*"I think we're moving away from the idea that a lot of schemes can benefit from similar types of advice. I don't think that applies."*

Kevin Humpherson, EY

## Expertise needed for endgame

Respondents cite depth of expertise, manager selection, risk management and assistance with endgame as reasons for outsourcing

*Q. If you have appointed an outsourced provider or are considering doing so, what are you looking for the provider to improve (please select all that apply)?*



Source: Russell Investments, October 2025.



This might reflect the challenges of recruiting internal teams to fulfil these functions, with OCIO providing the expertise and scale to drive down fees/costs for larger schemes.

Another highlight includes 43% of respondents picking quality of manager selection. This was most pronounced among smaller schemes, with 49% selecting quality of manager selection vs 38% for larger schemes. Similarly, 49% of smaller schemes cited risk management as a reason versus 34% of larger schemes.

This reinforces one interviewee's experience that, post-gilts crisis, many schemes are reassessing their governance models and committee structures, with outsourcing seen as a way to free trustees to focus on strategic priorities.



## ESG & net zero - persistent but pragmatic

While improving [sustainability](#)/ESG has slipped down the list of immediate investment priorities (falling to 31%, down from 34% last year) – it has not disappeared as a focus.

Interviewees described it as an established part of due diligence in both investment manager and insurer selection exercises, even if implementation has slowed.

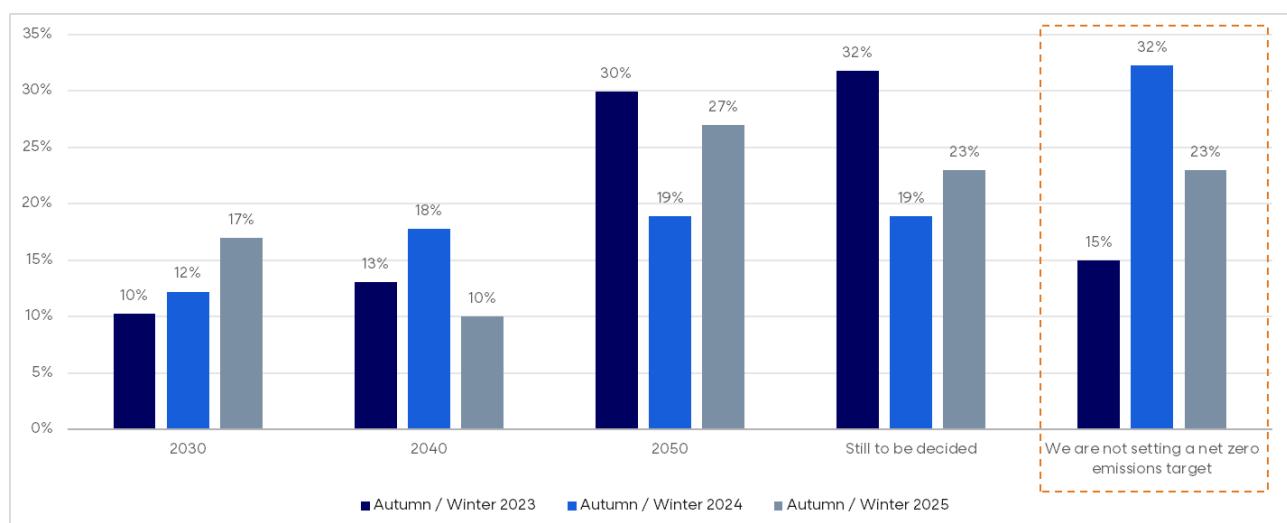
The data reinforces this narrative. **More than half of schemes (54%) have now set a net-zero target**, while the proportion still undecided or without a target has fallen since last year.

Although only 17% aim to reach net zero by 2030, this marks a meaningful improvement on prior surveys and is accompanied by a growing number of respondents selecting 2050 as a more realistic time horizon.

### Fewer on the sidelines

A lower proportion of respondents say they are not setting a net zero emissions target

*Q. What have you set as your target for meeting net zero emissions?*



Source: Russell Investments, October 2025.



*"It [ESG] still very much resonates in the discussions that we're having. When I'm looking at insurers for the buyout piece, ESG due diligence is still a major factor in those discussions. This is driven by the employers in some instances, but a lot by the trustees wanting to get the right answers for their members."*

Sarah Leslie, ndapt

*"The general theme that I've heard from clients is that it [ESG] is important but not to the detriment of other aspects. It's purely about value. And of course it can add a lot of value."*

Kevin Humpherson, EY

## Summary

The UK defined benefit pensions market this year reflects a mood of confident pragmatism.

Schemes are increasingly secure in their funding positions and focused on executing their endgame strategies.

While the burden of governance and regulation remains keenly felt, particularly among smaller schemes, trustees are still finding ways to progress on their endgame journey. Asset allocations show this sense of balance, with schemes continuing to take steps to de-risk while seeking opportunities for yield in credit markets.

ESG also remains a strategic priority, though its implementation is now guided by what is achievable and proportionate for each scheme. At the same time, pension scheme concerns appear more contained, with less emphasis on geopolitics and global risk and greater attention on domestic volatility and endgame execution.

Schemes now appear to have a clearer purpose than in prior years. There may be no single path to endgame, but for most, the destination is now firmly in their sights.

The question now is whether they have the teams, structure, and governance to get there.



# Where to next?



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