HYMANS ROBERTSON

Excellence in Endgames

The member perspective: Member views on run-on and surplus sharing

We recently surveyed over 1,000[1] individuals in the UK with defined benefit (DB) pensions to hear what matters most to members when it comes to their pension. In our first article in '*The member perspective*' series, we explored how they felt about different endgame options. In this publication, we take a deeper dive into their views about schemes running on and approaches to sharing surplus. Both of these topics are gaining relevance as more schemes find themselves in stronger funding positions.

Our first article revealed that when it comes to endgame decisions, there's no single definitive option members prefer. When options are clearly explained, members are generally open to a range of possibilities, including schemes running on. However, our most recent results identify essential steps for securing support from members.

The key things to prioritise include keeping communication with scheme members clear and transparent, as well as making sure they remain a central consideration in any DB surplus distribution proposals.

Building this into a carefully considered run-on strategy should foster long-term trust and confidence in the scheme's direction.

[1]Survey conducted by Censuswide in August 2025, across a sample of 1,002 UK consumers aged 18+ with a DB pension. Respondents were asked to answer 12 questions in total; this article includes the results of 4 of those questions with more to follow in later publications.

Many members are comfortable with schemes running on to generate surplus

We asked members how comfortable they would be with their scheme running on and taking long-term investment risk to try and generate a surplus:

58% of members said they would be very, or somewhat, comfortable with this approach.

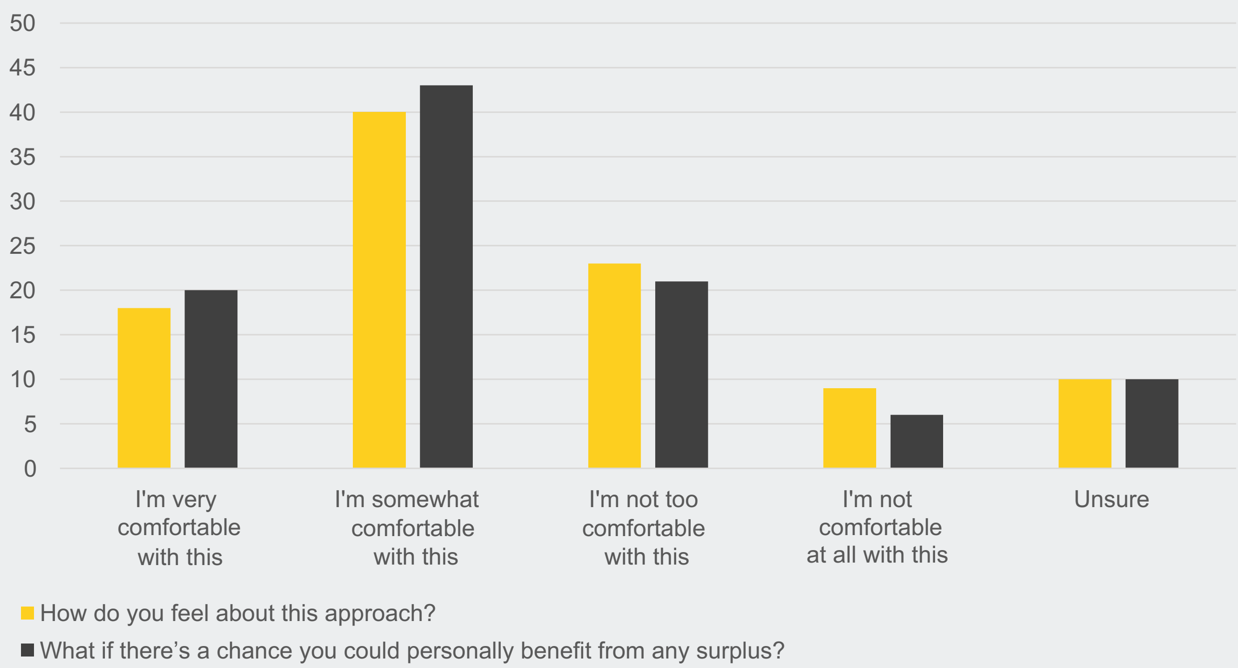
32% would be uncomfortable.

The remaining **10%** were unsure.

The results are encouraging and suggest members are open-minded about different endgames. The findings suggest, however, that most members are naturally somewhat cautious: only 18% were 'very' comfortable.

When members were told they might personally benefit from any surplus generated, support for active run-on strategies only increased slightly. Many of those who were initially uncomfortable or unsure remained so even when a personal benefit was explicitly introduced. This highlights the importance of effective risk management and communicating clearly in order to reassure members.

How do you feel about run-on?



Source: Hymans Robertson's survey with Censuswide

The full question was as follows: Pension schemes sometimes take investment risks over the long term to try to generate extra money (a surplus), which may be shared with the people receiving the pension, the company that provides the pension, or both.

a. How comfortable, if at all, do you feel about this approach?
b. How comfortable, if at all, do you feel about this approach if there's a chance you could personally benefit from any surplus?

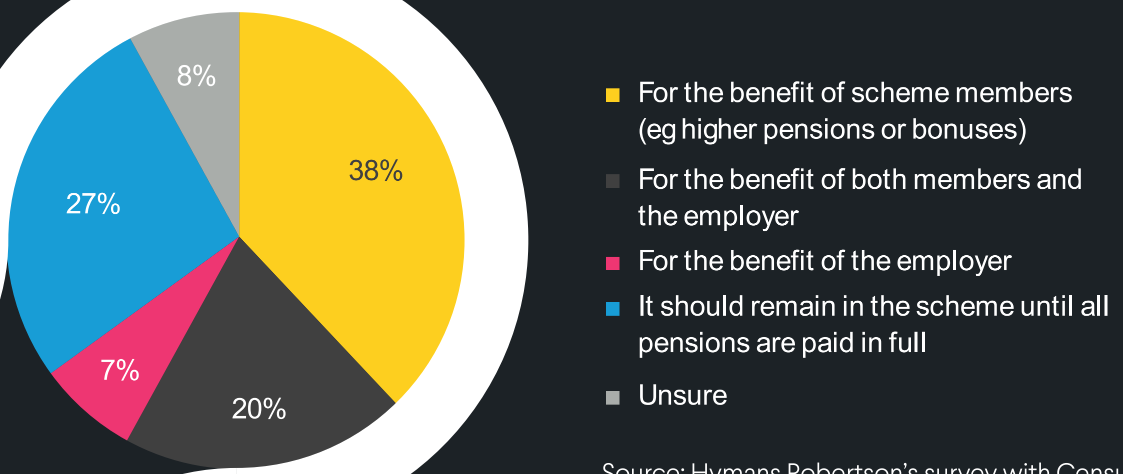
Most members expect to benefit from that surplus

DB pension scheme surpluses can be used in several ways, including enhancing member benefits, returning funds to employers, or retaining them within the scheme to strengthen long-term security. New legislation is set to make these choices more flexible and tax-efficient. Trustees are "in the driving seat" when deciding how surpluses are used, ensuring that member interests are safeguarded while balancing employer needs.

Our results show that members have a clear preference for surplus to be used to directly enhance their benefits or to be kept as a security buffer in the scheme. This preference isn't surprising; however, it's interesting to see that there's also some openness among members to sharing surplus with the employer.

- **27%** said they would prefer any surplus to remain in the scheme until all pensions have been paid in full. This reflects the value members place on the security on their DB benefits and suggests a cautious, long-term view.
- **38%** believed surplus should be used solely to increase member benefits. For example, through higher pensions or additional bonuses.
- **20%** of members said surplus should be shared between members and the employer, whilst **7%** believed surplus should be used entirely for the employer's benefit.
- The remaining **8%** were unsure, again showing an educational need.

It's not surprising that a large proportion of members would prefer surplus to be used for their benefit. However, the indication of some support for sharing surplus with the employer, perhaps recognises the employer's role in funding and supporting the scheme over time.



Source: Hymans Robertson's survey with Censuswide

Younger members are more open to run-on

Our survey revealed some differences in member attitudes towards investment risk and surplus sharing, especially between older and younger groups. Support for actively running-on was much higher among younger members: **70%** of those under 55 were comfortable with this approach, compared to just **45%** of members aged 55 or older. This pattern was echoed across other survey questions too.

In practice, younger members are likely to be the ones more exposed under a long-term run-on strategy if the funding position deteriorates or the employer covenant weakens over time. Nevertheless, they appear keener on the potential for upside which may, for example, reflect some concerns about the adequacy of their pension savings overall or merely the fact they don't need to rely on this income in the near term. In contrast, there is a notably lower risk appetite among older members who appear to value certainty and security above all else.

When it comes to use of surplus, older members overwhelmingly favoured improvements to member benefits or retaining surplus in the scheme until all pensions are paid (74% of over-55s said surplus should be used in one of these two ways). In contrast, younger members were more open to sharing surplus with the employer. Around 40% of those aged under 55 saying surplus should be used in this way compared to only 15% of those aged over 55.

What does this tell us?

A well-managed DB run-on can deliver a strong member experience if trustees and employers focus on thoughtful use of surplus, fairness and transparency.

Members are more likely to support run-on if they expect to benefit.

It's likely that members will expect a share in some of the surplus. In practice, there are a range of options to consider as part of your strategy that will help shape member confidence. These include:

- Providing discretionary benefit enhancements, such as additional pension increases or augmentations.
- Offering lump sum payments, payable at an individual's marginal rate of tax, a route that legislation now looks set to permit for members over the Normal Minimum Pension Age.
- Targeted benefit improvements, for example smoothing inequalities between different member groups.
- Offering more generous terms for members who wish to take early retirement or commute pension for cash.
- Funding or facilitating access to financial advice, either by covering the cost of initial consultations or by partnering with advice providers to offer discounted services.

There will of course be scheme-specific considerations, and trustees should also be taking legal, actuarial and investment advice to support them in their decision-making. The full spectrum of options for sharing value with members should be actively considered to find the best fit.

Trustees must clearly explain surplus decisions

When a DB scheme generates a surplus, members expect that value to be used responsibly. Surplus could be used to enhance benefits (such as discretionary increases), shared with the employer or retained within the scheme, using it to improve funding resilience and provide greater security for members' pensions which many members view as a top priority.

Transparent communication about when, why and how surpluses are shared is essential, so members understand that decisions are made responsibly and in their collective interest. Ideally, trustees frame surplus use as part of a balanced strategy: securing pensions first, then considering enhancements or employer support. It's important to also balance this with simplicity of administration and ease of communication; members are more likely to appreciate a solution that they can understand.

DB schemes often serve multiple generations: retirees, deferred members, and younger employees. An important consideration in surplus sharing is intergenerational fairness. Trustees and sponsors will face complex decisions about how to allocate surplus among different member groups. For example, whether to subsidise Defined Contribution (DC) benefits for employees or to prioritise those with pensions accrued before 1997 that don't receive annual increases in payment. Intergenerational fairness also means considering long-term sustainability: ensuring today's surplus use does not undermine tomorrow's security. These choices can generate concern or "noise" among members, especially if some groups perceive others as receiving preferential treatment.

Where the surplus came from can also help steer a decision on who should 'own' the surplus. For example, if a scheme was non-contributory for members but the employer paid in material deficit reduction contributions over the years, it may be considered 'fair' for the employer to own most of the surplus. If instead most of the surplus was generated from favourable investment returns, with members and the employer both paying in regular contributions and both exposed to the associated investment risk, then it may be considered fairer to share the surplus. The balance of powers under the scheme rules are also likely to influence such decisions.

A positive member experience requires trustees to be able to explain decisions and demonstrate fair treatment. Analysis should test different surplus-sharing frameworks, and what this means for member outcomes including impacts across different generations or cohorts. For example, optimising the pace of surplus release. Trustees must also ensure their decision-making process is robust and well documented.

Clear communication should be a top priority

More generally clear, proactive communication is at the heart of member confidence. Although the majority of members (around 60%) were, on the face of it, comfortable with their scheme running on and taking extra investment risk to try and generate a surplus, 40% were uncomfortable or unsure. We also know members will often lack a full understanding of the issues, highlighting an important need for education and clear communication.

Trustees and sponsors can strengthen member confidence by:

- Communicating proactively and openly. For example, trustees should provide regular updates that explain the scheme's funding position, investment approach, and any changes.
- Tailoring messages to address specific priorities and concerns. For trustees, understanding the unique makeup of their membership will help maximise engagement. Member views are shaped by a range of scheme and employer factors, such as industry sector and scheme funding, as well as individual circumstances such as age and financial position. Perspective and feedback might be achieved through surveys, focus groups or using member-nominated trustees.
- Making security a key theme. Importantly, communication should emphasise long-term security and explain the measures in place to keep member benefits secure.

How the member view aligns with corporate priorities

Understanding the priorities of corporates, and how these tie in with member and trustee views, is equally as important.

From our latest survey of 500 UK corporate pension decision makers it's clear that corporate motivations for running on are varied. 19% of respondents who have chosen this path, have done so to prioritise sharing surplus with DB members. An equal proportion take a longer-term, paternalistic view towards supporting members and choose to run-on to retain this employer link. Another third are mainly focused on sharing surplus in some form. There are also practical considerations at play, such as managing buy-out accounting and avoiding the perceived loss of value from insurance premiums that are contributing to corporate decision making.

While enhancing member benefits might not always be the headline driver from a corporate standpoint, it's encouraging to see broad recognition that members should receive their fair share. When we polled industry-wide attendees during a 2025 webinar, over 70% agreed that members ought to benefit in some form from surplus within DB schemes. This reflects a wider understanding that member experience and fairness are integral to the sustainability of any run-on strategy.

It's clear that the effectiveness of these approaches relies on early engagement between trustees and corporates. Thorough, thoughtful collaboration and transparency between all parties helps ensure that decisions are made responsibly and in the collective interest of members. It's this spirit of partnership that will underpin a positive experience for everyone involved in DB scheme run-on.

Sachin Patel
Head of DB Corporate
sachin.patel@hymans.co.uk

Key takeaways for trustees and sponsors

There's no one-size-fits-all approach. Whilst these findings show that there's broad support for run-on, there's inevitably going to be some level of caution and uncertainty. This isn't unique to run-on. A good member experience in DB run-on can be built on transparent communication, responsible surplus management, and fairness.

Watch our webinar, Excellence in Endgames: a 360⁰ view, to hear about endgame strategies from three key viewpoints: members, trustees and employers. The focus is on practical observations and learnings, looking how attitudes and approaches to endgames have evolved and how these are influencing actual scheme decision-making.

If you haven't done so already, check out our previous article, **The Member Perspective: Endgame choices through the member lens**, exploring member views on insurance, run-on and alternatives such as superfunds.

Delivering Excellence in Endgames

Tailored, unbiased advice to help you see the future picture

Expert help to cut through the noise

Confident, collaborative decision making to shape the right path

Your members' outcomes are what matter most

Check out our Excellence in Endgames insights hub, where our experts share practical insights to help you shape and deliver your strategy.

If you have any questions on anything covered or would like to discuss further, please get in touch.

Laura McLaren
Partner and Head of DB Scheme Actuary Services
laura.mclaren@hymans.co.uk

Lauren Branney
Actuarial Consultant
lauren.branney@hymans.co.uk

London | Birmingham | Glasgow | Edinburgh T 020 7082 6000 | www.hymans.co.uk