

UK businesses eager to put DB pension scheme surplus to work

Research report by Brightwell





Introduction

In January 2025, the government announced plans to make it easier for the sponsors of well-funded, occupational pension schemes to access surplus in their pension schemes.

The government hopes that by amending the rules around surplus release, pension trustees and their sponsors will use this money to *“to increase the productivity of their businesses — to boost wages and drive growth or unlock more money for pension scheme members.”*¹

The detail for how surplus extraction will work in practice is set to be outlined in the upcoming Pension Schemes Bill. But, with an estimated £160bn of surplus in schemes, the potential pot of money is significant.

To understand how UK businesses may choose to put this money to work, we surveyed 100 finance decision makers within companies that have closed defined benefit (DB) schemes larger than £500 million via Censuswide.

It's clear that there's strong appetite from UK businesses to access surplus and an interest in running pension schemes on to benefit from future surplus rather than opting for a buyout with an insurer.

Nearly half of employers surveyed (49%), who anticipate requesting surplus from the trustees if the government change the rules to allow easier access to surplus, plan to re-invest this surplus into their UK operations supporting the government's ambitions.

Up until now, UK businesses had full responsibility for the downside of their DB pension schemes but no access to the upside. The proposed changes will introduce some welcome symmetry into the equation and provide a clear incentive for employers to run their pension schemes on rather than buying them out with an insurer. But, for this reform to succeed, care needs to be taken. Surplus should only be released where schemes are sufficiently well-funded and trustees are satisfied it is safe to do so. A gradual release would be the most prudent approach to prevent any regret risk.



For schemes planning to run on to generate future surplus, having a well-considered, intentional investment strategy supported by the right expertise is essential. Brightwell has outlined key considerations in its run-on toolkit, [which can be found here](#).

If you'd like to know more about running on with Brightwell drop us a line: hello@brightwellpensions.com

Morten Nilsson, CEO, Brightwell

¹<https://www.gov.uk/government/news/pension-reforms-to-go-further-to-unlock-billions-to-drive-growth-and-boost-working-peoples-pension-pots>



Executive summary

- The vast majority (**93%**)² of UK businesses surveyed plan to access their defined benefit (DB) pension scheme surplus following expected government rule changes.
- **43%** said they'd want to access scheme surplus in the 'near term' while over a quarter (**27%**) said they will request access immediately. **16%** want to access in the medium term and **7%** in the longer-term.
- When asked about their plans for utilising the funds, nearly half (**49%**)³ indicated that they would reinvest in UK operations.
- **44%**³ intend to share it with members of the defined benefit scheme.
- **42%**³ plan to reinvest in global operations.
- **40%**³ would distribute the funds to shareholders.
- **33%**³ would use them to cover costs and expenses associated with running their defined contribution (DC) scheme.
- Over one in five (**22%**)³ of respondents say the surplus released would be used to directly fund contributions to the DC scheme.
- More companies now view their DB pension scheme as an asset (**33%**) than those that consider it a liability (**28%**), with proposed government changes providing incentives for employers to run their schemes on rather than buy them out with an insurer.
- A third of respondents (**33%**) said that having easier access to surplus would encourage them to run the pension scheme on for longer rather than opting for a buyout with an insurance company.
- Nearly two thirds (**63%**) said it will encourage a more return seeking investment strategy to help generate future surplus.

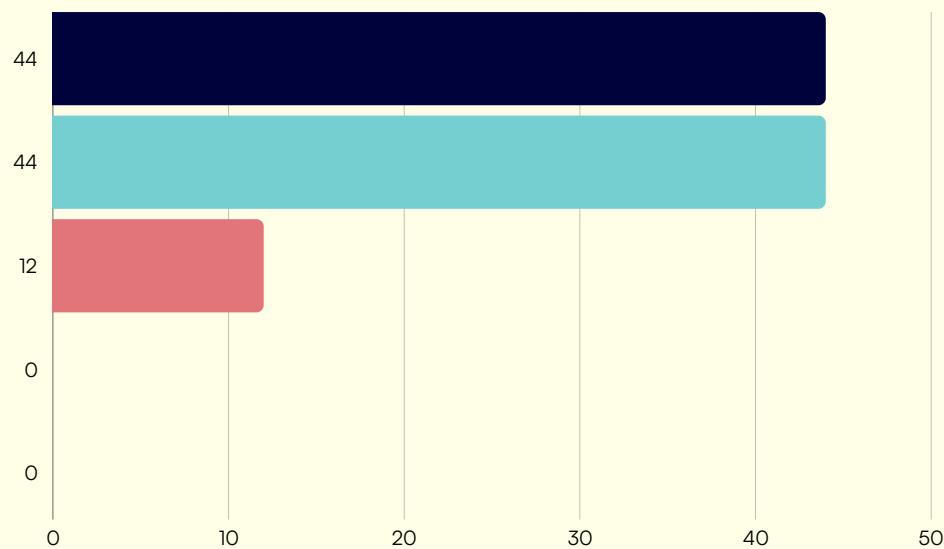
² This figure combines all 'Yes' options.

³ This figure is for those who anticipate requesting surplus from the trustees if the government change the rules to allow easier access to surplus.



Q1. What's your scheme's current funding position?

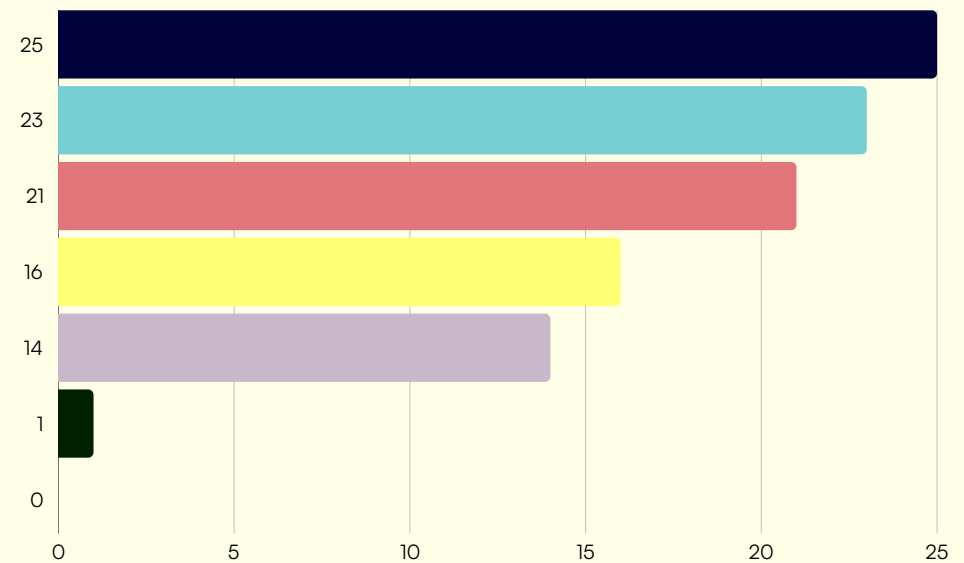
% Average (out of 100)



- Deficit on a technical provisions basis
- Surplus on a technical provisions basis but deficit on a buyout basis
- Surplus on a buyout basis
- Other (please specify)
- Don't know

Q2. What is the main long-term objective (endgame) for the DB pension scheme?

% Average (out of 100)

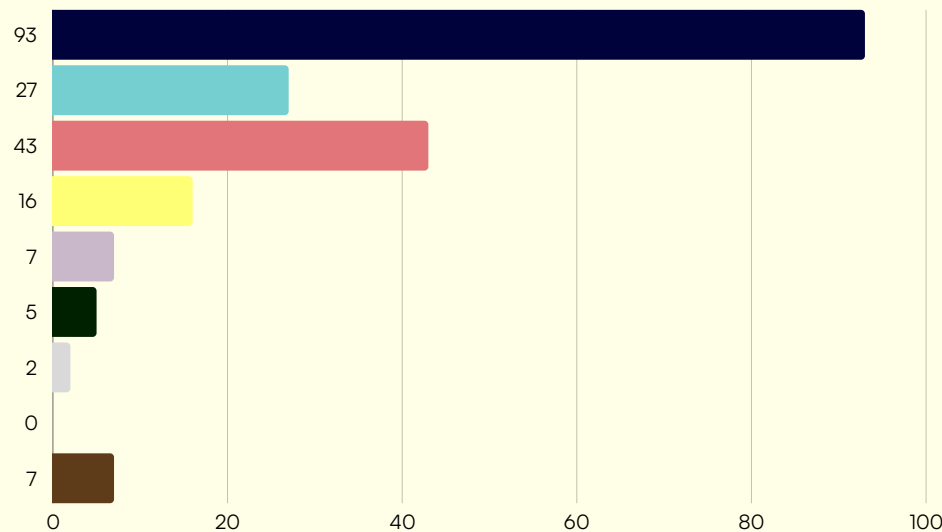


- Run on for a period of time and buy out at a later date
- Consolidate via a DB superfund
- Conduct an insurance buy-out
- Transfer to a DB master trust
- Run on indefinitely
- Undecided on endgame
- Other (please specify)



Q3. If the government change the rules to allow easier access to surplus, is this something you anticipate requesting from the trustees?

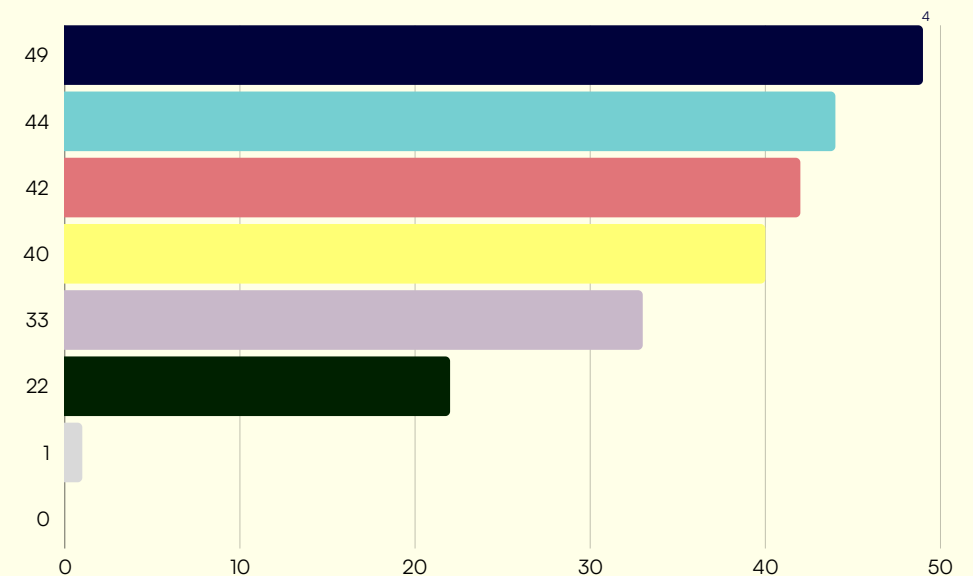
% Average (out of 100)



- Yes (Net)
- Yes — immediately
- Yes — in the near future
- Yes — in the medium term
- Yes — in the longer term
- No (Net)
- No — I think the scheme should retain any surplus in case it's needed in the future
- No — even if the government eases the rules we still think it will be too difficult to agree with the Trustees
- No — we don't have a surplus at the moment

Q4. How would you anticipate using any surplus? (Select all that apply)

% Average (out of 93)



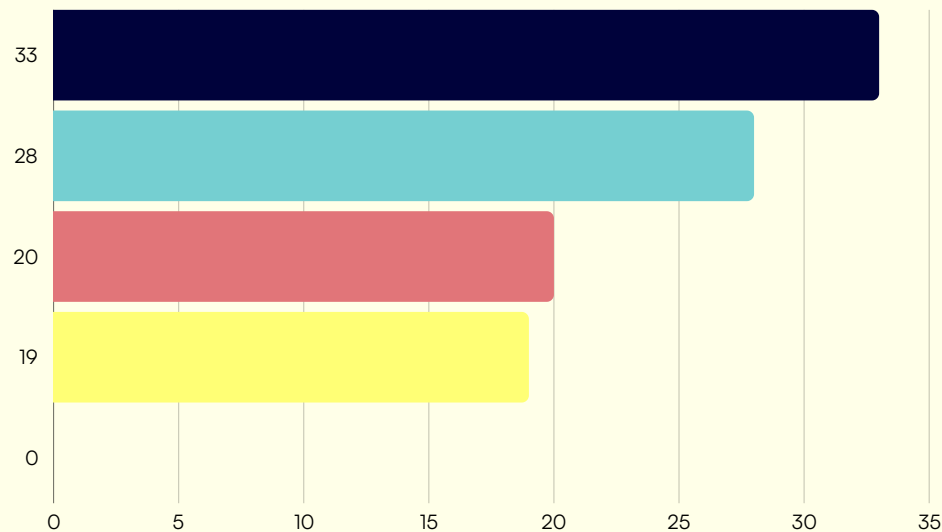
- Use it to re-invest in business priorities in the UK
- Share with the DB members as a cash bonus
- Use it to re-invest in business priorities globally
- Pay it out to shareholders
- Use to support covering costs/expenses of running the DC scheme (so not directly funding contributions)
- Use it to fund employer contributions to our DC scheme
- Unsure as of yet
- Other (please specify)

⁴ This figure is for those who anticipate requesting surplus from the trustees if the government change the rules to allow easier access to surplus.



Q5. Which of the following statements best describes how the company views the DB pension scheme, if any?

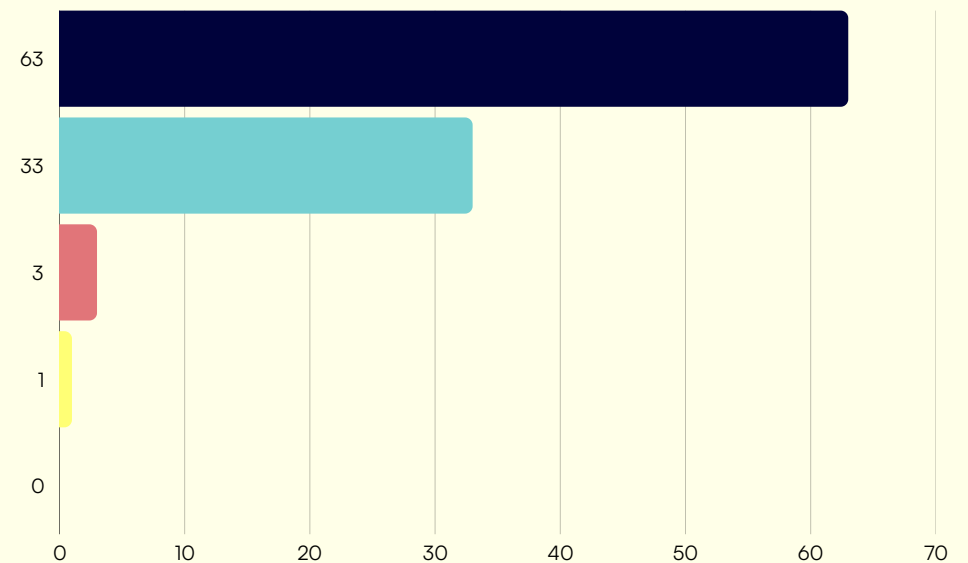
% Average (out of 100)



- A liability that has recently become an asset which we're more interested in
- A liability we want off the balance sheet as soon as possible
- Something that has potential to be an asset but comes with too much management and risk
- Something we've always managed closely and want to retain control over as we can see it could deliver value back to the company in the future
- None of the above

Q6. Would having easier access to surplus change your view on the pension scheme?

% Average (out of 100)



- It would encourage a more return seeking investment strategy to benefit from surplus
- It would encourage us to run the scheme on for longer to benefit from surplus
- No change to the strategy
- Other (please specify)
- Not sure



The research was conducted by Brightwell Censuswide, among a sample of 100 Finance heads of organisations (Senior management / CFOs), with a Defined Benefit pension scheme, excluding organisations with only schemes open to new members. Respondents must have some involvement in the DB scheme, and a scheme size of £500 million+. The data was collected between 10.04.2025 - 06.05.2025.

Brightwell is a comprehensive service provider to UK defined benefit (DB) pension schemes. It has operations in London, where the funding and fiduciary management team is based, and Chesterfield which is the home of the member services team. Brightwell acquired pensions administration technology company Procentia in 2019 which has operations in Bristol and Chicago. For more information visit www.brightwellpensions.com

Censuswide abides by and employs members of the Market Research Society and follows the MRS code of conduct and ESOMAR principles. Censuswide is also a member of the British Polling Council.



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There are other factors to consider when a scheme is deciding whether to buyout or run on. There are benefits associated with a scheme buying out over running on, that you should do your own research on.

