

# PRESS RELEASE

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PENSIONS POLICY INSTITUTE

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## *“The Defined Benefit endgame market could see new opportunities emerge, but none are risk-free” says Pensions Policy Institute*

The Pensions Policy Institute (PPI) is today publishing **Approaching the endgame: The future of Defined Benefit pension schemes in the UK** sponsored by Aberdeen Standard Investments. As the majority of private sector Defined Benefit (DB) pension schemes mature and become cash flow negative, more are considering their endgame strategy – how they will continue to meet their obligations to members without endangering the core business of the employer sponsor. As the endgame market develops, new opportunities are arising for navigating the endgame, and the potential market is huge, but each opportunity comes with its own risk.

**Mark Baker, Senior Policy Researcher at the PPI** said “With most schemes closed to new members and new accrual, trustees and sponsors of private sector DB schemes have turned their attention to how schemes will navigate their endgames. Traditional approaches have included insurance strategies, such as bulk annuity purchase and investment reform. However, there is growing interest in the use of alternative consolidation mechanisms; either merging schemes or transferring liabilities to a third party.

The endgame market is evolving and it is predicted that the number of schemes considering their options will continue to grow. The number of private sector DB schemes that will be in a position over the next ten years to enter an endgame scenario – whether that be through an insurance solution, investment or administration merger or consolidations – is anticipated to grow as funding levels improve.

However, the shape of the future market will depend on a number of factors, the impact of which are currently difficult to predict. These factors include; sponsor appetite for specific approaches, particularly the extent to which the covenant is compromised, the availability of greater consolidation and the potential emergence of ‘superfunds’ and the capacity of the insurance sector to meet increased demand for bulk annuity solutions and the effect on pricing.”

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## Notes for editors

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2. This report was sponsored by:



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