

Debunking the myths of run-on



Myth one:

Running on is riskier than buying out

Reality: Although buy-out offers certainty, run-on isn't inherently riskier. In the right circumstances, running on can unlock value for members and sponsors. Risks are managed through robust funding and investment strategies, underpinned by strong governance and covenant. When a scheme can afford to fully buy out, it's in a strong position. It's likely to be managing risk well, and highly unlikely to need more sponsor contributions.

Strong funding and growing regulatory support make run-on attractive to many schemes, giving trustees a genuine choice between endgame options. Tailored, unbiased advice helps schemes weigh up the full spectrum.



Myth two:

Run-on means committing for the long term

Reality: Run-on comes in many flavours. It doesn't need a decades-long commitment, nor does it forever exclude buy-out. Schemes are increasingly thinking about running on for a defined period – often 5-10 years – to grow assets, get the best insurer pricing or let illiquid assets run off. A set run-on period could align with the corporate agenda, particularly for sponsors looking to run on for a limited time to access surplus for defined contribution (DC) funding. A scheme that runs on can still switch to a buy-in or buy-out strategy if objectives or conditions change. Many schemes still want to wind up at some stage, and can run on for now to get the best timing and value.

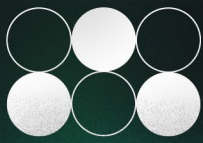


Myth three:

Only the biggest schemes can run on

Reality: Size certainly helps, but a well-funded smaller scheme can also run on, particularly if it has a supportive sponsor, strong funding and the right governance. A small scheme might particularly want to run on if it has a defined goal for surplus.

Outsourced operational models and pooled investment arrangements could enable small schemes to benefit from run-on strategies while managing running costs and risks. New superfund and value-sharing models look set to unlock more options for small schemes with clear objectives.



Myth four:

Run-on must be driven by the sponsor

Reality: Sponsor alignment is helpful, but trustees are firmly in the driving seat. They have a duty to explore all credible endgame options – including run-on.

Sponsor and trustee motivations can differ. Some sponsors see run-on as an opportunity, but many are risk-averse after decades of defined benefit volatility. Trustees might want to fund discretionary increases in line with past practice, especially if there's a strong sponsor covenant, or they want to keep control over the administration and member experience. Understanding objectives is key. Strong funding and clear contingency planning can reduce covenant dependency and make run-on and surplus-sharing a controlled, low-risk strategy. Recent transactions show other creative ways for a scheme to access value for members while the sponsor has a clean exit. When it comes to negotiations over surplus-sharing, trustees who have proactively explored the landscape are better placed to secure fair outcomes.

Endgame discussions work best when trustees and sponsors collaborate early, align objectives, and avoid wasted effort or cost. The real risk is if no-one is asking the question.



Myth five:

Doing nothing is an option

Reality: Passive approaches are risky. Drifting without clear objectives, strategy and risk management can lead to costly reversals or missed opportunities.

How do you know what your investment timeframe is? How should you manage your liquidity requirements? When would you take a definitive step, such as buy-in? What outcomes are you trying to achieve in the meantime? How will you deal with any surplus that builds up? How should you prioritise your resources?

Even if you intend to keep your options open, trustees must deliberately set objectives and agree a strategy. The Pensions Regulator's funding code reinforces that a credible long-term plan isn't optional.

Inaction is a decision – often the riskiest one.

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If you'd like to discuss how Horizon could help your scheme to run on with purpose, share value with confidence, and deliver better outcomes for your members, please [get in touch](#) or [visit our service page](#).



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