

# 2026 Charity and Not-For-Profit sector DB Pensions Benchmarking Report

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**SPENCE**



# Key findings

Welcome to the 2026 Spence Charity and Not-For-Profit sector DB pensions Benchmarking Report, where we benchmark key DB pension scheme metrics based on information from disclosed accounts.

We have analysed the accounts of 50 charities / not-for-profits in England & Wales with larger DB schemes, with year ends spanning 30 April 2024 to 30 June 2025. In aggregate, this covers £8bn of DB assets. Our key findings are:

	Average funding level is 101% on an FRS102 basis and 89% on a low dependency funding basis.	Funding levels remain strong, and attention should turn to endgame planning.
	DB low dependency deficits average 10% of unrestricted charity reserves (10% in 2025 report).	Low dependency pension deficits have remained relatively stable compared to charity balance sheets.
	48% of charities are no longer paying deficit recovery contributions (44% in 2025 report).	Nearly half of charities have stopped paying deficit contributions, reflecting improved funding positions coming through in triennial valuations.
	For those paying contributions, they average 1.4% of unrestricted income (1.5% in 2025 report).	Contribution levels as a proportion of unrestricted income have remained broadly stable.
	Only 32% of charities with an FRS102 surplus are fully recognising the surplus on balance sheet.	This suggests some charities cannot easily access a DB surplus, which needs assessing as part of endgame planning. Government easements to make DB surplus more accessible for employers may help here.
	Annual running costs average £600,000 per annum (£500,000 per annum in 2025 report), equivalent to 0.4% of the liabilities.	Running costs continue to increase with median costs up 33% over two years.

The main picture is one of strong funding levels and pension schemes becoming less of a burden on charities and not-for-profits. With deficit contributions turning off, focus needs to turn to endgame planning and simplifying the running of pension schemes to ensure expenses are value for money. These areas are considered in more detail in the next section.

# What should charities and not-for-profits be doing?

## 1. Review your DB endgame plan

Most schemes are now in surplus on an FRS102 basis and therefore probably also on a Technical Provisions basis. Deficit contributions have turned off for nearly half of the organisations in this survey. Charities and not-for-profits should therefore focus on endgame planning for their DB schemes. For most, this still means insurance buy-out, and there has been activity in this area for charities in this analysis, including British Heart Foundation, Institution of Civil Engineers and Macmillan Cancer Support, all of which have completed full scheme buy-ins in the last year. However, alternatives are also now well developed and should be appraised as part of endgame planning. These include:

- **Consolidators:** in the last year we've seen the first charity sector transaction with a DB consolidator - the Church Mission Society's transaction with Clara Pensions. Under this model Clara take over the running of the DB scheme's assets and liabilities, and transfer them to the insurance market themselves over a 5-10 year timeframe. This plan is supported by capital from Clara, which ensures a high probability of members benefits' eventually being bought out. The sponsor gets a clean break from the cost and risk of the DB scheme at the point of the initial transaction with Clara, usually for a lower cost than immediate insurance buy-out. In the case of the Church Mission Society, the DB scheme also retained a charge over some charity property until buy-out is achieved, to provide additional security to the pension scheme members. Over the last year, we've also seen TPT announce that they are launching a superfund that gives employers a clean break from their DB scheme.
- **Run-on:** a busy insurance market, the need to complete various data projects such as equalising GMPs and connecting to the Pensions Dashboard, the possible need to run off illiquid assets, and impending easements for sponsors to better access surplus from DB schemes, mean that more schemes are running on beyond full funding on an insurance buy-out basis. This may be intentional run-on for the longer term, or it may be deferring buy-out in the shorter term whilst tackling these issues. Either way, it may be worth considering, particularly if the key risks are largely hedged and a surplus can be generated in a reliable way.

With options other than immediate insurance buy-out now being viable, the table below provides a high level RAG assessment of the different options.

Strategy	Cost	Access to future surplus	Level of risk hedged	Viability	Comments
Insurance buy-out	Red	Red	Green	Green	Tried and tested way to remove the scheme from an organisation's balance sheet. But most expensive option, removes ability to access future surplus, and resource constraints mean it takes time to complete a full buy-out.
Consolidator	Yellow	Red	Green	Yellow	Now gaining traction with more transactions and more providers. Lower expected cost than buy-out. Should be considered if want to remove scheme from balance sheet and cannot afford buy-out. Less viable for stronger covenants although the connected covenant solution from Clara remains an option.
Run-on	Green	Green	Yellow	Yellow	Consider if willing to bear the risk, and if investment returns will comfortably cover running costs and generate more surplus. More viable for larger schemes.

## 2. Simplify the running of your DB scheme

As deficit contributions turn off, the remaining cost for charities and not-for-profits is the running costs of the DB scheme. These costs are also getting more attention with the new funding regime, which can require the addition of an expense reserve to the liabilities. Our analysis shows running costs are continuing to increase, now averaging £600,000 per annum (compared to £500,000 last year and £450,000 the year before). Relative to liabilities, expenses are also increasing, now averaging 0.4% of the liabilities (compared to 0.3% last year). Some of this reflects the cost of data and risk transfer projects, but even so it is worth ensuring the scheme's operations are efficient and delivering value for money, particularly if an endgame transaction remains some years away and run-on is being adopted in the shorter term.

Even for schemes close to an insurance transaction, or sometimes after completion of an initial buy-in, we are seeing some trustees switch providers in some cases. This is to reduce execution risk and completion timescales. If an alternative provider can complete the required data work for an insurance buy-out more quickly, then the costs of moving provider can be less than taking the extra time to complete the data work with an existing provider.

The broader governance of DB schemes should also be reviewed to ensure the level of governance is reflective of the improved position of most DB schemes with a lower reliance on the employer covenant.

Options to consider include:

- **Review service providers:** with continued consolidation and innovation in the provider market, review service providers to ensure you're getting the best value for money. This includes for completion of significant project work like risk transfer and data projects, where we're increasingly seeing schemes use different providers to achieve value for money and timely completion of the work.
- **Review governance processes:** the governance might be simplified with a move to a smaller trustee board or even a sole trustee. Onerous security and information sharing protocols may no longer be required if they were put in place when there was a large deficit.
- **Consider packaged solutions:** many advisers and professional trustee firms now offer lower cost solutions, particularly for admin and actuarial services, which leverage economies of scale from a book of clients.

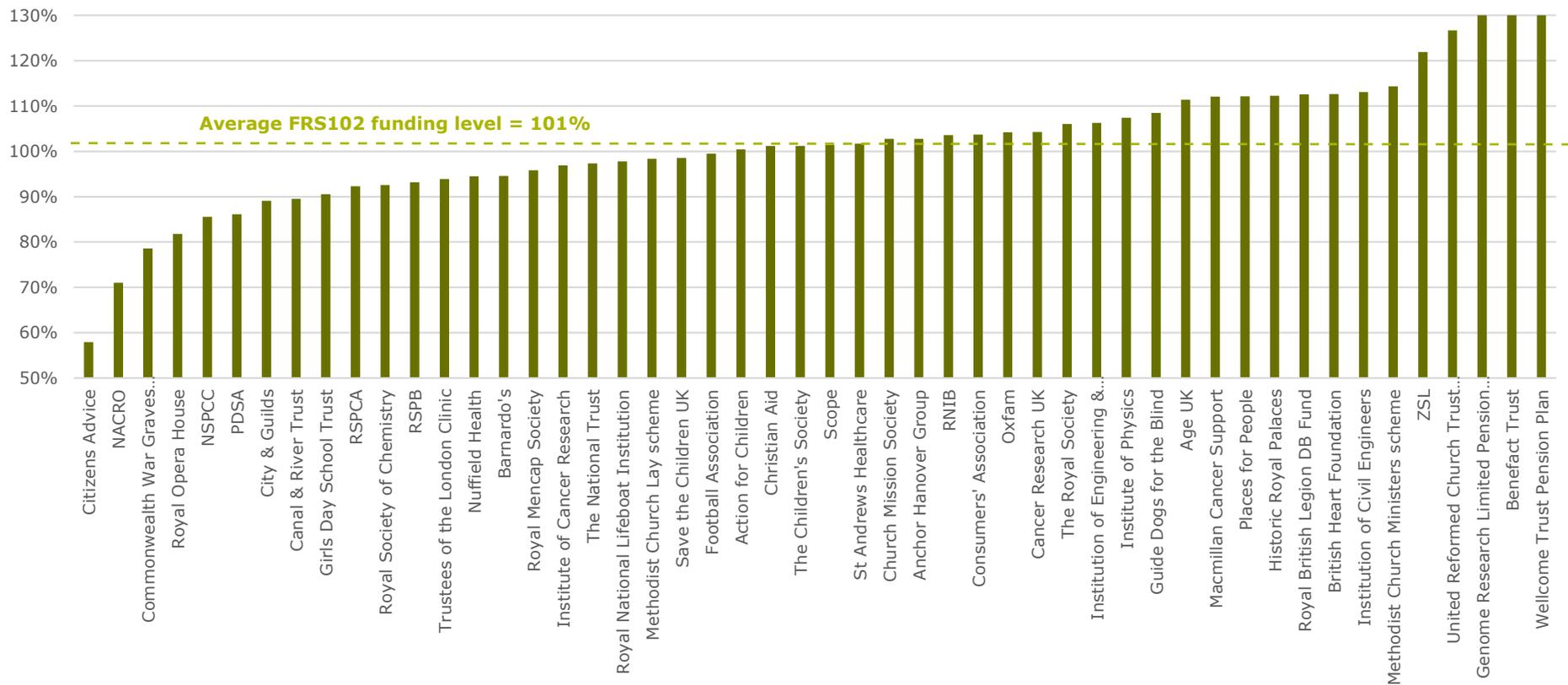


**We estimate that running costs could be cut by 30% in some cases – that's a saving of £180,000 per annum on the average running costs in this analysis.**

# The results in more detail

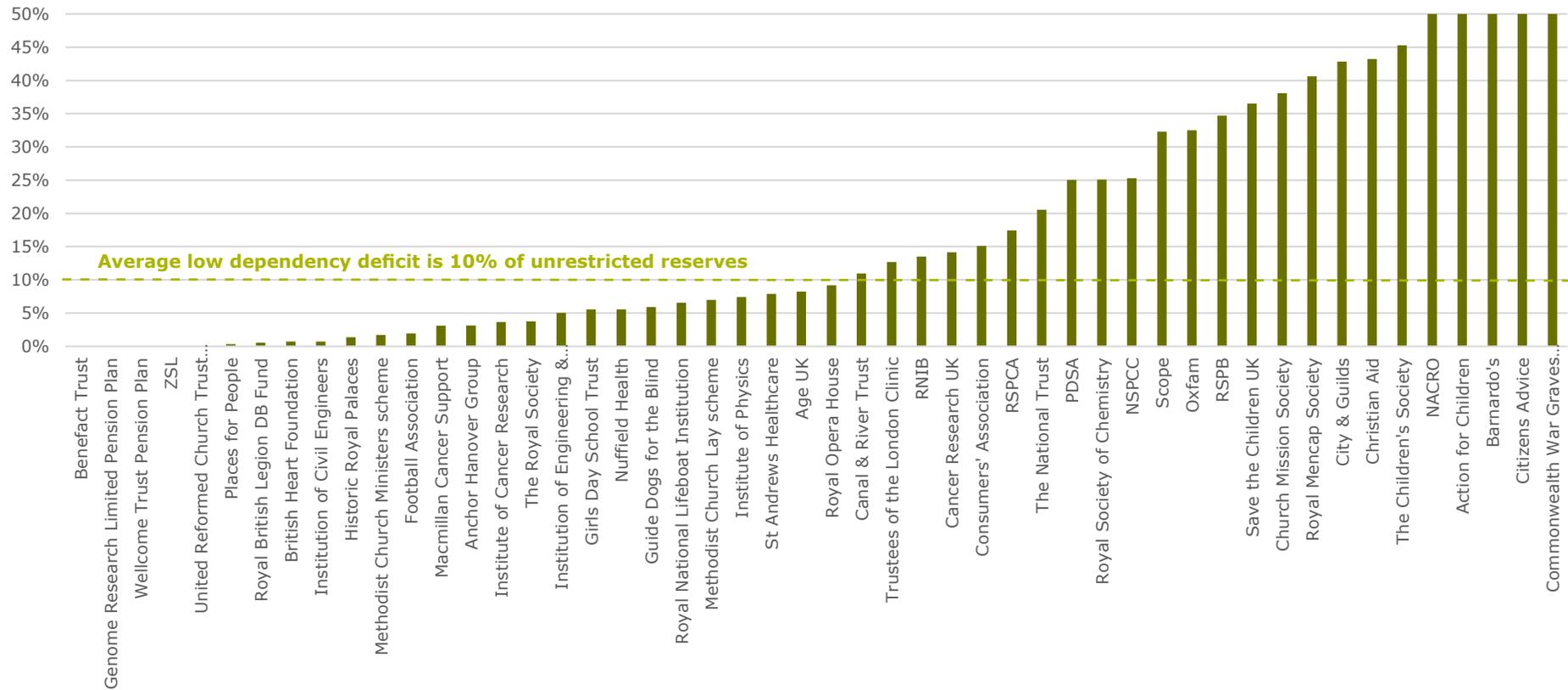
The charts below show the spread of outcomes for the different charities and not-for-profits included in this analysis.

## FRS102 FUNDING LEVEL



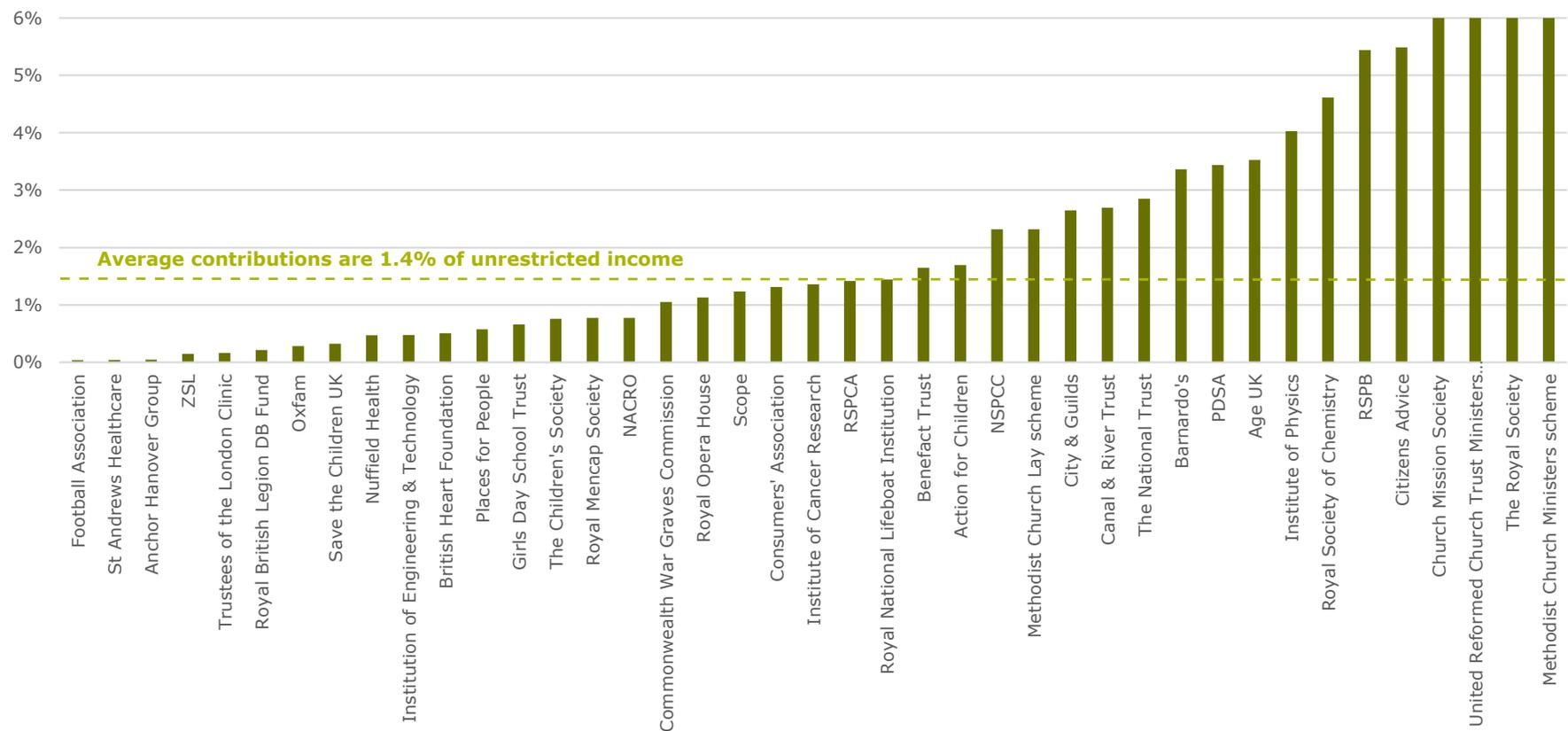
- FRS102 funding levels range from 58% to over 130%.
- Only 32% of the organisations in surplus under FRS102 are fully recognising the surplus on balance sheet, typically because of restrictions in scheme rules on the ability for sponsors to access a pension surplus.

**ESTIMATED LOW DEPENDENCY FUNDING DEFICIT AS A PROPORTION OF UNRESTRICTED RESERVES**



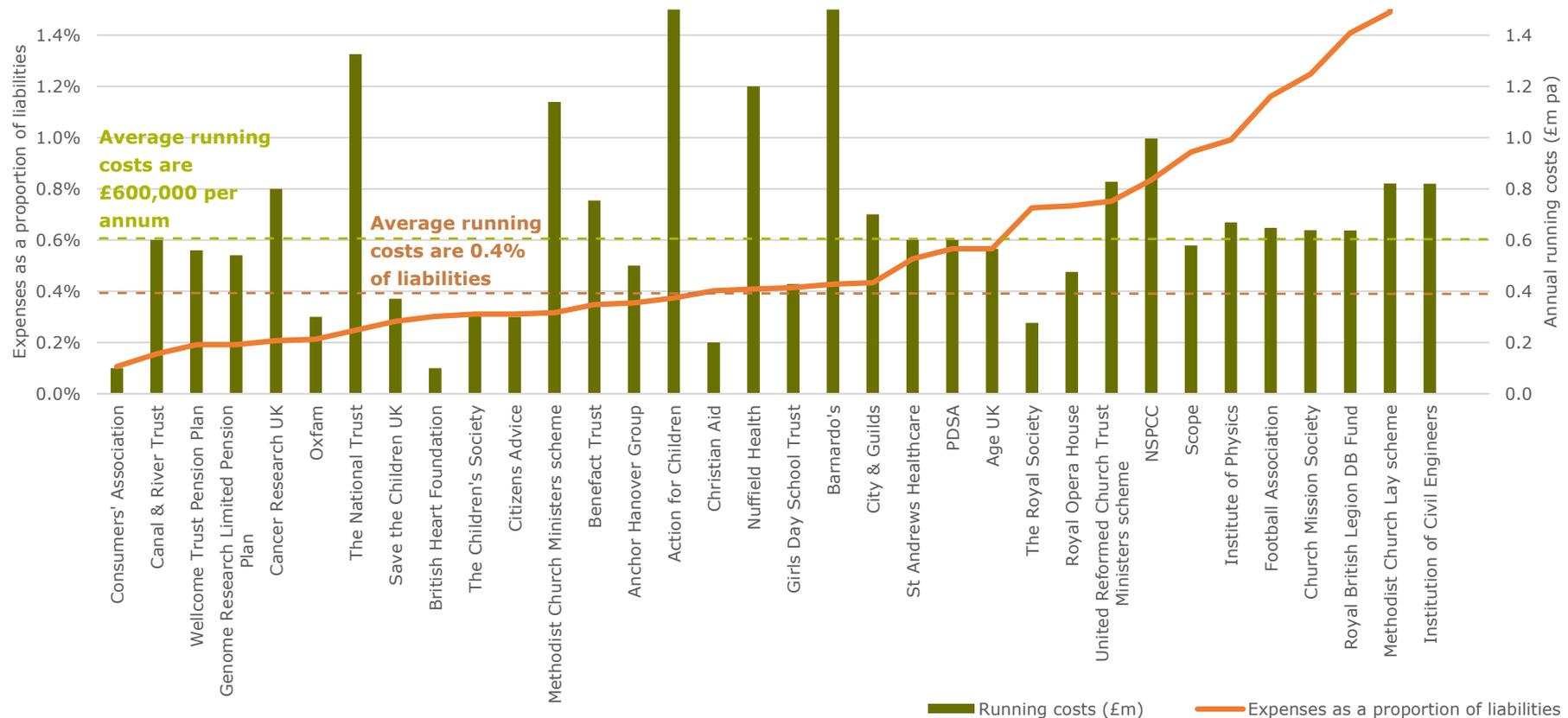
- Whilst most schemes are in surplus on an FRS102 basis, more remain in deficit on a low dependency funding basis.
- The estimated low dependency deficit is material relative to unrestricted reserves for some organisations, exceeding 50% of unrestricted reserves for five organisations.
- However, the estimated low dependency deficit is less than 10% of unrestricted reserves for 50% of organisations. These are the situations where running on the DB scheme to generate a surplus accessible by the charity / not-for-profit may be more viable.

## DB PENSION CONTRIBUTIONS AS A PROPORTION OF UNRESTRICTED INCOME



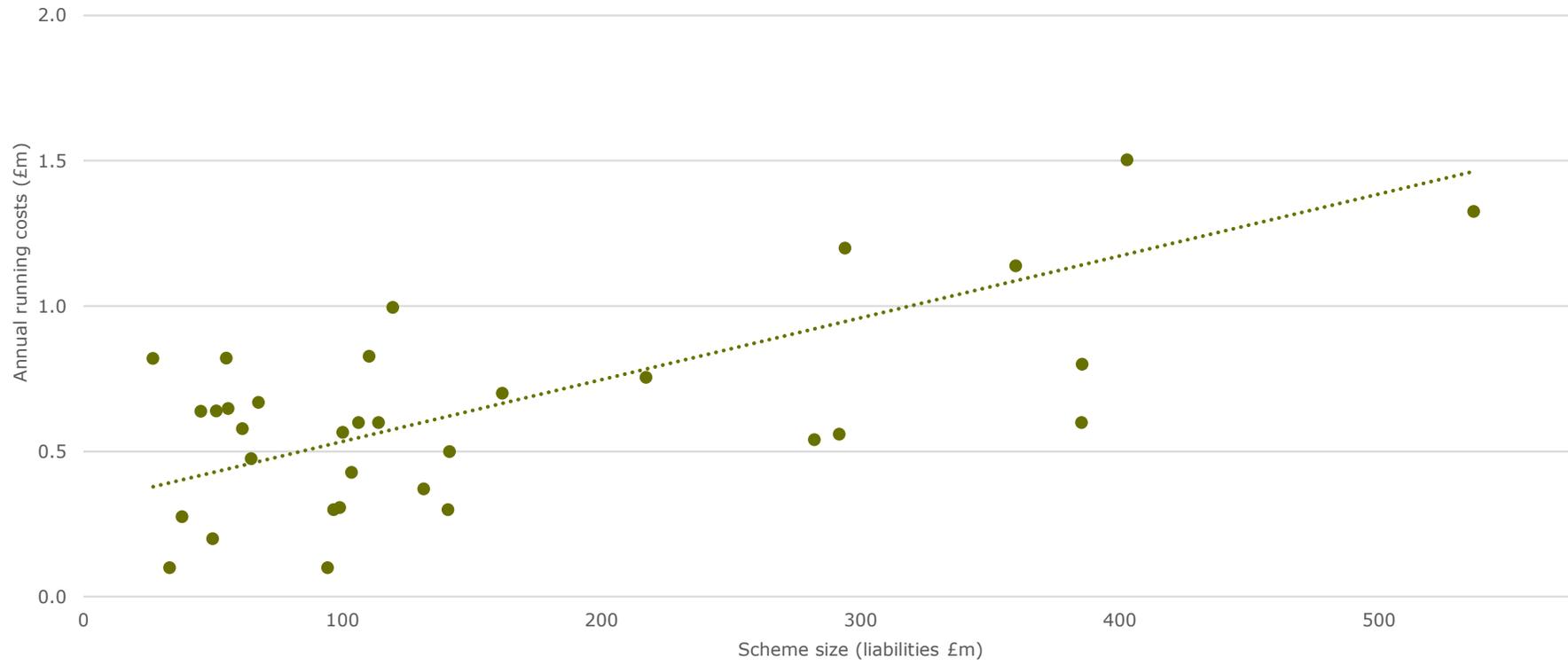
- 48% of organisations are no longer paying material amounts of contributions (above £1m pa), reflecting improved pension scheme funding removing the need for deficit contributions. Charities / not-for-profits paying lower levels of contributions of below £1m pa are generally doing this to fund running costs.
- The organisations paying contributions (including those paying less than £1m pa) are shown above. Contributions average 1.4% of unrestricted income.
- A minority of organisations are paying a significantly larger proportion of unrestricted income than 1.5%, with four paying more than 6%. Some of these higher proportions may reflect one-off lump sum contributions rather than regular contributions at this level.

**ANNUAL RUNNING COSTS: % OF LIABILITIES (ORANGE LINE AND LEFT HAND SCALE) AND £ AMOUNT (GREEN BARS AND RIGHT HAND SCALE)**



- 68% of the organisations disclose annual running costs. Those that did not disclose running costs likely pay expenses directly and account for this expense outside of the pension scheme.
- Average running costs are £600,000 per annum or 0.4% of the liabilities, but there is a wide range. Care is also needed comparing costs as different organisations can include different types of cost in the disclosed amount. For example, those with DC sections in the trust may include DC costs or life cover costs in expenses. Conversely some organisations may only disclose part of the cost, perhaps relating to costs paid out of scheme assets rather than directly by the charity / not-for-profit. Costs will be higher in some cases due to project work. This analysis is therefore indicative only and not comparing like-for-like in all cases.
- Organisations with larger running costs typically have larger DB schemes, as can be seen by the chart on the following page, which plots the running costs by scheme size.

**ANNUAL RUNNING COSTS £M (BY SCHEME SIZE)**



**LIST OF CHARITIES / NOT-FOR-PROFITS INCLUDED IN THE ANALYSIS**

<b>Charity</b>	<b>Year end</b>	<b>DB assets (£m)</b>	<b>FRS102 liabilities (£m)</b>
Action for Children	31/03/2025	404.5	402.7
Age UK	31/03/2025	111.4	100.0
Anchor Hanover Group	31/03/2025	145.1	141.2
Barnardo's	31/03/2025	504.9	534.0
Benefact Trust	31/12/2024	308.0	217.1
British Heart Foundation	31/03/2025	37.4	33.2
Canal & River Trust	31/03/2025	345.0	385.2
Cancer Research UK	31/03/2025	401.8	385.4
Christian Aid	31/03/2025	50.4	49.8
Church Mission Society	31/01/2025	52.6	51.2
Citizens Advice	31/03/2025	55.9	96.5
City & Guilds	31/08/2024	144.0	161.6
Commonwealth War Graves Commission	31/03/2025	62.8	79.9
Consumers' Association	30/06/2025	97.7	94.2
Football Association	31/07/2024	55.5	55.8
Genome Research Limited Pension Plan	30/09/2024	373.7	282.0
Girls Day School Trust	31/08/2024	93.6	103.4
Guide Dogs for the Blind	31/12/2024	192.6	177.5
Historic Royal Palaces	31/03/2025	66.0	58.8
Institute of Cancer Research	31/07/2024	74.9	77.3
Institute of Physics	31/12/2024	72.5	67.5
Institution of Civil Engineers	31/12/2024	30.3	26.8
Institution of Engineering & Technology	31/12/2024	102.9	96.8
Macmillan Cancer Support	31/12/2024	29.7	26.5
Methodist Church Lay scheme	31/08/2024	54.2	55.1

Charity	Year end	DB assets (£m)	FRS102 liabilities (£m)
Methodist Church Ministers scheme	31/08/2024	411.5	359.8
NACRO	31/03/2025	29.2	41.1
NSPCC	31/03/2025	102.1	119.3
Nuffield Health	31/12/2024	277.7	293.9
Oxfam	31/03/2025	146.6	140.7
PDSA	31/12/2024	91.4	106.1
Places for People	31/03/2025	168.8	150.5
RNIB	31/03/2025	157.1	151.7
Royal British Legion DB Fund	30/09/2024	51.0	45.3
Royal Mencap Society	31/03/2025	85.4	89.1
Royal National Lifeboat Institution	31/12/2024	235.2	240.5
Royal Opera House	25/08/2024	52.9	64.7
Royal Society of Chemistry	31/12/2024	76.0	82.1
RSPB	31/03/2025	160.9	172.7
RSPCA	31/12/2024	184.6	200.0
Save the Children UK	31/12/2024	129.4	131.3
Scope	31/03/2025	62.2	61.3
St Andrews Healthcare	31/03/2025	115.8	113.9
The Children's Society	31/03/2025	100.1	98.9
The National Trust	28/02/2025	522.1	536.5
The Royal Society	31/03/2025	40.3	38.0
Trustees of the London Clinic	31/12/2024	68.7	73.2
United Reformed Church Trust Ministers scheme	31/12/2024	139.6	110.2
Wellcome Trust Pension Plan	30/09/2024	456.3	291.7
ZSL	30/04/2024	44.0	36.1

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# Methodology

We have analysed the latest published accounts of 50 charities / not-for-profits in England & Wales with larger DB schemes. The schemes range in size from £30m to £550m of assets. The analysis focuses on standalone schemes, rather than participation in multi-employer pension schemes. Some of the organisations included in this analysis do also participate in multi-employer schemes such as Local Government Pension Schemes (LGPS), the Universities Superannuation Scheme (USS) and schemes run by The Pensions Trust (TPT).

The vast majority of the data is taken directly from the accounts, without making any further judgements, but further detail on the approach used includes:

- Unrestricted reserves and unrestricted income of the charities / not-for-profits are considered when assessing the size of the organisation relative to the size of the pension scheme. This is on the basis that restricted funds and endowments are generally not available to support the pension schemes.
- The unrestricted reserves considered are prior to the deduction of any DB deficit or addition of a DB asset for the standalone schemes in this analysis (any reserves adjustment for any other pensions exposures outside of this analysis has been retained).
- Low dependency funding liabilities are estimated by applying a 15% uplift to the disclosed FRS102 liabilities. This is intended to be a broad proxy for the low dependency funding liabilities, but does not reflect scheme specific circumstances and maturity.
- Some organisations are excluded from some metrics either because the data was not disclosed (for example with scheme running costs) or because of specific quirks relating to some metrics (for example some charities do use restricted funds or endowment funds to support the pension scheme).

# About Spence & Partners methodology

The charity and not-for-profit practice at Spence & Partners has a 20 year track record of delivering pensions advice, and is recognised as one of the pre-eminent pensions advisers in the sector. We have advised 100s of charities and not-for-profit organisations on pensions.

Spence & Partners use the proprietary pensions software Mantle for advising and administering DB schemes. This integrated actuarial, administration and investment system fully automates processes and removes the need to transfer data from one system to another, significantly reducing running costs for schemes.

3173 Group owns Spence & Partners and Dalriada Trustee Limited. The two companies operate entirely separately. Spence & Partners work with a wide range of independent trustee firms. Where Spence & Partners are appointed as an adviser to an ongoing scheme, it is not possible for Dalriada to be a trustee to that scheme.

## Get in touch

If you are involved in a DB scheme in the charity / not-for-profit sector and want to discuss ways to address deficits, access surpluses, reduce running costs or benchmark your scheme against this analysis, then please get in touch.



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