

Significant regulatory change brings opportunities for employers in 2026

At a glance

Legislative changes for defined benefit (DB) and defined contribution (DC) pensions, due to come into force in 2026, will have a **big impact on both employer pension strategies and employee savings**.

The **DB surplus override** is due to be brought into law, allowing regular release of DB surplus. It will become possible to run a scheme on for the short- or long-term to help fund your business and enhance member benefits.

HMRC are introducing rules that allow **surplus to be distributed** to members as cash lump sums. This allows surplus distribution without the risk of impacting your scheme's funding position.

Value for Money (VFM) reporting, where DC schemes will have to publish performance data on member outcomes, will be required from 2028 onwards. To be ready to meet these requirements, schemes will need to review their investment strategy now.

New legislative requirements around **trusteeship** are being explored that could impact your trustees' governance and your appointment of trustees.

Key surplus changes

Surplus override

All schemes can adopt a rule to allow trustees to release surplus on an ongoing basis.

Changing thresholds

Surplus is expected to align with low-dependency measures, but we anticipate most schemes to agree a stronger funding buffer to deliver surplus safely.

Cash benefits to members

New rules to allow cash lump sums to be paid or accrued, allowing surplus to be shared without adding material liability risk.

Conditions

Trustees to check releasing surplus is in line with their duties to all beneficiaries, rather than solely in the interest of members.

Key regulatory changes over 2026

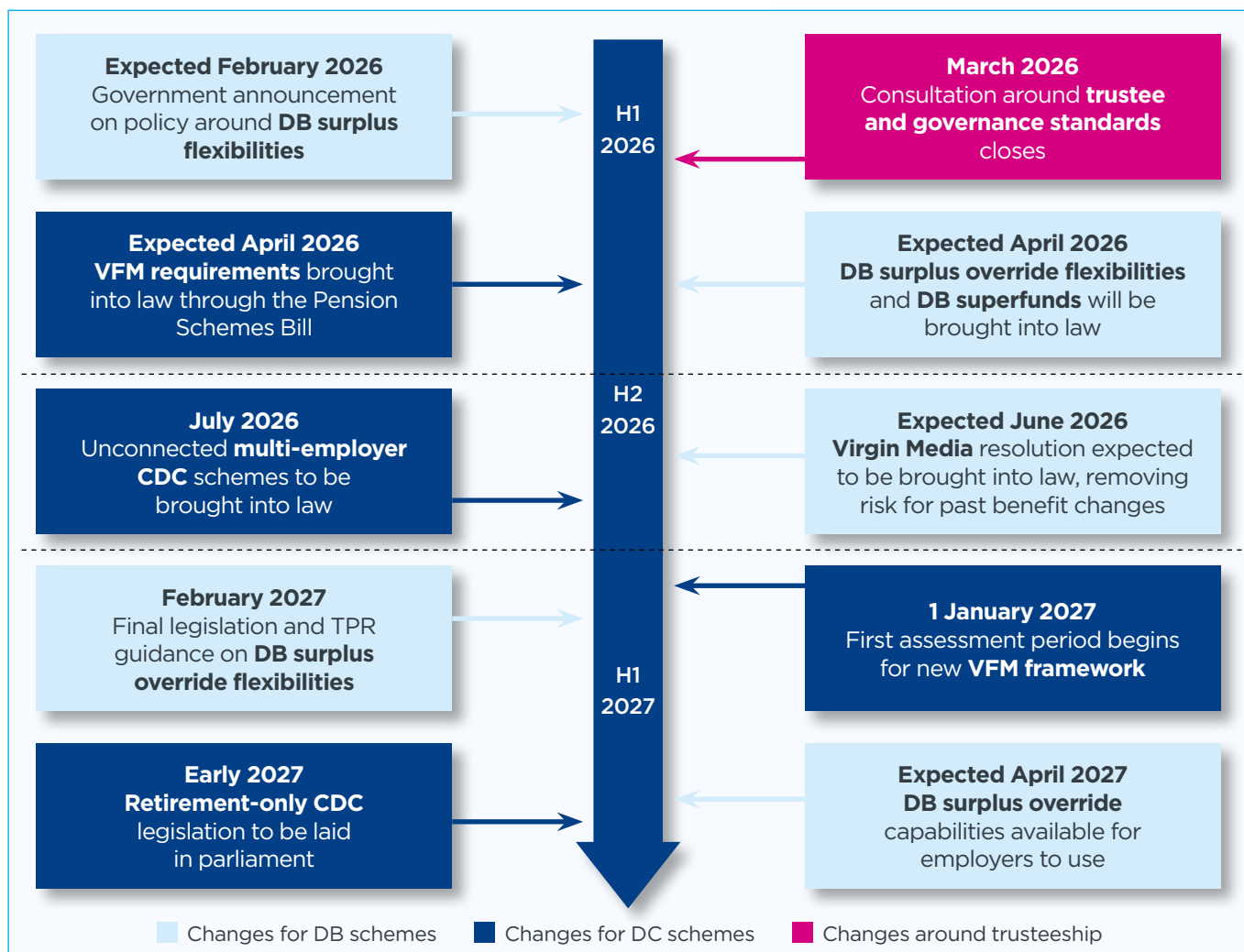
Area	What is changing?
DB surplus	Scheme trustees and employers will be able to formally agree on whether they will use the surplus override. We expect ongoing surplus release to be practically possible from April 2027.
DB superfunds	The DB superfunds regime will be formally brought into law, further cementing this as a viable alternative long-term funding strategy for some DB schemes.
DC Value for Money	Reporting on the VFM framework will begin in 2028. We expect DC schemes will need to start reviewing their investment strategy in 2026 to have the best chance of meeting new requirements.

Actions employers should take

1. Look at the value and risk of running on DB schemes for surplus in detail.
2. Engage with your trustees on adopting surplus flexibilities, whatever your strategy.
3. Investigate whether your DC scheme's investment strategy would comply with the new VFM requirements.
4. Consider whether a review of your scheme's governance is needed to meet the new standards set in legislation.

Upcoming changes in pensions legislation

Over the next 12 to 18 months, there will be a number of legislative and regulatory changes in the UK pensions industry, affecting both DB and DC schemes. The timeline below shows when you can expect these changes to occur.



Benefits of reviewing your scheme trustees

Employers can benefit from undertaking a review of their pension scheme's trustees by:

Knowing the scheme is being run in a cost-efficient manner

Being comfortable that the structure in place is legally compliant

Having reassurance that the pension scheme is being governed effectively

Knowing your employees will benefit from having a well-run scheme

Find out more

For further information, please get in touch with **Patrick Singleton**, **Charlotte Yuen** or speak to your usual XPS Group contact.



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