XPS Group

May 2026

# DC Briefing

# Your 2026 DC checklist: Prepare for change

Your essential guide for understanding and preparing for the changing world of Defined Contribution (DC) pension plans over 2026.

**Key information:**

This checklist provides insight into the overall performance of your DC pension scheme, with a focus on Value for Money (VFM), strategies to enhance adequacy, and the latest default retirement reforms.

**Who is it for:**

Whether you're an employer overseeing pension plans for your employees or a trustee managing a scheme, our checklist is designed to help you identify areas that may need attention to enhance your members' retirement savings.

## Value for Money (VFM)

The Pension Schemes Act introduces a new, more rigorous Value for Money framework that will apply to **all** DC schemes, with consequences for schemes that fail. Under the new framework, all DC schemes (whether a master trust, single-employer trust or a contract-based / Group Personal Pension (GPP) scheme) will be assessed in the same way, with a focus on outcomes and member support. All schemes will have to prove they can perform in line with the leaders in the market.

The first assessment year is expected to be 2027. Key to getting ready during 2026 will be ensuring that your scheme is performing well across all metrics.

### Single-employer trusts

- ☐ Have you reviewed your DC administration and investment platform performance in the last 3 years?
- ☐ Have you compared your investment performance against the commercial providers in the market?
- ☐ What internal feedback have you had on your DC scheme? Do employees and the employer feel supported (e.g. engagement, retirement, employer support)?
- ☐ Have you considered how you will obtain the required data to complete your first VFM assessment?
- ☐ Have you got a plan for action if your scheme does not receive a 'green' VFM rating?

### Employers with a master trust or contract-based / GPP scheme

- ☐ Have you reviewed your DC provider in the last 3 years?
- ☐ Have you compared your investment performance against the commercial providers in the market?
- ☐ What internal feedback have you had on your DC scheme? Do employees and the employer feel supported (e.g. engagement, retirement, employer support?)
- ☐ Will your provider achieve £25bn scale by 2030?
- ☐ Have you got a plan for action if your provider does not receive a 'green' VFM rating?

## Investment strategy

The Value for Money framework will have an increased focus on investment performance. Over the past several years we have seen increasing diversity in DC accumulation investment strategies, and this is set to continue. Many of the master trust and contract-based / GPP providers are developing their strategies at pace.
For employers and trustees running a single-employer trust scheme, the key questions to ask are:

| Single-employer trusts |
| --- |
| **Private markets** |
| ☐ Have you considered the benefits of adding private markets to your default investment strategy? |
| ☐ If you have been considering, or implemented private markets already, have you considered the necessary investment governance uplifts, for example to manage liquidity risk and stale valuation risk? |
| **Listed equity exposure** |
| ☐ Have you considered the regional weights of your equity exposure, in light of potential concentration to the United States (US) as a whole and also the technology sector within US allocations? |
| **ESG and sustainable investing** |
| ☐ Has your ESG / climate voting and stewardship been reviewed to ensure alignment with scheme policy and fiduciary duties? |
| ☐ Has your policy recently been reviewed to ensure it is compatible with emerging best practice and regulatory requirements, for example, considering the impact of different climate scenarios on the purchasing power of retirement income delivered to members? |
| **Sharia compliant options** |
| ☐ Have you reviewed your Sharia compliant offering to ensure Muslim members of your scheme have sufficient options to meet their requirements? |

Employers with a master trust or contract-based / GPP scheme will need to assess whether their provider's investment strategies are performing in line with best practice and as such all of the above questions are relevant questions to ask your provider.

## Pensions adequacy

In July 2025, the Government announced the revival of the Pensions Commission with the remit to consider the long-term future of our pensions system and make recommendations on the broader questions of adequacy. The Pensions Commission will explore the barriers stopping people from saving enough for retirement and is due to publish its final report in 2027. In the meantime, employers and trustees should be looking at whether your members' needs are likely to be met in retirement.

| Single-employer trusts | Employers with a master trust or contract-based / GPP scheme |
| --- | --- |
| ☐ Do you know your members' retirement needs and are they on target? | ☐ Do you know your members' retirement needs and are they on target? |
| ☐ Do you have specific groups that are more likely to have a pensions gap - e.g. women, ethnic minority groups, people with disabilities, carers? | ☐ Do you have specific groups that are more likely to have a pensions gap - e.g. women, ethnic minority groups, people with disabilities, carers? |
| ☐ Have you reviewed your contribution strategy in the last three years? Is it competitive? | ☐ Have you reviewed your contribution strategy in the last three years? Is it competitive? |
| ☐ Have you considered wider financial wellbeing initiatives to support adequacy now as well as adequacy in retirement? | ☐ Have you reviewed how your provider's wider financial wellbeing initiatives can support adequacy? |

## Salary sacrifice

Alongside this, the November 2025 Budget made significant changes to salary sacrifice arrangements. As a result, savers and employers will pay National Insurance on any salary sacrifice pension contributions above a threshold of £2,000 per year, from 6 April 2029.

Despite the changes, salary sacrifice arrangements will continue to be attractive. However, the changes will involve updates to payroll systems and processes, and may lead employers to restructure their existing arrangements.

**All employers**

- ☐ Do you know the extent to which you and / or your employees will be affected by the Budget changes from 2029?
- ☐ Have you considered how it will affect corporate budgets / affordability for the corporate?
- ☐ Have you thought about how to adapt your benefit design and communicate any changes?
- ☐ If you don't use salary sacrifice - have you considered whether this could produce savings (for you and your employees)? Note: this could still be feasible for employers and members post 2029.

## Default retirement solution

The Pension Schemes Act introduces a new duty on all DC schemes to implement a default retirement solution. The default retirement solution will likely need to provide a regular income and could be required to include protection against longevity risk and / or inflation risk. The design of the solution needs to be appropriate to your members and can be delivered either in-scheme or via a transfer to another arrangement. DC members will still retain the freedom to make their own decisions, but the default retirement solution is aimed to provide an additional level of support for members.

The new duty is expected to come into force in early 2027 for master trusts and early 2028 for single-employer trusts and contract based / GPP schemes. This means that members retiring in 2 years time may be enrolled in a default retirement solution unless they fully engage. It is therefore important to support them now.

The FCA's targeted support framework will help by empowering schemes and providers to offer more tailored support. And we're seeing innovation in decumulation solutions accelerate, including the Government's recent consultation on a new type of Collective Defined Contribution scheme to be used in retirement.

**Single-employer trusts**

- ☐ Do you provide access to digital tools and personalised guidance (either in-house or through a partnership with a provider)?
- ☐ Have you started to look at the options available in the market and consider how your scheme's retirement options may need to change?
- ☐ Do you know your members sufficiently to consider which types of retirement solutions might be appropriate?
- ☐ Can your current record keeping identify how members are taking their benefits?

**Employers with a master trust or contract-based / GPP scheme**

- ☐ Does your provider offer access to digital tools and personalised guidance?
- ☐ Has your provider outlined how their offering may evolve to meet the new requirements in the Pension Schemes Act?
- ☐ What default retirement solution is your provider considering to introduce? Does this feel an appropriate solution based on what you know of your members?
- ☐ Can your provider identify how your members are currently taking their benefits?

## Other hot topics

Alongside all of the above, the Pensions Dashboards Programme is advancing towards its 31 October 2026 statutory connection deadline. Millions of private and state pension records are connected and consumer testing has begun. The focus now is on improving member data quality and looking at the member experience once the MoneyHelper Dashboard is launched.

And finally, in the 2025 Budget, the Chancellor announced that unused pension pots will be brought into the scope of inheritance tax (IHT) from 6 April 2027. This year, as well as extending the lock on the IHT threshold to 2031, it was announced that personal representatives will be able to direct pension scheme administrators to withhold 50% of taxable benefits for up to 15 months and pay IHT due in certain circumstances. Schemes will need to update their processes and communications so that members (and their beneficiaries) are clear about the new tax treatment.

| Single-employer trusts | Employers with a master trust or contract-based / GPP scheme |
|---|---|
| ☐ **Dashboard:** Have you conducted an audit of member data (personal and scheme-specific) to identify and fix gaps, inconsistencies, and inaccuracies? | ☐ **Dashboard:** Is your provider on track or has it already met the statutory connection deadline? |
| ☐ **Dashboard:** Are you ready to support members when the dashboard is launched - in particular to process 'find' requests (to locate pensions) and 'view' requests (to display pension details)? | ☐ **Dashboard:** Has your provider started to put plans in place to support your members at launch? |
| ☐ **IHT:** Have you understood the changes? And updated your member communications? | ☐ **IHT:** Has your provider started to communicate the changes to your members? |

**We have seen a wealth of policy initiatives emerge from the Pensions Investment Review and the Pension Schemes Act, setting the stage for impactful changes starting in 2027 and beyond. As we move through 2026, the focus will be on delving into the detail to understand and prepare for these upcoming transformations.**

## Find out more

**For further information, please get in touch with Sophia Singleton, Christopher Barnes or speak to your usual XPS Group contact.**




**Sophia Singleton**
Partner and Head of DC
e sophia.singleton@xpsgroup.com



**Christopher Barnes**
Partner, DC Consulting
e christopher.barnes@xpsgroup.com

in xpsgroup



© XPS Group. XPS Pensions Consulting Limited, Registered No. 2459442. XPS Investment Limited, Registered No. 6242672. XPS Pensions Limited, Registered No. 3842603. XPS Administration Limited, Registered No. 9428346. XPS Pensions (RL) Limited, Registered No. 5817049. XPS Pensions (Trigon) Limited, Registered No. 12085392. Penfida Limited, Registered No. 8020393. Polaris Actuaries and Consultants Ltd, Registered No. 9640309. All registered at: Phoenix House, 1 Station Hill, Reading, RG1 1NB.

XPS Investment Limited is authorised and regulated by the Financial Conduct Authority for investment and general insurance business (FCA Register No. 528774).

This communication is based on our understanding of the position as at the date shown. It should not be relied upon for detailed advice or taken as an authoritative statement of the law.