

## Quarterly Pensions Watch: Pensions reforms take shape



### What you need to know

- Progress continues in implementing the various measures introduced by the Pension Schemes Act 2026, backed up by the updated roadmap published by the Department for Work and Pensions (DWP) on 13 July. The roadmap updates the timelines including for defined benefit (DB) surplus flexibilities, superfunds and value for money in defined contribution (DC) arrangements. The likely next Prime Minister, Andy Burnham, has indicated support for continuity in the near-term pensions agenda.
- In early June, the DWP published its draft regulations and consultation on DB surplus release. Alongside this, The Pensions Regulator (TPR) released an interim statement for trustees, to help support the initial stages of formulating a surplus release strategy.
- The Pensions Commission's interim report published in May highlighted long-term adequacy challenges, including widespread under-saving for retirement, particularly among some population groups.

### Latest news

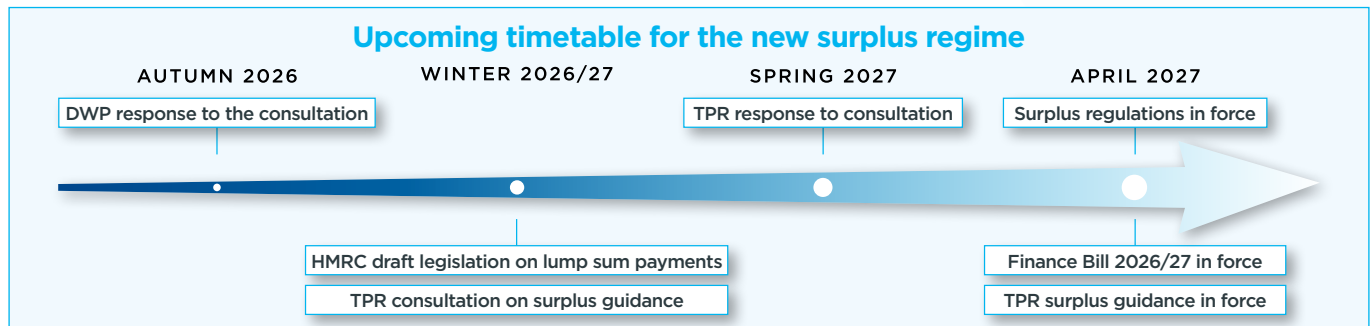
| Development                                                       | Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>TPR's Annual Funding Statement 2026 published</b>              | The statement reflects the continued improvement in DB scheme funding levels, with 90% estimated to have a technical provisions surplus at 31 December 2025. The statement focuses on actions that schemes should take depending on funding position, ranging from endgame planning to maintaining progress towards low dependency funding or addressing deficits.                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>The Pensions Commission's interim report published</b>         | <p>This concluded that, whilst the UK's pensions system is built on stronger foundations following the first commission in 2002, demographic pressures mean the current framework needs to evolve.</p> <p><b>Key challenges include:</b></p> <ul style="list-style-type: none"> <li>• inadequate retirement saving among low and middle earners;</li> <li>• persistent under-saving despite the success of automatic enrolment;</li> <li>• limited pension provision for the self-employed; and</li> <li>• a growing need for longer working lives to support retirement adequacy.</li> </ul> <p>The commission also highlighted that retirees face complex decisions and would benefit from greater support. The final report is expected in Spring 2027.</p> |
| <b>Consultation on Flexible Apportionment Arrangements (FAAs)</b> | <p>DWP has indicated that a consultation on FAAs is on the horizon, following the December 2025 Aberdeen-Stagecoach transaction. Under the deal, Aberdeen assumed scheme sponsorship using the FAA framework, with TPR satisfied that it would improve member security and outcomes. However, the DWP viewed this as a novel and unexpected use of an FAA and plans to consult on whether additional safeguards are needed.</p> <p>A TPR blog has subsequently highlighted the opportunity to shape a proportionate and effective system that protects security of benefits whilst supporting innovation.</p>                                                                                                                                                  |
| <b>Pension scams - transfer regulations consultation</b>          | DWP's proposed amendments to the transfer regulations seek to address practical issues that have arisen since the regulations came into force in 2021, including the large number of transferring members referred for safeguarding guidance due to amber flags. There are also proposals to introduce additional protections for Small Self-Administered Scheme (SSAS) transfers, which have been identified as an emerging fraud risk.                                                                                                                                                                                                                                                                                                                       |
| <b>CDC consultation outcome</b>                                   | DWP has published its consultation outcome on Retirement Collective Defined Contribution (CDC) schemes. The outcome distinguishes between authorised CDC schemes and Retirement CDC schemes. Bulk transfers without member consent will be permitted into authorised CDC schemes, mirroring a change made for master trusts in 2018. Retirement CDC schemes are excluded, as they are designed for individuals at retirement rather than scheme transfers. The regulations are due to come into force on 31 July 2026.                                                                                                                                                                                                                                         |

## Spotlight on DB surplus flexibilities

The DWP has published draft regulations setting out how surplus in DB schemes could be released more flexibly to employers and members. The proposals are intended to unlock value from well-funded schemes, while maintaining strong member protections and keeping trustees at the centre of decision making.

Under the proposed framework, surplus could only be released where a scheme remains at least 100% funded on a low dependency basis. Trustees would also need to be satisfied that the scheme is “at least as likely as not” to remain fully funded on that basis over the following three years. Any release would require actuarial certification, trustee and employer agreement and at least three months’ notice to members.

The consultation closes on 2 September 2026 with regulations expected to come into force in April 2027. TPR is expected to consult on and publish guidance for trustees ahead of April 2027.



TPR has issued an interim statement to support trustee and employer discussions. It emphasises the need for a clear surplus policy, professional advice, effective conflict management and consideration of how surplus release aligns with scheme strategy. Key considerations include covenant strength and trustee capacity to manage a run-on strategy. TPR has also highlighted that both employers and members may benefit from surplus release, meaning member outcomes could increasingly become an important factor in surplus negotiations and policy development.

## Other measures on the horizon

| Item on the horizon                                               | Brief explanation                                                                                                                                                                                                                                                                | DB | DC |
|-------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|----|
| <b>Value for money (VFM) framework</b>                            | The Financial Conduct Authority, TPR and DWP are consulting on a consistent approach to assessing DC arrangements across investment performance, costs and service quality, with a focus on member outcomes rather than low costs. The first assessments are expected from 2028. |    | ✓  |
| <b>Pensions Dashboards</b>                                        | All in-scope schemes must connect by 31 October 2026. Data quality, matching processes and administrator readiness remain key priorities. The first public dashboard, MoneyHelper, is expected to launch in 2027/28.                                                             | ✓  | ✓  |
| <b>Normal Minimum Pension Age (NMPA) transitional regulations</b> | HMRC has provided further detail on transitional arrangements ahead of the rise in NMPA from 55 to 57 from 6 April 2028, but regulations are awaited. Schemes should monitor the position and review communications for affected members.                                        | ✓  | ✓  |
| <b>Trustee governance and administration</b>                      | DWP is considering changes to strengthen trustee governance and administration standards. The consultation outcome is still awaited.                                                                                                                                             | ✓  | ✓  |
| <b>Small pots consolidation</b>                                   | Automatic enrolment DC pots of £1,000 or less are expected to be transferred to authorized consolidators with details regulations to come.                                                                                                                                       |    | ✓  |
| <b>DB transfer advice threshold</b>                               | DWP intends to consult on whether the £30k threshold for mandatory independent financial advice on DB transfers remains appropriate.                                                                                                                                             | ✓  |    |

## Find out more

For further information, please get in touch with **Ruairidh Cowieson**, **Sarah Vanhouse** or speak to your usual XPS Group contact.



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