TRUSTEE KNOWLEDGE UPDATE

May - July 2026

LEGISLATION

The Registered Pension Schemes (Provision of Information) (Miscellaneous Amendments) Regulations 2026

(13 July 2026)

After a short technical consultation, the Government has laid Regulations in relation to the new pensions and inheritance tax (IHT) regime. The Regulations require pension schemes and personal representatives (PRs) to share information with each other, scheme beneficiaries and HMRC in respect of a deceased's pension assets.

The Regulations:

- require confirmation of any amount by which a beneficiary's entitlement to lump sum death benefit was reduced due to IHT;
- specify the information that scheme administrators and insurance companies must provide to PRs and beneficiaries;
- require scheme administrators to confirm when they have paid IHT on behalf of a PR or beneficiary; and
- require information to be supplied electronically.

The Regulations will come into force alongside the key IHT on pensions reforms on 6 April 2027.

Comment:

Trustees and administrators should familiarise themselves with the requirements in order to prepare for the new processes next year.

CONSULTATIONS AND DRAFT LEGISLATION

HMRC consultation on defined benefit pension scheme surplus payments to members

(13 July 2026)

HMRC has published a policy paper, draft legislation and an explanatory note on the proposed changes to the Finance Act 2004 to introduce a new category of authorised payment: the authorised member surplus payment.

The conditions for a payment to qualify include that the payment is made from surplus assets of a DB scheme, is calculated by reference to the available surplus, and is paid to a member meeting the relevant age or ill-health conditions, or to a dependant following the member's death.

Consultation closes on **7 September 2026**.

The Occupational and Personal Pension Schemes (General Levy) Regulations review 2026

(14 July 2026)

The DWP is consulting until 8 September on changes to the General Levy, which helps fund TPO, TPR and MaPS, through payments by eligible occupational and personal schemes at a rate depending on their number of members. The rate depends on whether the scheme is a master trust, other DC, DB or personal pension scheme.

The proposed changes extend the period for the levy debt (the amount DWP pays for regulation minus income from the levy) to be paid off, reaching a positive position in 2033 to 2034, but this still involves annual increases of 9% for master trusts and 6.2% for other DC schemes over the next three years. Exact amounts are set out in **Annex A**.

The review also notes plans to hold a separate "wider structural reform" of the levy over the coming years.

GOVERNMENT AND PARLIAMENT

The Second Pensions Commission Pensions 2050: evidence and future priorities - interim report

(19 May 2026)

Last summer the Government launched the second phase of its Pensions Review, to explore long-term questions of adequacy and retirement outcomes, by reviving the Pensions Commission.

The Commission's interim report highlights that 15m people are under saving for retirement, a particular issue for low and middle earners (around half of whom are saving only at minimum automatic enrolment levels), the self-employed and women. Moreover, millions of people who are in work are not saving into a pension at all.

The Commission also found that 3 in 10 private pension pots are accessed at the earliest possible opportunity - half of these being taken out in full. The report says that decumulation choices decisively impact people's retirements and that stronger guardrails are needed in relation to the DC 'freedom and choice' reforms introduced in 2015.

A final report, with recommendations, will follow in early 2027.

Comment:

There will be little surprise from industry at the Commission's conclusions that private pension saving, for many people, is inadequate - despite the roll-out of automatic enrolment. We wait to see the concrete proposals on savings adequacy which the Commission is expected to make next year and, in turn, whether Government will legislate to implement them.

Consultation on proposals to amend the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021

(9 June 2026)

This consultation has proposed the following changes to the Conditions for Transfers Regulations:

- Widening the types of schemes which can be covered by the First Condition, which is currently limited to public service schemes, authorised master trusts and authorised CDC schemes. The proposals would add schemes the trustees consider reputable, enabling trustees to proceed with such transfers without further assessment of red or amber flags.
- Introducing a new red flag where the member is unable to demonstrate a verifiable employment link with the receiving scheme.
- Giving members who have taken Money and Pensions Service (MaPS) guidance within the last 12 months an exemption from repeating it.
- Removing the Overseas Investment Amber Flag. The consultation says that this reflects the reality that many legitimate schemes include overseas investments and fraud risk associated with these investments is adequately covered elsewhere in the Regulations.

The consultation closed on **21 July 2026** and the outcome is awaited.

Consultation on surplus flexibilities for DB pension schemes

(10 June 2026)

The Government is consulting on regulations, to be made under the new surplus sharing provisions in the Pension Schemes Act 2026, which allow payment of surplus to the employer from ongoing DB schemes and provide trustees with a statutory override to permit this.

The draft Regulations provide for:

- a proposed change to the minimum funding threshold for surplus payments, from buy-out basis to low dependency (as anticipated);
- a new forward-looking test that for three years from the date of the relevant actuarial certificate, scheme assets are 'at least as likely as not' to be greater than the scheme's low dependency funding basis liabilities;
- a specified process under which:
  - trustees obtain appropriate advice from an appropriately qualified person, as well as an actuarial assessment of the scheme funding level;
  - on actuarial confirmation the scheme is sufficiently funded, the trustees and employer may agree to a provisional amount of surplus for release;
  - trustees must notify members of the planned surplus release at least 3 months in advance, before final actuarial certification of the payment amount;
  - any surplus payment to the employer must be made within 5 working days of certification;
  - after payment, TPR must be told within one week of the amount of surplus released to the employer and the details of any agreed payments or benefit enhancements to members.

The Government says that HMRC will consult separately on tax changes to allow direct surplus payments to members. It will only be possible to pay these to members above "normal minimum pension age" (NMPA): however, trustees will still be able to award authorised payments to members below NMPA (but deferring payment, and applying revaluation, until NMPA).

Consultation ends on **2 September 2026** with Regulations to come into force in April 2027.

Workplace pensions: an updated roadmap

(13 July 2026)

This detailed updated roadmap sets out key dates for the various strands of pensions reform stemming from the Pension Schemes Act 2026 (the Act), including collective defined contribution (CDC), value for money (VfM), guided retirement, scale, small pots, surplus and the PPF.

It also notes that DWP will publish guidance on fiduciary duties in investment by early 2027. This was proposed for inclusion in the Act, but defeated in the House of Lords. The Pensions Minister had previously promised that the Government *"will come forward with proposals to put the guidance on a statutory footing in the months and years ahead."*

The roadmap does not include any timetable for the controversial mandation power in the Act, which allows the Government to set targets for master trust default funds to invest in specified asset classes. The Act specifies that it can be used only once before sunsetting in 2032 and being fully repealed in 2035.

At the same time, the DWP published an Evaluation Strategy explaining how it will measure the success of the Pension Schemes Act 2026, and some research papers on decumulation decision-making and adequacy in retirement.

For more information, including a summary of the key dates for CDC and VfM, see our CMS Legal Update here.

Discussion paper on key elements of the Scale Policy

(13 July 2026)

The DWP is inviting responses (by **7 September 2026**) to its discussion paper on the key elements of implementing section 40 of the Pension Schemes Act 2026 on scale and asset allocation for master trusts and GPPs used for automatic enrolment.

The scale threshold will be introduced in April 2030 and require relevant schemes to have assets of at least £25bn in a single main scale default arrangement (MSDA). Alternatively, a scheme with £10bn may be approved to be on the transition pathway if they are on track to meet the £25bn requirement by 2035. If it fails to meet scale in time it will no longer be able to be used for automatic enrolment.

The discussion paper considers what should be included within the concepts of MSDA, the common investment strategy (CIS) and connected schemes in the same corporate group.

HMRC

Inheritance Tax on pensions: technical note

(11 May 2026)

HMRC has published a technical note with further detail on reforms to the Inheritance Tax (IHT) treatment of pensions.

From **6 April 2027**, most unused pension funds and pension death benefits will be brought within the value of a deceased person's estate for IHT purposes. This note explains how the legislation will operate in practice for personal representatives, pension scheme administrators and beneficiaries, and outlines the proposed approach to information-sharing and tax collection. It sets out:

- how notional pension property forming part of the estate is identified, valued and allocated to beneficiaries;
- that trustees may become liable for paying any IHT due if they fail to action a valid withholding notice or payment notice;
- the use of withholding notices and the pensions direct payment scheme, which require trustees to withhold payment of a benefit and pay tax direct to HMRC, respectively;
- how the reforms interact with existing income tax rules on pension death benefits.

HMRC notes that it will publish further guidance, as well as secondary legislation, between now and April 2027.

Comment:

This technical note gives trustees some more detail about what to expect from 6 April next year. As well as ensuring that the administrative processes will be able to cope with the new requirements, trustees may wish to review scheme rules to see what benefits are in scope and if they want to make any changes.

Guaranteed minimum pension conversion provisions - draft legislation

(8 June 2026)

HMRC has consulted on a draft Order to amend the calculation of pension input amounts for annual allowance purposes for schemes that have undertaken GMP conversion. The intention is to ensure the deferred member carve out (DMCO) from the annual allowance is not lost on conversion, and that "*members should not face a worse tax outcome simply because of the method chosen to equalise benefits*".

Consultation ended on 13 July and as drafted the change would take effect from the 2027/28 tax year.

VAT Notice 700/17

(9 July 2026)

On 9 July, HMRC updated VAT Notice 700/17, which provides guidance on claiming input tax on funded pension scheme expenditure for both employers and trustees.

The updated VAT Notice confirms that employers may recover their input tax incurred in relation to both administrative and investment services, subject to the normal VAT deduction rules, so long as the invoice is in their name. The same principle operates for trustees, that is, if the invoice is in the name of the trustee, the trustee can deduct the input tax.

This updated Notice follows an update to [HMRC's internal manual on VAT Input Tax](), which HMRC released on 4 June 2026. The revised internal manual appears to go into more granular detail than the Notice in stating that VAT recovery by an employer would only be possible if the employer received the relevant services direct or the services were part of an on-supply arrangement between the trustee and the employer.

Given the lack of clarity, we hope for helpful clarification in the near future.

THE PENSIONS REGULATOR

Annual Funding Statement

(6 May 2026)

TPR has published its Annual Funding Statement for 2026. TPR estimates that, as of 31 December 2025:

- 90% of schemes are in surplus on a technical provisions basis;
- 80% of schemes are in surplus on a TPR-derived low dependency basis; and
- 60% of schemes are in surplus on a buy-out basis.

TPR states that it expects most schemes with valuation dates between 22 September 2025 and 21 September 2026 to be shifting their focus from deficit recovery to endgame planning. While the overall picture is positive, TPR stresses that trustees should remain alert to wider economic and geopolitical uncertainty.

As funding positions improve, TPR notes that valuations are increasingly becoming a strategic tool, informing the development or refinement of endgame plans and providing a structured opportunity to assess progress against long-term objectives.

Regulatory initiative - DB and hybrid schemes' value data for dashboards

(14 May 2026)

This press release confirms a TPR regulatory initiative (RI) targeting 240 private sector DB and hybrid pension schemes to assess how they are preparing their data ahead of dashboards connection.

TPR explains that as DB and hybrid schemes have no obligation to issue annual benefit statements, that their value data is more likely to be out of date. The RI will therefore focus on the readiness and accuracy of value data.

TPR's expectations for responsible AI use in workplace pensions

(20 May 2026)

This press release launches TPR's new AI plan and reminds trustees that although AI has the potential to improve administration, member engagement and fraud detection, they remain accountable for outcomes. TPR therefore expects trustees to:

- establish clear governance for AI use, which includes satisfying themselves that service providers have robust arrangements in place;
- identify and evaluate risks, with regular reviews, and carry out rigorous testing, assurance and monitoring of AI systems;
- respond to the threat of AI-driven fraud methods, to help prevent members being scammed;
- have a clear data strategy, with high quality data, and comply with data protection legislation – including on automated decision-making; and
- seek appropriate professional advice when considering or implementing innovations.

Detailed guidance on AI adoption will follow this year. TPR will also expand work on data standards, support AI innovation through its innovation service and continue using AI internally to identify scams and other risks.

Statement - New defined benefit surplus flexibilities

(10 June 2026)

TPR has issued a Statement "*to support discussions between trustees and employers on surplus release options*."

It sets out initial factors for trustees to consider:

- scheme rules and discretionary powers;
- scheme funding level and planned length for running on;
- employer covenant strength and future prospects;
- negotiating contingent assets;
- whether members may also benefit (including considering past member contributions, the impact of inflation and *"whether members have a reasonable expectation to share in surplus*");
- investment strategy; and
- the employer's support of the scheme. "*Trustees may want to consider how the employer has engaged and supported the scheme historically, as well as any current support available and the ongoing strategy for the scheme*".

The Statement also:

- sets out initial suggestions for trustees to prepare for surplus release discussions, such as the creation of a surplus policy;
- includes case studies; and
- cross-refers to its existing guidance on new DB models and options for how trustees should approach, and work with, the employer.

TPR says that it will consult on more detailed guidance, elaborating on the Statement, later in 2026.

Corporate Strategy, Corporate Plan and regulatory roadmap

(14 July 2026)

TPR has published a press release announcing a new five year Corporate Strategy, Corporate Plan and regulatory roadmap.

The Corporate Strategy 2026-31 sets out the outcomes that will drive TPR's work and prioritisation over the next five years.

TPR states that its member outcomes are as follows: savings are secure; pensions deliver long-term value and a sustainable income in retirement; and pensions are fair. TPR's market outcomes are: schemes are well-run; a resilient, efficient and financially secure pensions system supports UK growth; and a seamless and integrated system.

The Corporate Plan 2026-27 sets out the areas TPR will focus on over the next year in pursuit of its strategic priorities and how it will measure performance. These areas are scheme governance, value for money, retirement and an efficient and effective TPR.

The regulatory roadmap sets out the timing of the main reforms expected between 2026 and 2030. Specifically, the roadmap states when TPR, DWP and the FCA will carry out consultations and introduce regulations and guidance, as well as forthcoming milestones on value for money, guided retirement, CDC schemes and DB surplus release.

CASES

Soufflet Bairds Malt v Dear - ***DB scheme rectified to remove wording requiring salary linkage***
(12 February 2026)

In this judgment the High Court granted a rectification claim in relation to a 'Courage' fetter which the claimants said had inadvertently been introduced by a new trust deed in 2004 (and maintained in a subsequent 2012 deed).

The parties accepted that on its face, the wording of the amendment power introduced in 2004 prevented the salary link from being broken. However, they said that they had never intended to change the meaning or scope of the existing scheme amendment power, which did not require a salary link to be maintained.

The Court noted that guides provided by the scheme's professional advisers at the time had stated in terms that the scheme's existing amendment power restrictions were being carried forward. The scheme had also been in a challenging financial position, with actuarial advice was focused on controlling and reducing future cost. The witness statements provided no support for any intention to make scheme benefits more generous in any way. Against that background, the deliberate introduction and retention of a Courage fetter would have been "*commercially surprising*".

In addition, when the scheme eventually closed to accrual, discussions between the employer and trustees about whether to maintain a salary link had been premised on there being no scheme rules requirement to do so.

Comment:

While the Court's rectification jurisdiction is well established (and well used) in pensions cases, it is novel to see it applied to remove an inadvertently-introduced amendment power fetter.

THE PENSIONS OMBUDSMAN

Annual Report and Accounts 2025/26
(9 July 2026)

The Ombudsman's Annual Report records that the organisation resolved 10,793 pension complaints in 2025/26, a 14% increase on the previous year: but demand rose too, with 10,944 new applications (also a 14% increase). TPO expects demand to continue to grow, especially following a recent and sustained spike in pension complaints arising from the McCloud remedy and issues affecting the Civil Service Pension Scheme.

Case closures are up by 63% since launch of the Operating Model Review (OMR) two years ago, and this year 8,274 pension complaints were closed during the assessment stages, including 227 through use of Expedited Decisions. Only 377 complaints required a formal Determination.

There were slight improvements in turnaround times, with 69% of cases closed in 3 months and 77% within 12 months. However, the Ombudsman admits that timescales for closures remain too high, particularly as 14% of cases were not resolved within 18 months.

MISCELLANEOUS

FCA

CP26/25: The Value for Money Framework: consultation
(13 July 2026)

After the earlier consultation CP26/1, the FCA, TPR and DWP are seeking views on draft DWP regulations for trust based schemes and draft FCA rules changes for contract-based schemes to implement the Value for Money (VfM) framework. The joint consultation aims to maintain a consistent approach across trust-based and contract-based schemes, with requirements for both types coming into force at the same time.

The approach includes details on metrics, standards and disclosures to allow comparisons across pension schemes in the areas of costs, investment performance and service quality.

The first stage of implementation in 2028 would require larger schemes (master trusts and schemes with over 50,000 members) to complete full VfM assessments, with smaller schemes only needing to submit data in the first year. All relevant schemes would need to carry out full assessments in 2029. Consequences for red and amber ratings (including closure measures) would also be delayed until 2029.

The consultation closes on **1 September 2026**.

Other organisations

Financial Reporting Council (FRC) Technical Actuarial Guidance: Confirmation under sections 102 and 106 of the Pension Schemes Act 2026
(22 May 2026)

The FRC has issued the final version of its technical actuarial guidance on the Pension Schemes Act clauses providing a legislative 'fix' to long-running issues with historic pension scheme amendments under formerly contracted-out DB schemes.

The guidance considers the wording used in the relevant Act clauses, the approach actuaries can take to data issues, and how to apply proportionality. It lists the types of evidence that actuaries may wish to review and take into account and gives examples of cases where further information either is - or is not - needed to allow confirmation.

For further information, see our **CMS Legal Update**.

Comment:

Trustees and employers with schemes that may have been affected by those issues should engage with actuaries as required: particularly in circumstances (e.g. a buy-in) where prompt resolution is needed.

Note: The information in this document is for general purposes and discussion only and does not purport to constitute legal or professional advice. It is not an exhaustive review of recent developments or relevant law and must not be relied upon as giving definitive advice. It is intended to simplify and summarise the issues which it covers as at 5 August 2026