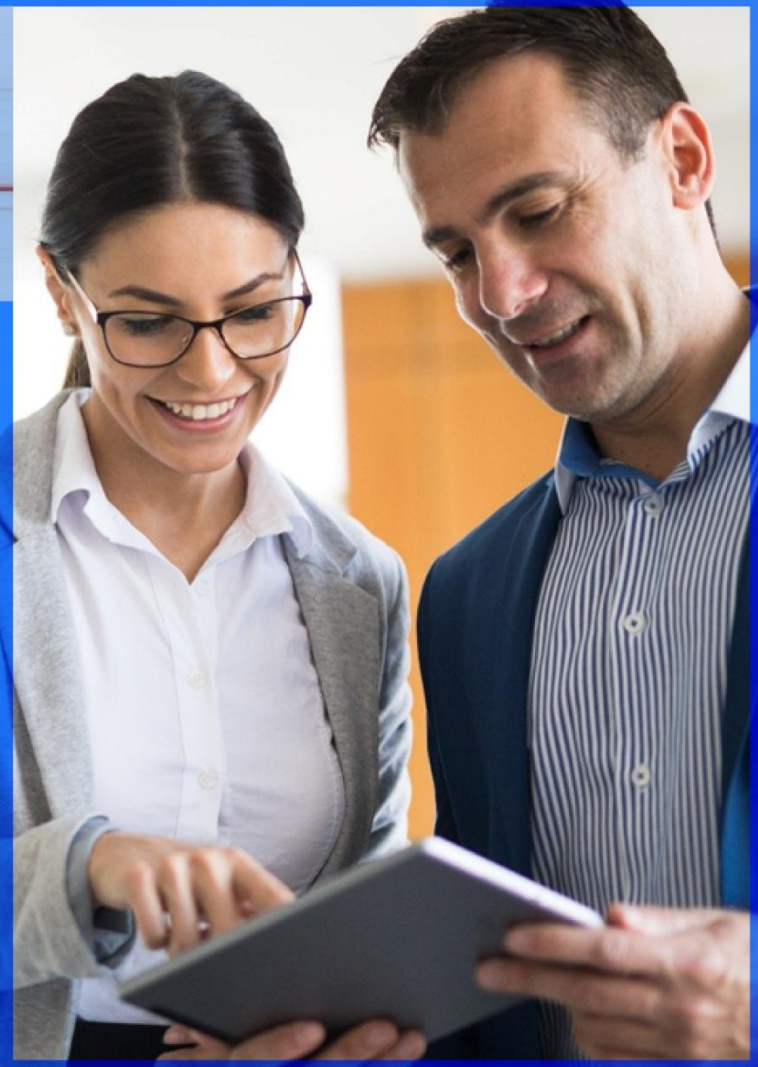
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Pensions accounting, assurance and regulatory round-up



Private sector occupational pension schemes

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Summer 2026

Introduction

Welcome to the most recent edition of our Pensions accounting, assurance and regulatory round-up for private sector occupational pension schemes. Preparations continue for the introduction of the 2026 Pensions SORP for accounting periods beginning on or after 1 January 2026. This summer has seen the finalisation of the Pension Schemes Act 2026 and the publication of the associated road map. We also include updates on the activity from the Pensions Regulator ("TPR"), the Department for Work and Pensions ("DWP") and the wider pensions industry.

If you have any queries or would like to discuss any of the matters herein further, please do get in touch with your usual contact at KPMG or Pamela.



Pamela Marco
Director

At time of writing (31 July 2026) all articles are up to date.

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Revisions to FRS 102: Release of 2026 Pensions SORP

The Financial Reporting Standard ("FRS") appropriate to pension schemes in the UK is FRS 102. The Pension Schemes Statement of Recommended Practice ("SORP"), giving further practical application to pension schemes, flows from FRS 102.

FRSs are subject to periodic reviews (every 5 years). The second review of FRS 102 has recently been completed. The revised FRS 102 was originally expected to be effective for accounting periods starting on / after 1 January 2025. However, a project update reported that the effective date will not be earlier than 1 January 2026. The FRC issued a revised standard on 27 March 2024.

The changes have been precipitated by changes to international standards, International Accounting Standards Board ("IASB") proposals in relation to smaller entities, feedback and other developments in reporting. Principal amendments relate to revenue and lease accounting.

The Pensions Research Accountants Group ("PRAG") SORP Working Party has been reviewing the SORP which was last reviewed and updated in June 2018 and on 24 June 2025 issued the draft revised SORP for comment. The final version of the SORP was issued on 9 March 2026 following its approval by the FRC and is applicable for accounting periods beginning on or after 1 January 2026. It is applicable to all pension schemes including DB Superfunds, CDC schemes and non-statutory accounts choosing to apply FRS102 and the SORP.

The final 2026 SORP has been updated to align with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (issued September 2024), and to reflect current pension legislation and regulations, alongside updates to reflect current pension scheme and industry developments.

As set out in the consultation, the key changes to the 2026 SORP from a valuation perspective relates to insurance policies (annuities) where it will no longer be possible to use annuity provider valuations as fair value. This is on the basis that there can be a lack of availability of information to enable the insurer valuation to be audited or for sufficient disclosure of the assumptions to be given in the financial statements.

As this is a change in estimation technique, the move to an alternative basis of valuation (e.g. scheme funding valuation basis, buy out basis or FRS102 employer accounting basis) will be applied prospectively. Further disclosure requirements regarding key assumptions have now been added.

The revised SORP also confirms that bid pricing continues to be required for asset positions as it is typically readily available and that it is the last available price before the year end which is to be used rather than any post year end price (even if that is closer to the year end date).

Changes to the face of the primary statements include:

- The requirement to disclose group transfers in or out on the face of the Fund Account where material, given their non-routine nature;
- Separately disclosing transfers out (previously included within Payments to and on account of leavers) to give a greater level of transparency and to be consistent with the treatment of transfers in;
- Showing both investment income and investment expense on the face of the Fund Account with additional disclosure to be given in the notes of the different components of each line;
- Reporting of sole investor funds separately from other pooled investment vehicles on the face of the Statement of Net Assets to highlight the different level of Trustee control;
- Similarly showing SPV's separately and generally all longevity swaps considered as insurance policies and both investment types removed from Other investments which has been removed as an investment category; and
- Presenting accrued interest on repurchase and reverse repurchase agreements within other investment balances rather than as part of the value of the agreements which now mirrors the treatment currently applied to bonds.

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Revisions to FRS 102: Release of 2026 Pensions SORP (cont.)

The final version of the SORP has also:

- Simplified the accounting for the purchase of annuities by requiring that all will be accounted for within Benefits paid and payable. This replaces the previous accounting where amounts were to be split based on whether they related to deferred or pensioner members;
- Introduced a non-current liability heading on the face of the Statement of Net Assets to provide clarity if there are any non-investment long term liabilities;
- Replacing 'cash' with 'cash and cash equivalents' (with examples of cash equivalents given) and clarified that liquidity pooled investment funds should be classified as a pooled investment fund; and
- Noted that where a scheme invests in a common investment fund this is separately identified on the face of the Statement of Net assets where the trustees have opted not to (or cannot for practical reasons) aggregate the underlying investments with those held directly.

The investment reconciliation note has been updated by requiring disclosure of:

- Repurchase and reverse repurchase agreements 'above the line' with new disclosures in relation to purchases and sales to aid readers' understanding of the movements reported and confirming that notional sales and purchases do not need to be recorded when contracts roll over and that a consistent approach should be adopted for this across the whole repurchase portfolio;
- Separate disclosure of the amount of derivative receipts and payments in relation to the settlement of forward exchange contracts (given the magnitude of these movements when they are reported gross). The SORP permits foreign exchange contract settlements to be accounted for either net or gross in order to allow preparers to utilise information from the investment managers without adjustment. However this needs to be applied consistently across the whole foreign exchange contract portfolio;
- Narrative explanation of any significant movements in investments as a result of changes in investment strategy; and
- Aggregated switches between funds.

The disclosure requirements in the notes to the accounts have also been updated to require:

- The inclusion of liquidity risk within the investment risk disclosures and additional liquidity risk disclosures in respect of pooled investment vehicles;
- Pooled funds and sole investor funds in the fair value hierarchy table to be analysed by their underlying asset class (with this being determined at the platform provider level if applicable);

Disclosure is no longer required of the components of investment transaction costs and disclosures for derivatives have been reduced to remove unnecessary information.

As noted previously, investment types have evolved since 2018 and as a result the revised SORP now includes additional guidance on re-hypothecation and short sold bonds (examples and accounting), valuation of exchange traded futures and accounting for collateral. There was also consideration on the treatment of income between investment income and sales proceeds, and if the split between these are not available, then this shall be considered by the Trustees on a case by case basis with disclosure of the approach adopted.

Finally, going concern disclosures shall include the information that management has considered as part of its assessment along with any significant judgements made. Additional guidance is also given for when a scheme is looking to discharge its obligations to members through full buy out or transferring to a master trust.

The SORP clarifies that the Implementation Statement and the Annual Statement regarding Governance (but not the TCFD report) are other information for the purposes of the audit report and are included in the Trustees report either directly or by cross reference to an Appendix.

As noted above, the SORP is effective for accounting periods beginning on or after 1 January 2026 and will therefore first impact 31 December 2026 year ends or any short period of accounts starting after this date.

A summary of the key changes in the Revised SORP is included on the following pages.

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Revisions to FRS 102: Release of 2026 Pensions SORP (cont.)

Fund Account

- The following items now require disclosure on the face of the Fund Account (SORP 3.6.2):
  - Transfers out and, in addition if they are material (either quantitively or qualitatively), group transfers out are also to be disclosed separately on the face of the Fund Account. This means transfers out are treated in the same way as Transfers in;
  - Investment income and investment expenses as separate line items;
  - Any authorised surplus payments with the split between the amount paid to the employer and the amount paid to HMRC shown in a note to the accounts (SORP 3.7.52).
- Where a scheme enters a buy-out, the cost of buying-out the individual benefits shall be reported as Purchase of annuities under Benefits paid or payable. This is regardless of whether this relates to deferred or pensioner members (SORP 3.24.8).
- Guidance has been provided on the accounting and presentation of Defined contribution scheme benefits (SORP 3.7.24) and different types of contributions (SORP 3.7.1-17).
- Additional guidance has been given on the treatment of distributions between investment income and sales proceeds and, where the split is not available, notes that the distribution should be reported as either (determined on an investment-by-investment basis) with disclosure of the approach selected. Where they are treated as sales proceeds the amount of distribution classified as such should be separately disclosed (SORP 3.7.36) under the investment reconciliation note.
- Schemes are required to disclose the existence of any arrangement in place to use a scheme surplus to fund contributions or expenses required by a Schedule of Contributions (SORP 3.7.51).

Statement of Net Assets

- The following items now require disclosure on the face of the Statement of Net Assets (SORP 3.8.2):
  - Sole investor funds, special purpose vehicles, repurchase and reverse repurchase agreements and short sold bonds;
  - Other investments has been removed as an investment category as special purpose vehicles are separately pulled out as noted above and longevity swaps are generally included in Insurance policies (SORP 3.11.25);
  - Cash has been replaced with Cash and cash equivalents and the SORP goes on to clarify that liquidity fund pooled investment vehicles continue to be presented as pooled investment vehicles (SORP 3.9.8);
  - Non-current liabilities which shall be shown separately from current liabilities (SORP 3.9.10).
- Bid pricing continues to be required for asset positions as it is typically readily available and that it is the last available price before the year end which is to be used rather than any post year end price (even if that is closer to the year end date) (SORP 3.11.3).
- Annuity insurance polices can no longer be valued by the annuity provider and the move to a scheme funding, buy-out or FRS 102 employer accounting valuation basis is treated as a change in accounting estimate and is accounted for prospectively (SORP 3.11.19). The notes to the financial statement will then provide details of the valuation basis adopted and the key assumptions (SORP 3.11.21).
- Where a scheme purchases a buy-in via an in-specie transfer, the value assigned to the assets transferred should be their fair value on a consistent methodology basis and, if this ascribes a value that is different to the buy-in contract value, this should be disclosed in the notes to the accounts (SORP 3.24.5).
- Interest on both bonds and repurchase/reverse repurchase agreements shall be included as an Other investment balance and the underlying assets are therefore included at the clean price (SORP 3.18.1-2).

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Revisions to FRS 102: Release of 2026 Pensions SORP (cont.)

Disclosures

- Schemes are no longer required to disclose the component parts of investment transaction costs and only the aggregate amount needs to be disclosed under the investment reconciliation table (SORP 3.7.48).
- In relation to the investment reconciliation table:
  - Only cash and cash equivalents, obligations due to short sold bonds and other investment balances are shown 'below the line' in the investment reconciliation. All other investment balances are 'above the line' with disclosure required of purchases, sales and change in market value (SORP 3.13.1);
  - Narrative explanation should be given where there are significant movements in the investments due to a change in investment strategy (SORP 3.13.3) but the investment reconciliation table should not include sales and purchases arising from a change in custodian (SORP 3.13.5). Accounting for the rolling of repurchase/reverse repurchase agreements can either be included or excluded from sales and purchases dependent on the reporting received from the investment manager/custodian (SORP 3.18.4);
  - Disclosure of the aggregated switches included in sales and purchases should be given (SORP 3.13.4).
- Investment risk disclosures have been enhanced to include liquidity risk (SORP 3.14.8), the requirement for sole investor funds risk disclosures to be provided on a look through basis (SORP 3.15.14) and additional liquidity risk disclosures in respect of pooled investment vehicles (SORP 3.15.12-13).
- Pooled funds and sole investor funds in the fair value hierarchy table to be analysed by their underlying asset class (with this being determined at the platform provider level if applicable) (SORP 3.12.22 and 3.21.5).
- A reduction in the required disclosures for derivatives (SORP 3.9.6) principally removing the period covered by, and the counterparties to, the contracts.
- As set out previously, the SORP gives additional guidance in relation to going concern (SORP 3.29) along with related parties (SORP 3.32), prior year adjustments and reclassifications (SORP 3.39) and contingent liabilities (SORP 3.35).

Our KPMG Example trustee's annual report and financial statements will be updated in due course to reflect the revised requirements of SORP 2026.

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Virgin Media ruling

Pension Schemes Act 2026 reduces the risk of additional liabilities arising in respect of the Virgin Media ruling

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes. This case may have implications for other defined benefit schemes in the UK.

The case focused on the implications of failing to obtain actuarial confirmation (as required by s37 of the Pension Schemes Act 1993) when making an amendment to the deed and rules affecting section 9(2B) rights and, consequently, whether the scheme would continue to satisfy the requirements for those rights. Section 9(2B) rights refer to the reference scheme test level of benefits to be met by schemes contracted-out on a salary-related basis over the period from 6 April 1997 to 6 April 2016.

The court decided that the failure of a salary-related contracted-out scheme to obtain an actuarial confirmation required by Section 37 meant that the amendment was invalid and void. The invalidity was not limited to changes to past service rights and applied to all amendments to Section 9(2B) rights, not just those which would or might adversely affect Section 9(2B) rights.

The judgement was potentially relevant for schemes that:

a) Were contracted-out on a salary-related basis between 6 April 1997 and 5 April 2016, and

b) Made changes to member benefits in that period that could have impacted section 9(2b) rights.

On 29 April 2026, the Pension Schemes Bill received royal assent (becoming the Pension Schemes Act 2026), passing into law legislation which gives affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historical benefit changes met the necessary standards. In light of the legislative solution provided by the Pension Schemes Act 2026, additional liabilities are now not expected to arise as a result of the Virgin Media court ruling.

We still expect to see a range of approaches taken by Trustees and sponsors. Some Trustees will continue with investigations in order to identify any missing amendments which will need retrospective certification. Other schemes may be advised by their lawyers that there remains no legal imperative to investigate.

Proportionate disclosures remain appropriate in sponsoring employer and scheme accounts to close off the issue where there was narrative disclosure in previous years, or a description of any ongoing action that is being taken. We expect auditors to focus on ensuring the disclosures are factually accurate.

Under the legislation, “Potentially remedial alterations” (PRAs) will be treated as always having been valid if, following receipt of a written recommendation from the Trustees, the Scheme Actuary confirms in writing that, in their opinion, it is reasonable to conclude that the alteration would not have prevented the scheme benefits from meeting the reference scheme test

Previous rule amendments must meet certain criteria in order to qualify as a PRA, including that the Trustees have not notified members in writing that they believe the amendment was void and that they will administer the scheme on that basis, or that the Trustees have taken steps that will amend benefits.

The FRC has published Technical Actuarial Guidance for actuaries carrying out the retrospective confirmation under sections 101 and 105 in the legislation. The guidance sets out ways in which a Scheme Actuary can take a proportionate approach to providing a retrospective confirmation and the key factors to consider in the process. It includes examples where no further information is needed to provide the confirmation, what indirect information may be able to be requested and also covers situations where the confirmation may not be able to be provided.

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General Code

TPR's General Code (the 'Code') was laid before Parliament on 10 January 2024. Its effective date was 27 March 2024 and the first ORA reports will be due shortly.

The Code consolidated 10 out of the existing 16 Codes of Practice. It should be noted that 6 Codes remain outside this new 'supercode' and should be referred to separately where circumstances dictate. Some modules contain what appear to be long lists of useful considerations, e.g. the Trustee Knowledge and Understanding module, though these will need to be tailored to the needs of each scheme. There are new areas (noted below) which trustees need to be aware of and follow up on.

Stewardship

The module reiterates reporting requirements and policies in relation to financially material Environmental, Social, and Corporate Governance ("ESG") considerations, voting and arrangements with asset managers. TPR's expectations are set out.

Climate change

Trustees should 'talk to advisers and managers about how short and long term climate change risks and opportunities are built into their recommendations and understand what is being done in relation to climate change risk within investments.

Cyber security

Trustees should reduce the risk of incidents and deal appropriately with any which do occur.

Risk Management

The Code includes a requirement for schemes requiring an Effective System of Governance ("ESOG" – see below) with 100+ members to have a risk management function. This is to be proportionate to the circumstances of the scheme and is in addition to the Own Risk Assessment ("ORA" – see below).

Assurance on internal controls

Options are noted such as statutory audit (in relation to financial affairs), internal audit, assurance reporting by service providers and trustees' commissioning of their own assurance procedures and reporting.

ESOG

Features of an ESOG are described by the Code as:

'A system of governance will include anything that can reasonably be considered part of the operation of a pension scheme. Internal controls are a key feature of any system of governance.'

A proportionate approach can be implemented taking the 'size, nature, scale and complexity' of the scheme into consideration.

The module refers to other areas of the Code which form part of the ESOG, including, management of activities, investment matters and communication and disclosure. The ESOG should be reviewed every three years but this does not have to be done at a single point in time.

ORA

Schemes requiring an ESOG with 100 members or more will need to undertake an ORA. The ORA considers how well the ESOG is working and how risks are being managed. Again, the principle of proportionality applies.

The first ORA must be carried out according to the timescales set out in the Regulations. This could mean a date roughly two years into the future from the effective date of the code though, as there are other considerations within the Regulations, each scheme must assess this based on its own individual circumstances. All areas covered by the ORA should be assessed. It is not necessary to review all aspects together but a whole ORA should be completed every three years.

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General Code (cont.)

ORAs must be in writing, signed off by the Chair with documents supplied to all trustees. They should include the date of the current and next review and detail regarding any interim reviews.

As an overview, an ORA should cover:

- ‘How the governing body has assessed the effectiveness of each of the policies and procedures covered;
- Whether the governing body considers the operation of the policies and procedures to be effective and why’.

The ORA module of the Code then goes on to list the specific areas to be covered.

The first ORA must be completed within 12 months of the end of the first scheme year after the General Code came into effect, namely from 28 March 2024.

For schemes with a year-end of 31 March, the deadline for the first ORA report was therefore 31 March 2026.

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TPR news

TPR has published a number of items since our last Round Up. Some items of news not covered in other articles are summarised here.

TPR annual review

In December 2025, the TPR published the annual statistics in relation to DB and hybrid schemes in the UK. This year's report includes 200 public sector DB schemes with 19.8 million members and 5,060 private sector DB and hybrid schemes with 9.2 million members. The key points from this year's report included:

- The sector is shrinking at a steady 3% per year, with scheme closures continuing and the proportion closed to future accrual rising from 73% in 2024 to 74% in 2025.
- Private sector membership has also declined by 3%, and for the first time, the number of members in schemes closed to future accrual has fallen – 5,413,000 million, a 4% decrease. Despite contraction, scheme funding remains stable. The technical provisions funding level stays at 118%, while both assets and liabilities fell by 10% over the year. The proportion of schemes in surplus has increased to 82%, up from 80% in 2024, reflecting generally strong funding positions.
- The private sector membership profile continues to age, with almost equal proportions of pensioner members (47%) and deferred members (46%), highlighting a maturing DB universe with long-term structural challenges ahead.

TPR issues 2026 annual funding update

TPR has urged defined benefit (DB) pension schemes to focus on long-term endgame planning as funding levels continue to improve. TPR's latest Annual Funding Statement which reflects valuations dates between September 2025 and 2026 shows that 60% of schemes are in surplus on a buyout basis, rising to 80% on a low-dependency basis and 90% on a technical provisions basis.

With many schemes now in a stronger funding position, TPR expects trustees and employers to consider their long-term objectives, whether that involves buyout, run-on or consolidation. The regulator emphasises the importance of having a clear and well-supported endgame strategy while remaining mindful of ongoing economic and geopolitical risks.

This was accompanied by the release of the TPR guidance on 'New models and options in defined benefit pension schemes' issued in June 2025 which summaries what arrangements may be available to trustees when planning how to reach the long-term objective of their scheme and sets out the minimum steps trustees should consider including taking appropriate advice, managing conflicts, stress testing the preferred option and understanding how arrangements could be unwound if needed.

TPR emphasises that while innovation is increasing, trustees must remain focused on delivering good outcomes for members. It expects trustees to assess proposals carefully, consider scheme-specific circumstances, and engage early with the regulator where appropriate. With greater flexibility emerging, a proactive and well-governed approach to long-term planning is essential.

Regulatory initiative on DB and hybrid dashboard readiness

In May 2026, TPR has launched a new regulatory initiative to assess how DB and hybrid pension schemes are preparing for pensions dashboards. While many schemes have made progress on member-matching data, TPR is concerned that pension value data may not be sufficiently up to date or accurate given that DB and hybrid schemes do not currently have an obligation to issue annual benefit statements meaning their value data is more likely to be out of date.

TPR is urging schemes to act now to ensure pension values can be provided accurately and within dashboard timescales. Good-quality data will be critical to helping members access reliable information and make informed retirement decisions through pensions dashboards.

In particular, the initiative will target 240 private sector schemes to understand how they are preparing to meet their dashboard duties and insights will help to inform discussions on the timing of the launch of the MoneyHelper dashboard.

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TPR news

Market oversight: Pensions Dashboards

The above regulator initiative followed the release of a market oversight report issued in April 2026 which reported back on engagement with the 51 largest schemes which hold around 80% of all records that will appear on the Pensions Dashboard.

TPR had contacted each with a questionnaire and held follow up meetings as necessary to understand how they:

- manage data quality day to day;
- are preparing to match data to enable users to find their record; and
- are preparing to return accurate and recent pensions value data to members.

Key findings identified included assessing member data to ensure it is of sufficient quality (not just that it exists), ensuring processes (including validation checks) are in place to enable employers to provide timely and accurate data, regular and targeted member engagement to maintain good quality data and putting in place improvement plans to address issues.

While progress on agreeing and documenting a policy on matching data has been good, less progress has been made on preparing value data. The report highlighted that value data will need to be recent (within the last 12-13 months) and accurate and will also need plans in place to return 'value unavailable' codes to members where value data is not immediately available.

Best practice insights identified have been fed back to participants but have also been incorporated into updated Dashboards guidance and checklists which was released at the same time.

TPR sets expectations for responsible AI use in workplace pensions

In May 2025, TPR published its Artificial Intelligence ("AI") Plan outlining its expectations for the responsible use of AI in workplace pensions. While AI has the potential to improve administration, decision-making and member engagement, TPR emphasises that accountability for outcomes remains with trustees and scheme managers.

TPR warns that alongside the benefits, AI introduces risks such as scams, bias and cyber threats. It expects schemes to act now by putting strong governance in place, ensuring high-quality data, rigorously testing and monitoring AI systems, and identifying and mitigating risks. Protecting members from AI-driven fraud and maintaining trust are central to its message as adoption across the pensions sector continues to grow.

The regulator is also planning to issue further detailed guidance later in 2026 through its Pensions Data and Digital Industry Working Group and is encouraging industry engagement in the meantime.

Fighting pension fraud webinar

In March 2026, the Fraud Minister, Lord Hanson, urged trustees and administrators to use every interaction with members to reinforce pension scam awareness. Speaking at TPR's Fighting Pension Fraud webinar, he highlighted the importance of warning savers about common scam tactics, including unsolicited offers, early access promises and guaranteed returns.

The webinar also showcased industry efforts to tackle fraud, including TPR and the Pension Scams Action Group's work to identify and shut down suspicious websites before they can target savers. Trustees were encouraged to stay up to date with emerging scam risks, educate members and report suspicious activity.

This was followed by a blog in July 2026 which highlighted the DWP consultation on protecting pension savers in the transfer process by introducing a new red flag where a member cannot demonstrate a verifiable employment link to a receiving scheme but also removing amber flags for overseas investments where other safeguards are already applied.

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TPR news (cont.)

TPR blog: DC trustees – time to get ready for higher standards

In a June 2026 blog, the TPR launched its multi-year campaign to ensure DC schemes are ready for the changes from the Pension Schemes Act. The article notes that the Act raises expectations on DC schemes to deliver better outcomes from the first contribution through to retirement. The campaign has started with direct communications setting expectations of what good looks like and what practical guidance is available to help schemes prepare. In particular, it notes the new legal duties in relation to value for money assessments, default guided retirement solutions, small pot transfers and DC MasterTrust scale requirements and that Trustees should assess if they can meet the higher legislative standards or if an alternative is in the members' best interests.

A dedicated TPR Pension Schemes Act webpage has been created to hold details of the secondary legislation as it becomes available.

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Government activity: Pension Schemes Act and beyond

Pension Schemes Act 2026

The Pension Schemes Act received Royal Assent on 29 April 2026 and brings into law the planned reform of UK pensions. The original Bill was issued in June 2025 and since then has been through a period of consultation and legislative approval.

As previously reported in our Spring Update, the Act sets out 12 policies impacting DB, DC and LGPS schemes grouped as follows:

Scale, consolidation and growth

- Driving scale and consolidation in DC workplace schemes: All multi-employer workplace schemes will need to hold at least £10bn in a main default investment fund by 2030, and at least £25bn by 2035. This is likely to drive consolidation activity. This policy also builds on the Mansion House Accord (see page 15), in which many pension providers committed to invest in UK assets and UK private market assets in particular. The Bill had a reserve power that could allow Government to mandate investment in UK private market assets however the final Act removed the power to direct investments in LGPS pooling arrangements although the power to direct investments in private sector defined contribution pension schemes remains in place.
- Automatic consolidation of small pots: Pots of less than £1,000 that have been inactive for at least a year will be automatically transferred to ‘consolidators’.
- LGPS consolidation is also envisaged with the aim of it being able to invest more effectively in ways that contribute to UK growth and drive value for money by setting investment strategies driving local investment and economic development. Certain LGPS measures were also extended in the Act to include Scottish LGPS.
- A framework for DB superfunds: For the first time, a statutory framework for defined benefit superfunds is proposed. This is intended to encourage further superfund activity, in terms of both new market entrants and market adoption of superfunds.
- DB surplus: A statutory override will be introduced with the aim of making the sharing of surplus with employers possible, even where the scheme’s current rules do not permit this. Allied with the new framework for DB superfunds, this is likely to reignite conversations about running on defined benefit schemes.

Better member outcomes

- DC value for money framework: An updated framework will further increase requirements on defined contribution workplace schemes to assess, compare and disclose a number of scheme attributes. To date, it has been for schemes to assess for themselves how well they provide value for money, but the Act introduces a standardised approach. Schemes that cannot demonstrate value for money will be expected to cease and to consolidate into another scheme, further reinforcing the consolidation policy aim above.
- DC decumulation: DC trust-based plans will be required to offer decumulation options within the scheme, and for there to be a default decumulation option.
- Contractual override for contract-based DC transfers: At present, transfers of contract-based pensions such as Group Personal Pensions require individual member consent. The Act will make it possible for transfers to be undertaken without member consent, if a provider can evidence that transfer is in the member’s best interests. This, again, reinforces the wider consolidation policy aim.

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Government activity: Pension Schemes Act and beyond (cont.)

Other matters

The final 4 policies relate to:

- Extending the definition of terminal illness so that people can receive payments from the Pension Protection Fund (PPF) and Financial Assistance Scheme (FAS) earlier in their illness;
- Re-establishing the ability of The Pensions Ombudsman to make enforceable decisions without the requirement for a county court judgement;
- Enabling the PPF to reduce the annual pension protection levy that it collects; and
- Enabling the PPF and FAS to display information on the pensions dashboard service provided by the Money and Pensions Service ('MaPS').

The final Act included only 2 specific pieces of legislation. The first incorporated the amendments previously published on 2 September 2025 allowing DB schemes the retrospective validation of amendments which may have otherwise been invalid, following the Court of Appeal's decision in relation to the Virgin Media case (as discussed on page 7). The second piece of primary legislation related to pensions dashboard connection. All the other policies noted above will require secondary legislation to implement and the timelines for this were set out in the revised "Workplace pensions: an updated roadmap" issued in July 2026.

Workplace pensions: an updated roadmap

In July 2026, the DWP published their update to the roadmap originally published alongside the Pension Schemes Bill. "Workplace pensions: an updated roadmap" sets out how the DWP anticipates the reforms will be delivered based on the interaction between the different elements of the proposals.

Key steps in the DB timeline include:

- The Act included the new legislation for schemes impacted by the Virgin Media ruling (see page 7) and also abolished the PPF administration levy;
- A consultation on the regulations relating to the release of surplus was launched in June 2026 and closes on 2 September 2026. The intention is that the regulations are then expected to be made early in 2027 and come into force on 6 April 2027 alongside the tax changes already awaiting Parliamentary approval which will treat direct surplus payments to members as authorised payments for tax purposes.
- Superfund consultation is expected early in 2027 prior to the implementation of the permanent authorisation regime expected to come into force in 2028.

For DC schemes, key milestones in the roadmap include:

- Applications for scale and the transition pathway are to be made from 2029 in advance of the 2030 deadline to have assets of at least £10bn in assets under management at that time increasing to £25bn by the end of the transition period in 2035. For DC schemes that do not meet the scale requirements, they will enter a protected period to manage their existing business into an alternative provider as they will no longer be able to be used to meet auto enrolment obligations. Consultation on this element of the Act was launched on 13 July and runs to 7 September 2026.
- VFM consultation which was launched in July 2026 with the expectation that the first VFM assessments will be carried out in 2028 (based on 2027 data) with a phased roll out across different DC scheme types (see later).
- Contractual override for contract-based DC transfers is expected to be implemented from Spring 2028 in line with the VFM timetable above which will provide data to assess whether the transfer is in the members' best interests.
- Guided Retirement and Retirement CDC consultations are expected from Autumn 2026 with the aim of legislation coming into force in October 2028.
- The ability to consolidate small pots is targeted for the end of 2028 although the roadmap notes this is subject to change based on decisions still to be made about how this project will ultimately be delivered.

The subject of the Pension Schemes Act and the launch of the updated roadmap were the subject of the Minister for Pensions speech at the Mansion House on 13 July 2026 which noted "the time has come to stop talking in parliament and act in the real world. The delivery phase is very much here".

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Government activity: Pension Schemes Act and beyond (cont.)

Second Pensions Commission interim report

The Government relaunched the Pensions Commission on 21 July 2025 with Baroness Jeannie Drake (from the original 2006 Commission), Sir Ian Cheshire and Professor Nick Pearce as commissioners who are tasked with considering the long-term future of the pension system. The scope of the Commission is to consider retirement outcomes, the role of private pensions and the State Pension in delivering financial security in retirement and proposals for change beyond the current Parliament to deliver financial security in retirement through a pensions framework that is strong, fair and sustainable.

The interim report from this Second Pensions Commission was issued in May 2026. The report considers the future framework needed to ensure individuals have adequate pension incomes for the long term whilst also ensuring that this is set through a fair and sustainable settlement by considering the responsibilities of the state, employers and individuals. The report warns that around 15 million people are currently under-saving for retirement and that this figure could rise to 19 million without action. The report highlights the growing risks to retirement adequacy, driven by longer life expectancy, changing working patterns, lower rates of home ownership and insufficient pension saving, particularly among women, low and middle earners, and the self-employed.

The report considers:

- what constitutes a decent standard of living in retirement and how pension policy should support that with the state pension as the foundation;
- how automatic enrolment has increased workplace pensions saving but that this is insufficient for low and middle earners. In particular, it notes the low levels of savings above the AE minimum rates, how the upper income threshold has failed to move in line with earnings and how there remains a high level of employees not meeting the AE eligibility criteria, including the self employed;
- The impact that decumulation options have on individuals' retirement income and how an equivalent default decumulation option is required to protect individuals who do not, or cannot, engage with the retirement process.

The Commission is due to publish and submit its final recommendations to Government for a “durable future pensions system that is adequate, fair and sustainable” in 2027.

Mansion House Accord

Following on from Mansion House Compact, which had the ambition of allocating at least 5% of DC default funds to unlisted equities by 2030, the Accord aims to further boost investment in the UK while continuing to achieve better outcomes for savers.

17 schemes signed the Accord which expresses the intent (on a voluntary basis) to achieve a minimum 10% allocation to private markets (e.g. unlisted equities, properties, infrastructure and debt/credit) across all main default funds in their DC schemes by 2030 with at least 5% of the total going to UK private markets.

The new Accord therefore doubles the target and introduces a specific commitment to investing in the UK, all subject to their existing fiduciary duty. The 17 signatories currently manage £252 billion of assets which would be subject to the pledge.

Sterling 20 Initiative

Building on the Accord, in October 2025, all 17 signatories of the Accord, alongside annuity providers Rothesay and PIC, and the Pension Protection Fund have signed up to form the Sterling 20 Initiative. The aim is to ‘channel the nation’s savings into key infrastructure and fast growing businesses in key modern industrial strategy sectors like AI and fintech’. Initial commitments were made by NEST and L&G to invest new funds to build more affordable housing, improve broadband connections in rural areas and provide scale-up finance for growing businesses.

Pension Investment Review Final Report

The Final Report outlines the conclusion of the first stage of the pensions review process which considered fragmentation, boosting investment, increasing saver returns and addressing waste in the pensions system, focussing primarily on DC and LGPS schemes. The results of the interim review were discussed in earlier versions of Round Up.

Backed by consultation feedback, the final report endorses consolidation and scale as pathways to improved outcomes for savers and increased investment in UK assets and its proposals will be implemented via the Pensions Scheme Act (see earlier).

The next phase of the Pensions Review will build on this by focusing on the question of adequacy of pension outcomes. The timetable for this next stage is yet to be set.

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Government activity: Pension Schemes Act and beyond (cont.)

DWP consultation on trustee governance

The DWP released a consultation in December 2025 which ran until March 2026 focusing on trustee governance. The consultation highlights the on-going importance of good governance particularly in light of the changing landscape of DB and DC pensions and the further changes coming from the Pension Schemes Bill. The purpose of the consultation is 'to examine the current strengths and weaknesses of the existing structures and regulatory frameworks that underpin the system of trustee governance so that we continually learn as we look forward'.

The consultation covers 5 areas – good governance, trustees and their appointment, skills and knowledge, member voice and administration. In particular, it puts forward proposals to increase the knowledge and understanding requirements for trustees with centrally set standards and accreditation and sets out measures to improve the diversity of trustee boards. It further asks how schemes can ensure appropriate standards for pension scheme administrators are in place and enforced.

Responses to the consultation are currently being considered.

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DC activity and reminders

TPR issues updated CDC Code

In April 2026 the updated TPR CDC Code of Practice was laid before Parliament and is expected to come into force in mid-October. The Code of Practice was updated to take account of multi-employer schemes, which are now permitted, and which are expected to come into operation from early 2027. The Code sets out the process that schemes, including those related to unconnected multiple employer schemes, must follow to apply for authorisation and the matters the TPR will consider in its authorisation and ongoing supervision of such schemes. This follows a consultation which occurred in the first half of 2026.

Following this, the TPR also issued its updated guidance on applying for CDC authorisation in July 2026.

Value for money

As noted earlier, in July 2026 the DWP has launched a joint consultation with the FCA and TPR to consider the future development of the Value for Money (VFM) framework to be applied across all workplace pension schemes and builds on previous consultations in this area. The aim of this consultation is to move the framework towards implementation and sets out “a detailed proposed approach to metrics, standards and disclosures that will provide a greater transparency on costs, investment performance and service quality”.

The key change in this iteration of the consultation process is changing which schemes will be in scope for VFM reporting. Previously all schemes were required to complete a full assessment once the legislation was introduced. The consultation instead proposes that MasterTrusts, single employer schemes with more than 50,000 members and multi-employer contract based schemes will be required to complete full VFM assessments in 2028 based on data collected from July to December 2027 with all other schemes being required to comply in 2029.

The consultation also proposes that there will be no consequences for underperforming schemes reporting in 2028 and consequences will only apply from the second assessment cycle. Other changes are also proposed in relation to the comparator group, how investment performance will be measured and the publishing of data.

The consultation will run until 1 September 2026.

TPR latest DC survey: Guided retirement duty to transform savings system into a pensions system

The DC scheme return analysis (see previous edition) was also reflected in the latest TPR DC survey which suggests DC schemes are moving in a positive direction, upgrading their at-retirement options in readiness for the proposed guided retirement duty.

TPR Chief Executive Nausicaa Delfas welcomed this progress but warned that many small and micro schemes remain underprepared, leaving members to navigate complex retirement choices alone. She encouraged schemes unable to meet expectations to consider consolidation, noting larger schemes are already further ahead.

TPR is also supporting innovation through its TPR Innovation Support which is available for schemes to engage with as they seek to bring new retirement products to the market.

This was followed by a blog article in March 2026 which noted that the number of DC schemes continues to fall, most notably in the number of schemes with fewer than 5,000 members reflecting the continuing trend towards fewer, larger schemes. The article also highlighted that smaller schemes will need to consider how best to serve their members with the increase in complexity in running schemes coupled with higher expectations and that this may best be served through consolidation or winding up.

Royal Mail Collective Pension Plan

The Royal Mail Collective Pension Plan, currently the only UK CDC scheme, has completed its first actuarial valuation as at 31 March 2025 and has awarded a 6.4% pension increase from 31 March 2026. This comprises an increase of 2.6% above the CPI inflation rate of 3.8% and will be applied to the member’s ‘income for life’ as at 31 March 2026. The next valuation will be carried out as at 31 March 2026, with any pension adjustments announced to be applied from 31 March 2027.

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ESG Essentials

There has been further activity relating to ESG themes. A selection of key issues is discussed below.

Government releases final Sustainability Reporting Standards

Following the UK government consultation on the UK SRS in September 2025, the Department for Business and Trade (DBT) finalised the UK SRS on 25 February 2026. These standards are based on the IFRS Sustainability Disclosure Standards, S1 (Climate-related Disclosures) and S2 (General Requirements for Disclosures of Sustainability-related Financial Information), with some minor modifications.

FCA launches consultation on UK SRS implementation

The FCA launched its consultation on the implementation of the UK SRS for listed companies on 30 January 2026. The FCA proposes to replace the TCFD listing rules with UK SRS-aligned rules for accounting periods beginning on or after 1 January 2027.

Assurance is not yet proposed as mandatory, however listed companies will be required to disclose whether or not assurance has been obtained. We anticipate increased interest from audit committees and boards who may wish to avoid disclosing that “No assurance has been obtained”.

The consultation closed on 20 March 2026 with a final policy expected in Autumn 2026. A further consultation is expected to run later in the year on introducing requirements for private entities to report against UK SRS.

Climate investment taskforce launched

A number of pension schemes have become participating organisations in a new Government convened task force focussing on reinforcing the UK’s position as a global hub for sustainable finance. The Emerging Markets & Developing Economies Taskforce aims to develop practical solutions that support investors to pursue investment opportunities in EMDEs to help deliver economic growth and tackle climate change.

The first year review report was published in May 2026 and detailed the outreach and analysis that had been done to establish a clearer picture of the current landscape and therefore the starting point for future action. The report also sets out its plans for the coming year including a workstream focussing on regulation and policy.

Transition plans for pension schemes

Recognising that there is no net zero transition plan tailored for pension schemes, the TPR is to work with industry stakeholders, advisors and professional bodies to develop and test one based on the existing work of the UK Transition Plan Taskforce (TPT).

While not currently mandated, the requirement for a transition plan aligned to the Paris Agreement was a Labour Party pre-election manifesto.

The Chair of the working group stated “that is why we plan to work with industry in advance of any legislation to make sure we deliver a transition plan template made by industry for industry and that provides high standards of stewardship and helps mitigate financially material systemic risks”.

The aim of the voluntary plan is to help schemes prepare to transition to a net zero nature positive economy by 2050 and the TPR highlight that raising trustee awareness in this area continues to be an area of focus.

PLSA Stewardship and Voting Guidelines 2026

In December 2025, the PLSA released their 2026 Stewardship and Voting Guidelines, offering a principles based approach to assessing and engaging with companies to achieve value, responsible investment and improve corporate behaviour. The 2026 edition includes a new section on key emerging themes from the 2025 voting season and the key issues covered in the 2026 report include AI and cybersecurity, governance, climate and sustainability, social factors and workforce, and equality, diversity and inclusion.

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ESG Essentials (cont.)

Asset owner collaboration on stewardship expectations

A group of asset owners, including the People's Pension, Brunel Pension Partnership and Scottish Widows, have collaborated to produce a statement developing existing guidance looking at expectations of asset owners in relation to climate stewardship and aiming to 'raise the bar' on climate related stewardship activity. The statement is signed by 26 signatories.

The publication 'calls on asset managers to evolve and strengthen their climate stewardship strategies in light of the imperative need for climate action' and hopes to 'facilitate constructive conversations on climate stewardship and embed greater efficiencies into the stewardship chain'.

Five principle-based expectations are set out, as noted below.

- Engagement should be 'core' to climate stewardship.
- Collaboration should be prioritised for greater impact and efficiency.
- Asset manager engagement should be 'rooted in a robust theory of change that delivers maximum impact'.
- In relation to voting, a systematic approach is key.
- Stewardship activity must be 'appropriately resourced'.

A representative of the group commented: 'We, as asset owners, are the owners of capital and the mandates, and in these challenging times it is now more important than ever as an asset owner community to send a strong collective principle-based signal to our asset managers as to what we expect of them'.

8 new, predominantly European, signatories joined in October 2025 and at April 2026 it stands at 35 signatories.

FRC issues Stewardship Code 2026

On 3 June 2025, the FRC issued the UK Stewardship Code 2026 following an earlier consultation on its revision. The new Code takes effect from 1 January 2026 and aims to support value creation while reducing the reporting burden for signatories.

The Code comprises a set of 'apply and explain' Principles against which potential signatories will need to report in an annual Activities and Outcomes (A&O) Report explaining how the Principles have been applied in the preceding year by detailing how policies have been applied, including what they have done in the year and what has been achieved. The 2026 Code includes targeted Principles for different potential signatories including asset owners, asset managers and new specific Principles for proxy advisors, investment consultants and engagement service providers covering communication, quality and accuracy of recommendations, risks and engagement.

The Principles are supported by information on the entity's context and stewardship policies and signatories will submit a Policy & Context (P&C) Disclosure report at least every 4 years to the FRC, updating it when their P&C Disclosure no longer aligns with their A&O Report.

As previously reported, no signatories will be removed from the signatory list following their 2026 application as they understand the new requirements and it is the intention that the new requirements will reduce the reporting burden and enable entities to explain their individual approach to stewardship. On 9 July 2026, the FRC confirmed that 191 organisations met the conditions for the 2026 Code, including 6 new asset managers. The code now has 290 signatories in total (including those who remain a signatory following their last application under the 2020 Code).

Over the summer, the FRC will be providing feedback to signatories on the reporting submitted noting that around 25% chose to submit separate A&O and P&C reports with the remainder submitting a single report structured to clearly distinguish between the 2 elements. The FRC expects to issue a report later in 2026 detailing additional insights on the quality of the reporting received and including feedback on how to report well against the 2026 Code.

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Pension fund VAT update

VAT deduction on the management of pension funds

Following on from last summer's HM Revenue & Customs Brief, HMRC have recently published updated guidance – via amendments to the HMRC internal guidance and an updated version of Notice 700/17.

Overall, it remains a positive development insofar as it opens the door for sponsoring employers to be able to fully recover VAT on investment costs (subject to their normal VAT recovery position). The updated guidance follows the policy announcement that removed the previous concept that investment costs were 'dual use' (whereby an apportionment of VAT incurred between the employer and trustees was required).

There remain some inconsistencies and uncertainties with regards to the new guidance. There was a meeting with HMRC in June to discuss specific clarifications needed on the application of the new guidance. This relates to both HMRC's approach to dealing with retrospective claims for investment VAT incurred over the last four years as well as further clarifications on what arrangements are expected to be able to secure VAT recovery on investment costs going forwards.

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News in brief

Pension Protection Fund (PPF) Purple Book published

In December 2025, the PPF published the Purple Book 2025, which gives a view of the funding position of schemes eligible for PPF compensation. The key findings in this 20th Edition are:

- The funding position on a s179 (levy calculation) basis continues to increase and now stands at 125% in March 2025;
- A net surplus on a s179 (levy calculation) basis of £214 bn is comparable to the prior year figure of £219 bn;
- Schemes continue to invest a large proportion of their assets in bonds (70%). There has been a small decrease in the allocation to equities of 15% and the proportion allocated to UK equities has fallen from just under 7% to less than 5%. The allocation to annuities has increased from just under 10% to almost 14% - a record high;
- The number of DB schemes within the eligible universe has decreased from 4,974 in March 2024 to 4,840 in March 2025. Small schemes continue to make up the majority by number – 80% of schemes having less than 1,000 members – but account for only 10 per cent of total assets, liabilities, and members.

The PPF commented, 'This universe has significantly matured over the past two decades and this is increasingly reflected in asset allocations which, in turn, explains the stability over the past year. And while section 179 funding levels remain robust, the £47.2bn deficit on a buy-out basis is a reminder that as more schemes approach their endgame, the need for thoughtful long-term planning remains vital.'

PPF levy confirmed at zero for 2026/27

The PPF has confirmed that the levy will remain at zero for 2026/27, reflecting its strong financial position and continued resilience. Despite maintaining a zero levy, the PPF emphasises that it will continue to monitor risks in the DB universe and keep its long-term funding strategy under review. The organisation says that keeping the levy at zero supports employers while ensuring members remain protected.

Pensions Dashboard connection status

In its latest update in July 2026, the Pensions Dashboards Programme confirmed 85% of workplace and personal pension records in scope (some 1,500 pension providers and schemes), have connected in advance of the 31 October 2026 connection deadline and that the programme remains on course for all schemes to be connected by the deadline. Those schemes with connection deadlines after 31 December 2025 related to schemes with fewer than 1,000 members.

Second phase consumer testing has also now commenced. The Money and Pensions Service ("MaPS") expects pensions dashboards to play an important role in helping savers engage with their retirement planning, particularly at key life events, while continuing work with industry and government partners to support the final stages of implementation.

UK Pension Funds Explore £1bn Scale-Up Fund to back British innovation

The UK government is working with major pension investors, including Nest, Railpen, Border to Coast, LGPS Central and Local Pensions Partnership Investments, to explore the creation of a new £1bn UK Scale-up Fund focused on high-growth British science and technology companies. The initiative aims to increase the flow of domestic pension capital into innovative UK businesses, helping them scale faster while providing pension savers with access to long-term growth opportunities.

Backed by the British Business Bank and supported by the Office for Investment, the proposed fund forms part of wider efforts to strengthen the UK's innovation ecosystem, stimulate economic growth and create skilled jobs across the country. Supporters believe the fund can deliver attractive long-term returns for pension savers while helping ambitious UK businesses grow and remain competitive, although trustees will continue to need to balance such investments with their fiduciary responsibilities.

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News in brief (cont.)

Retirement Living Standards highlight UK savings gap

Pensions UK's latest Retirement Living Standards update highlights a growing gap between the retirement lifestyle people expect and the level of savings many are on track to achieve. The updated figures show that a minimum retirement lifestyle now costs £13,900 a year for a single person and £22,500 for a couple, rising to £32,700 and £45,400 respectively for a moderate lifestyle.

The report suggests that while around 82% of the working population are on track to achieve a minimum standard of living in retirement, only 23% are expected to reach a moderate standard and just 9% a comfortable standard. Pensions UK warns that, without higher levels of saving, many people could face a significant drop in income when they retire, reinforcing concerns currently being considered by the Pensions Commission around retirement adequacy and future contribution levels.

Pensions Ombudsman priorities

The Pensions Ombudsman's 2026/27 Corporate Plan, Building on Solid Foundations, highlights the organisation's progress in responding to rising demand for its services while setting out priorities for the year ahead. Complaint volumes increased by 14% during 2025/26, contributing to a 58% rise over the past two years, but the Ombudsman reported closing nearly 11,000 complaints during the year, a 63% increase since the introduction of its Operating Model Review programme.

Looking ahead, the Ombudsman plans to build on these improvements through additional funding, expanded casework teams and further investment in digital transformation, including an AI pilot to improve efficiency. The Corporate Plan emphasises a continued focus on delivering an accessible, high-quality service while reducing waiting times and managing growing caseloads.

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