

# UK PENSIONS UPDATE: 5 in 5

June 2026



Welcome to our newsletter: "UK Pensions Update: 5 in 5" where we deliver to you what you really need to know about the 5 key developments in UK pensions from the last quarter – digestible within 5 minutes!

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## 1. DWP LAUNCHES CONSULTATION ON SURPLUS FLEXIBILITIES FOR DB SCHEMES

*"Around 4 in 5 schemes are now in surplus, with an estimated total in aggregate of around £160 billion."*

[TPR annual funding statement analysis 2026](#)

On 10 June, the DWP launched a [consultation](#) on draft regulations<sup>1</sup> which will set out the conditions that must be met to release surplus from ongoing defined benefit (**DB**) schemes to the employer. This follows the Pension Schemes Act 2026, which recently gained Royal Assent and introduces a statutory power enabling trustees to pass a resolution conferring an express power under their scheme rules, where the scheme is not in wind-up, to permit the return of surplus to an employer / relax any restrictions which may apply under their existing scheme rules on the return of surplus.

<sup>1</sup> The Occupational Pension Schemes (Payments to Employer) Regulations 2027.

*"Trustees will be the key decision takers and strong funding levels must be maintained."*

**DWP surplus flexibilities consultation paper**

*"Our aim is to strike the right balance between strong protection for members and appropriate flexibility for trustees, while unlocking value for both employers and scheme members."*

**Ministerial foreword, surplus flexibilities consultation paper foreword**

## Funding threshold for surplus payments

It is proposed that full funding on the low dependency basis is the right threshold for surplus extraction (compared to the pre-existing buy-out basis funding test). This also aligns with the changes made to the scheme funding regime in 2024. A forward-looking element would also be introduced to the funding test for surplus release, with the consultation proposing that the scheme actuary must confirm the scheme both meets full funding on the low dependency basis **and** is expected to remain at or above this level for the following three years.

### Process

The consultation proposes the following steps in a surplus release scenario:

- Trustees and employer ensure scheme rules permit payments to the employer or make necessary rule amendments using the statutory power.
- Trustees seek advice and an actuarial assessment of the scheme's funding level from the scheme actuary.
- Following actuarial advice that the scheme is sufficiently well funded, trustees and employers agree to a provisional amount for surplus release.
- Trustees must notify members of the planned surplus release at least three months in advance of the intended payment date (and before final actuarial certification of the surplus payment amount).
- Final actuarial certification of the actual surplus payment is obtained.
- After the payment is made (which must take place no later than five working days after the actuarial certification), trustees must notify the Pensions Regulator (**TPR**) of the payment, specifying the amount of surplus released to the employer and any payments or benefit enhancements made in connection with that payment to scheme members (noting that the Finance Bill 2026-27 is separately due to introduce an ability for DB schemes to make direct payments of surplus assets to members who have reached normal minimum pension age (**NMPA**)). The consultation states that trustees will still be able to award authorised member surplus payments to members below NMPA, but these will need to be deferred until the member reaches NMPA).

### Superfunds

The government confirms the new regime will not apply to DB superfunds as separate provision will be made for surplus release from DB superfunds when the statutory authorisation and supervisory framework for DB superfunds comes into effect. The DWP will consult on these proposals in a forthcoming consultation.

### TPR statement

Shortly after the consultation was published, TPR published a [statement](#) which aims to support discussions between trustees and employers on surplus release options. It provides TPR's early views on the principles that trustees should consider when releasing surplus and gives some high-level illustrative examples of how trustees should go about surplus release now, if permitted under their scheme rules, and how it could change when the new legislation is introduced.

To prepare for surplus discussions with the employer, TPR recommends that trustees consider taking a number of actions, including considering whether to put in place a surplus policy (if they do not have one already); identifying key advisers and starting initial conversations on how they will support the trustees in considering surplus release; reviewing the quality of their scheme data and administration; and start engaging with the employer to understand their motivations and reasons for surplus release.

TPR confirms that it will consult on supporting guidance later this year once the response to the DWP consultation has been published. This will elaborate further on the principles set out in the statement and the requirements set out in the regulations.

### Timing

The consultation closes on 2 September.

The Finance Bill 2026-27 will set out further details of amendments to the tax legislation needed to treat member surplus payments as authorised payments. The intention is then for the regulations to come into force in April 2027 at the same time as the member surplus payments regime, subject to parliamentary approval.

There are no transitional measures proposed and any release of surplus between now and April 2027 will remain subject to the existing regime.

## 2. DWP LAUNCHES CONSULTATION ON CHANGES TO TRANSFER RULES

*"The average financial loss from pension frauds in 2024-2025 was £18,400, and where an investment was identified as the primary vehicle (as is commonly observed in SSAS schemes), the average loss per victim increases drastically to £38,400."*

[Ministerial foreword, transfer regulations consultation paper](#)

On 9 June, the DWP launched a [consultation](#) on proposed amendments to the regulations<sup>2</sup> which govern when a member has a statutory right to take a transfer of their pension scheme benefits.

The consultation is focused on changes to address the risk of fraud within Small Self Administered Schemes (**SSASs**)<sup>3</sup>, but also proposes some other amendments to address longstanding concerns in the pensions industry that the current regime is too restrictive in certain respects.

### Background

While SSASs can offer significant flexibility (allowing members to manage investments directly and to invest in a broad range of assets), the DWP says there is emerging concern that they may be vulnerable to those seeking to abuse the system e.g. by SSAS operators exposing savers to high-risk or unregulated practices involving investments in non-standard assets and arrangements seeking to present pension liberation as legitimate investment opportunities. The consultation document estimates there are on average over 100 transfers into SSASs per year and up to 10% could involve fraud, although this is likely to be a significant underestimate due to under-reporting.

### The consultation

The consultation proposes amending the conditions which apply for a member to have a statutory right to take a transfer. Specifically, the consultation proposes amendments to address the above SSAS concerns by introducing a new **red flag**<sup>4</sup> where, upon receipt of a transfer request, the

<sup>2</sup> The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021.

<sup>3</sup> A form of occupational pension scheme typically established by company directors for themselves and key employees.

<sup>4</sup> If this applies, it would block the statutory transfer right.

transferring scheme trustees determine that the evidence provided does not demonstrate an employment link between the member and the receiving occupational pension scheme (on the basis that a missing link is a strong indicator the receiving SSAS may be operating outside its legitimate purpose). This represents a change from the current position, where such cases may only give rise to an **amber flag**<sup>5</sup> and will operate alongside the existing red flag provision which applies where a member has failed to provide a substantive response to an information/evidence request by the transferring trustees in considering whether the statutory conditions for transfer are met.

The consultation also proposes some amendments in light of concerns that the current requirements are creating unnecessary friction for **legitimate** transfers. Specifically, the consultation proposes:

- amending the first statutory condition (which, if satisfied, gives an automatic transfer right) to enable this to be met where trustees are satisfied, on the balance of probabilities, that the transfer is to a "reputable" pension scheme (currently, trustees have to be satisfied beyond reasonable doubt that the transfer is to a public service scheme, authorised master trust or authorised collective defined contribution (**CDC**) scheme).
- amending the regulations to include a non-exhaustive list of factors to which trustees may have regard when assessing whether a receiving scheme is reputable as part of their due diligence (including e.g. whether there is an existing relationship with the receiving scheme; the nature and risk profile of the scheme's investments; any prior warning flags; the level of transparency around fees, etc).
- that members who have taken MaPS guidance within the last 12 months will be exempt from repeating it when consolidating multiple pots, aiming to remove unnecessary duplication and improve the member experience.
- removing the overseas investment amber flag (reflecting the reality that many legitimate schemes include overseas investments – the breadth of this amber flag is something that has been recognised previously, with the government confirming in a [2023 report](#) that it would conduct further work to see if changes could be made to the regulations to address this).

This consultation closes on 21 July and is said to mark the first step in a wider, ongoing government programme to tackle pension fraud, in alignment with the Government Fraud Strategy 2026 to 2029.

### 3. PENSIONS COMMISSION PUBLISHES INTERIM REPORT

Last month, the Pensions Commission published an [interim report](#), setting out the challenges the UK pensions system is facing out to 2050.

The report states the UK pensions system is in a stronger position than it was 20 years' ago (largely due to the introduction of auto-enrolment and the new State Pension). However, it acknowledges that today's savers face a different set of risks, with many people not saving enough for retirement, or

**"Responsibility for overcoming these challenges rests with the same three actors as it did 20 years ago: the state, employers, and individuals. A sustainable future pensions system must balance the opportunity cost to Government of spending on pensions, including the question of intergenerational fairness to taxpayers, with affordability to and deliverability for employers and the costs to individuals of saving during their working lives."**

**Pensions Commission interim report, page 175**

<sup>5</sup> Meaning a member retains a statutory right to transfer provided they take pension transfer scams guidance from the Money and Pensions Service (**MaPS**) and evidence this to the trustees.

at all (highlighting in particular the self-employed) and while working lives have lengthened in duration, employment for people in their 50s has stalled and lags behind international comparators.

The report also comments that decumulation choices now decisively determine retirement outcomes, and behavioural changes following the introduction of the 2014 pension freedoms indicate growing adequacy concerns.

Potential suggestions for reform identified in the report include adjusting the auto-enrolment eligibility criteria and minimum auto-enrolment rates and income thresholds and an implication that the 2014 pensions freedoms could be reversed, with the report stating that a strong approach to turning pension savings into incomes to last throughout retirement should be in place by default and "*the confusion caused by the 2014 reforms needs to be resolved.*" However, no firm recommendations are made. The final report is planned for Spring 2027 in which the Commission will make recommendations to the government to address the challenges identified in the interim report with a view to building a pensions system that is adequate, fair and sustainable.

*"Our new corporate strategy reflects our evolution as a regulator. We are taking a more forward looking, innovative and system-wide approach to regulation. Our engagement with the market is risk-led, expert and proportionate – all in service of driving better outcomes."*

**TPR corporate strategy  
consultation**

The Commission's report shortly followed TPR's [consultation](#) on its draft corporate strategy which closed on 8 June and sets out TPR's focus for the next five years. The consultation is clear that TPR's focus will be on ensuring savers achieve a sustainable income in retirement. TPR says it expects DC assets to soon overtake those held in DB schemes, although DB pensions are expected to remain an important part of the landscape for many years. TPR asks for respondents to consider whether TPR's vision of people having a sustainable income in retirement sets the right long-term ambition for the pensions system and asks where TPR's role could be more active, or targeted, to maximise saver outcomes and support a resilient and sustainable market.

#### **4. DWP PUBLISHES RESPONSE TO CONSULTATION ON CDC SCHEMES**

Earlier this month, the government published a [response](#) to part of its consultation published in October 2025, seeking views on proposals for new retirement CDC schemes.

##### **The consultation**

The proposals were designed with the intention of making CDC an option in line with the new duties contained in the (now) Pension Schemes Act 2026 for trustees of DC schemes to implement default pension benefit solutions.

The consultation proposed a new regime whereby DC savers would be able to transfer their pot into a CDC scheme at retirement. These retirement CDC schemes would be a form of trust-based unconnected multiple-employer scheme (likely a section of a master trust) and would contain only pensioner members (with no regular or ongoing contributions from members or employers). Members would be provided with a trustee-managed income for life, adjusted annually based on investment performance and scheme sustainability. The consultation focused on the mechanism by which members could join the schemes, the information they would require and appropriate safeguards.

## The response

The response relates to part of the consultation which proposed making amendments to the regulations<sup>6</sup> which deal with scenarios where transfers of certain rights can take place without member consent. The proposal was to extend the regime to enable transfers without consent to also include transfers to CDC schemes (and sections of such schemes) authorised under the Pension Schemes Act 2021.

The response confirms this change will go ahead and the new regulations to achieve this<sup>7</sup> have also been published. Subject to parliamentary approval, they will be brought into force at the end of July. The DWP has also published updated non-statutory [guidance](#) (originally published in 2018) to reflect this.

## 5. HMRC PUBLISHES TECHNICAL NOTE ON IHT TREATMENT OF PENSIONS

HMRC recently published a [technical note on Inheritance tax \(IHT\) on pensions](#) in connection with the reforms to the position on IHT for pensions in respect of member deaths from 6 April 2027, as introduced by the Finance Act 2026 (see the [September 2025 edition](#) of our briefing for more background).

The technical note is prefaced as not forming draft guidance (which will be published in due course). However, it provides a helpful summary outlining how the new regime is intended to work and covers key areas, including when notional pension property is treated as being vested in a beneficiary; who will be responsible for reporting and paying any IHT due on notional pension property; which benefits are excluded from scope (including dependant scheme pensions and death in service benefits); and which beneficiaries will be exempt from IHT, and also discusses the proposed approach to information sharing between pension scheme administrators and personal representatives (**PRs**).

### Further developments

Following publication of the note, HMRC published draft regulations for technical [consultation](#) which will impose information sharing requirements between PRs and pension scheme administrators. The government has indicated it will lay the final regulations later this year.

The technical note also confirms that further guidance/supporting materials will be updated and published for April 2027 (to include details on the pension evidence scheme administrators should request/accept from PRs and templates to use for the withholding and payment of IHT).

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<sup>6</sup> The Occupational Pension Schemes (Preservation of Benefit) Regulations 1991.

<sup>7</sup> The Occupational Pension Schemes (Preservation of Benefit) (Amendment) Regulations 2026.



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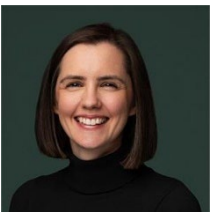


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