Novus
Actuarial & Administration

Lodge Park
Lodge Lane
Langham
Colchester
Essex
CO4 5NE

Tel: 01206 233547
Fax: 01206 233548
www.novusactuarial.com

Update

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Annual Funding Statement 2026

On 6 May, The Pensions Regulator (TPR) published its latest Annual Funding Statement (AFS), setting out expectations for trustees and sponsoring employers of occupational defined benefit (DB) pension schemes. With most DB schemes now in surplus, TPR expects trustees to be shifting their focus from deficit recovery to long-term planning.

This year's statement is particularly relevant for schemes with valuation dates between 22 September 2025 and 21 September 2026, now referred to as Tranche 25/26 (T25/26).

Experience to date for T24/25 is consistent with TPR's expectation that 80% of schemes can meet Fast Track at minimal or no cost to the employer. For T25/26, TPR is not making any changes to the Fast Track parameters published in November 2024. If current market conditions persist, it may consider updating the technical provisions (TPs) parameters for T26/27 valuations. It is also reviewing the definition of low-risk schemes for the purpose of submitting a statement of strategy, particularly how this applies to schemes that have a buy-in covering all members.

Once TPR has received and assessed the bulk of the valuation submissions for T24/25, it plans to publish an analysis of the new data provided by the statements of strategy. This will help provide greater transparency around the different approaches schemes are taking to meet the new requirements.

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Pensions Commission interim report

Pensions Commissioner, Baroness Jeannie Drake

On 19 May, the Pensions Commission published its interim report on the state of retirement saving in the UK. The headline is that there are currently 15 million people under saving for retirement which could reach 19 million without action, leaving large groups across the UK facing a severe cliff-edge when they retire.

Findings include:

- Low and middle earners are most at risk, with around half saving only at minimum Automatic Enrolment levels with little else to fall back on.
- 45% of working-age adults – around 18 million people – are not saving into a pension at all, despite nearly half of them being in work.
- Where employers are contributing above the statutory minimum this is largely benefiting higher earners.
- Just 4% of wholly self-employed workers are saving for retirement, and it's even lower among younger self-employed people.
- On current trends around 3 in 10 private pension pots are accessed at the earliest possible opportunity with around half of all pots taken out in full. Nearly half of these are spent on large expenses like a car, holiday or renovations.

"Britain has got back into the pension saving habit, but the job is only half done with tomorrow's pensioners still on track to be poorer than today's"

Pensions Minister, Torsten Bell

The interim report 'Pensions 2050: evidence and future priorities' can be found here: www.gov.uk/government/publications/pensions-2050-evidence-and-future-priorities-interim-report.

A final report with recommendations will follow in early 2027.

Company news

TPR has published a new regulatory intervention report highlighting how it secured more than £2.5 million for members of the Danapak Flexibles Retirement Benefits Scheme. TPR took action after significant funds were extracted from the sponsoring employer while the scheme was in deficit, pursuing four individuals using its anti-avoidance powers. The case resulted in a combination of financial settlements and Contribution Notices, with the Upper Tribunal ultimately supporting TPR's approach and increasing the amount payable in one instance.

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