

## TPR publishes annual funding statement 2026

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### Introduction

TPR's latest [annual funding statement](#) ("AFS") and the [accompanying analysis](#) were published on 6 May 2026. In a repeat of last year, with most schemes now in surplus, TPR expects trustees in this tranche (see below) to be shifting their focus from deficit recovery to long-term endgame planning.

### Key points

- The statement is particularly relevant for schemes with valuation dates between 22 September 2025 and 21 September 2026, "Tranche 25/26" or "T25/26". However, it is also relevant to all DB schemes as it captures key information relating to the [DB funding code of practice](#).
- TPR reports that 60% of schemes are in surplus on a buy-out basis, rising to 80% on a TPR-derived low dependency basis and 90% on a technical provisions ("TPs") basis.
- Trustees are expected to "maintain their focus on long-term planning and ensure their scheme has a clear and well-evidenced endgame strategy".
- Schemes that are running on are expected to consider their policy on surplus and TPR is planning to publish a statement "shortly" on the factors for trustees to consider when thinking about surplus release.
- While the overall picture is positive, trustees are reminded to "remain alert to wider economic and geopolitical uncertainty. Understanding the risks to investment strategies and employer covenants remains essential, particularly as schemes move closer to their long-term objectives".

### Valuations under the new DB funding regime

Recognising that this will be the first time schemes in this tranche complete their valuations under the new DB funding regime, the AFS addresses some common queries from those preparing to submit their valuations in its appendices.

Some themes of particular interest are:

- supportable risk, and how asset-backed contributions and surpluses on a TPs basis should be allowed for in the assessment of that risk

- the approach to setting the expense reserve in the low dependency liabilities
- how to assess high resilience for the low dependency investment allocation.

TPR also reminds trustees that it expects them to begin the valuation process by considering the scheme's long-term objective and journey plan before choosing a Fast Track or Bespoke approach. It also highlights that this regime requires a more integrated process, with early and ongoing collaboration between trustees, employers and advisers.

### **Fast Track or Bespoke**

Both Fast Track and Bespoke remain “equally valid” approaches but TPR’s experience to date for T24/25 is consistent with its expectation that 80% of schemes could meet Fast Track at minimal or no cost to the employer.

For T25/26, no changes are being made to the [current Fast Track parameters](#). However, TPR is keeping these under review, as well as reviewing the definition of low-risk schemes for the purposes of submitting a statement of strategy (“the SoS”), particularly how this applies to schemes that have a buy-in covering all members. TPR may implement amendments, add clarificatory wording or publish additional guidance in the future but will be “mindful” of the impact any changes could have to a scheme’s valuation approach.

TPR plans to publish its analysis of the new data provided in the SoS, once it has assessed the bulk of the valuation submissions for T24/25. This should help provide greater transparency around the different approaches schemes are taking.

## General considerations

### **Shift to endgame planning**

DB schemes have seen significant changes to their funding levels over the last three years, with around 80% fully funded on a TPR-derived low dependency basis. As a result, most schemes should now focus on endgame planning rather than deficit repair. Trustees are directed to TPR’s [“new models and options in defined benefit pension schemes guidance”](#) (June 2025) for support when considering their endgame options.

As funding positions improve, valuations are evolving from budgeting exercises focused on determining deficit recovery and, where relevant, putting in place appropriate security. Increasingly, they are becoming strategic tools for informing the development or refinement of endgame plans and providing a structured opportunity to assess progress against long-term objectives. With this evolution, the long-term objective in the SoS will become a key reference point. The SoS should be a “live” document that changes between valuations as endgame plans are refined, which can then be used to drive the valuation process.

### **Employer covenant**

Covenant assessment will remain integral to the assessment of supportable risk in a scheme’s journey plan. As funding improves, the assessment should shift towards monitoring and managing downside risks, to ensure that progress towards the long-term objective is protected. A more detailed covenant assessment may still be required if funding levels are weaker, the scheme is large relative to the employer or high levels of risk are being taken.

## Cyber security

Potential impacts from cyber incidents are an area of increasing concern and can materially impact the employer covenant. TPR expects trustees to monitor these risks, with a frequency and depth proportionate to the circumstances of the employer and the scheme.

## Climate change and sustainability

Climate change and wider sustainability issues (including related transition and physical risks) continue to be a concern for trustees and employers. Trustees should work with the employer and their advisers to understand the potential implications, using TPR's [Climate-related governance and reporting guidance](#).

## Macroeconomic uncertainty

Although many trustees are entering their valuation cycle from a relatively strong funding position, it is important to recognise the potential impact of ongoing macroeconomic uncertainty on both scheme investments and the employer covenant. Trustees should ensure that near-term liquidity and cash flow requirements are securely met, while maintaining an investment strategy that remains resilient to shifts in the economic environment and to the evolving risk appetite of both the trustees and the employer. TPR expects all schemes to have high standards of investment governance.

## Quality of member data

Data quality is crucial to pensions dashboards and scheme operations. Making reference to its [data quality guidance](#), TPR encourages trustees to work closely with their administrators to ensure that any data issues are identified and addressed.

TPR is undertaking a comprehensive review of the data requirements for the DB and hybrid scheme return in the context of the funding code and SoS, with changes planned for the 2027 scheme return. For example, TPR acknowledges that the 2026 scheme return included a request to submit a covenant rating, which is not aligned with the new funding code and covenant guidance.

## Virgin Media

Noting that the remediation measures in the [Pension Schemes Act 2026](#) provide a route for trustees to resolve issues arising from the [Virgin Media case](#), TPR urges trustees and employers to consider and make use of its corresponding [guidance](#). Although unlikely, there may be cases where the outcomes have implications for scheme data records or for the benefits on which upcoming valuations are based.

# Funding strategies

As in previous statements, TPR has grouped schemes into funding categories. But, this year, Group 1 is divided into two sub-groups.

## Group 1A – funding level well above low dependency (110% funded or more)

Trustees' focus should be on finalising and implementing the endgame.

If the objective is buy-out, schemes are likely to prioritise locking down investments to minimise volatility. Those intending to run-on in the medium to long-term may carry more investment risk. In this scenario, trustees should determine the degree of reliance on the employer covenant needed to support the risk, considering the current funding level and the risk of employer insolvency, and monitor the covenant accordingly.

TPR expects schemes that are running on to consider their policy on surplus. TPR is planning to publish a statement shortly on the factors for trustees to consider when considering surplus release.

### **Group 1B – funding level at or just above low dependency (100% to 110% funded)**

Trustees focus should be on endgame planning.

The options for this group may be more limited than for those in Group 1A and may involve taking some limited investment risk to improve the funding position to a level where the chosen endgame (buy-out, run-on, consolidator) becomes feasible. As for Group 1A, trustees will need to determine the extent to which the scheme will rely on the employer covenant to support this risk and should monitor the covenant accordingly.

### **Group 2 – funding level is above TPs but below the low dependency funding target**

The focus here should be on maintaining progress towards low dependency by the relevant date through ongoing monitoring and management of downside risks.

### **Group 3 – funding level is below TPs**

Unsurprisingly, trustees in this group should focus on addressing the deficit. TPs should align with the scheme's journey plan to low dependency. The level of risk should reflect employer covenant support and, subject to that, scheme maturity, with deficits recovered as quickly as the employer can reasonably afford.

## What's next?

An updated roadmap of the DWP's timetable for pensions reform has yet to be issued but the DWP is due to consult on the surplus release regulations in 2026. TPR intends to publish a statement providing "early views" on the issues trustees should consider around surplus release "around the same time".

A consultation on more detailed surplus guidance will follow "later this year".