

tPR's Annual Funding Statement 2026

Introduction

The Pensions Regulator (tPR) published its 2026 Annual Funding Statement on 6 May 2026. The statement is for trustees and sponsors of Defined Benefit (DB) pension schemes and is particularly aimed at schemes with actuarial valuations between 22 September 2025 and 21 September 2026 ('Tranche 25/26').

Whilst it is targeted at those, this year's Statement is relevant for all DB schemes as it provides further clarification on the new DB Funding Code of Practice and reflects experience gained from the first year of operation.

DB scheme funding positions have continued to improve materially, with tPR estimating that:

- Around 90% of schemes are in surplus on a Technical Provisions basis
- Around 80% are in surplus on a low dependency basis
- Around 60% are in surplus on a buy-out basis

General considerations

Endgame planning

Given the continued improvement in funding levels, tPR expects that most schemes are now actively progressing their endgame strategies with triennial valuations now tending to be strategic touchpoints. The Statement of Strategy should be updated over the intervaluation period as endgame plans are refined.

Employer Covenant

The employer covenant remains central to assessing how much risk a scheme can take. As funding improves, the emphasis should move from detailed assessment to ongoing monitoring and managing downside risks, although more detailed analysis is still needed for higher risk schemes.

Where risks become unsupported by the covenant, trustees should adapt their journey plan accordingly.

Emerging and ongoing uncertainty

Trustees should remain alert to emerging and ongoing risks that could affect an employer's covenant, for example: cyber, climate and sustainability.

Given current macroeconomic uncertainty, trustees should regularly review whether the scheme's current investment strategy risk level remains appropriate and is expected to meet cashflow / liquidity needs



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DB Funding Code – Valuation Submission Route

tPR continue to reiterate that the Fast Track route and Bespoke route are equally valid. Experience to date has been consistent with tPR's expectations that 80% of schemes can meet the Fast Track route with little difficulty.

tPR will annually review the Fast Track parameters to ensure they are appropriate relative to current market conditions. For T25/T26 valuations the parameters will remain unchanged. Parameters may change if current market conditions persist for T26/T27 valuations, although tPR will be mindful of how any changes may affect a scheme's approach to its valuation.

DB Funding Code – Clarifications

Similar to last year tPR have provided further clarifications on the DB Funding Code. This includes, but not limited to, the following:

- A Scheme's statement of strategy should classify covenant strength as inadequate if a scheme cannot comply with the supportable risk principle because of limited covenant support. In isolation this is not expected to trigger regulatory engagement.
- Non-look through guarantees can still have value attached in the statement of strategy. Trustees should follow tPR's guidance to determine an appropriate value.
- The supportable risk test can allow for a Scheme's surplus if the trustees consider it appropriate.
- More immature and/or open schemes will be able to justify holding risk for longer, reflected in their de-risking journey plan.
- The Low Dependency Investment Allocation ("LDIA") excludes assets in excess of the Low Dependency liabilities. Trustees should be satisfied that with the selected LDIA, the scheme could return to full funding under a stress event with limited reliance on the employer.
- Failure for an LDIA meeting the high resilience test does not necessarily mean the LDIA should change. Trustees should, however, consider the risks of not changing the LDIA and be able to clearly document their rationale if it is retained.



Funding strategies

In line with previous statements, tPR have noted that schemes should focus on different actions depending on their current funding position and maturity.

Funding Position	Focus
At, or above 110% on Low Dependency	Focus on finalising and implementing the endgame. Schemes that are running on should consider their policy on treatment of surplus.
100% - 110% funded on Low Dependency	Focus on endgame planning. May require taking limited investment risk to improve the funding position to the appropriate endgame level.
Above Technical Provisions, below Low Dependency	Maintain progress towards Low Dependency by relevant date.
	Address the deficit.
Below Technical Provisions	Technical Provisions should align with journey plan to Low Dependency. Level of risk should reflect employer covenant and scheme maturity.

The 2026 Annual Funding Statement can be found [here](#).

If you would like any further information in relation to the above, please get in touch with your usual Quantum Advisory contact or email us at info@qallp.co.uk