PASA Consultation Response

DWP: Surplus Flexibilities for Defined Benefit Pension Schemes: Unlocking Value for Employers and Scheme Members

August 2026

PASA

Acknowledgments

PASA is grateful to the authors of the Guidance and members of the PASA Industry Policy Committee and their employers.

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About PASA

The Pensions Administration Standards Association (PASA) is the independent body dedicated to improving standards of pension administration.

We bring together the pensions industry, government and regulators to develop and promote good administration practice. Our work includes setting standards, publishing Guidance and providing independent Accreditation across different administration models.

Through this work, PASA supports better administration, stronger governance and good outcomes for pension scheme members.

1. Summary

We welcome the opportunity to respond to this consultation.

The consultation is primarily focused on the framework and conditions for payments of surplus to employers. From an administration perspective, we don't expect the proposed arrangements for employer surplus payments to create significant operational concerns.

Our response therefore focuses on areas where further clarity would support the consistent administration of member surplus payments. These include the treatment of deferred entitlements, the timing of payments, member communications, ongoing disclosure, pensions dashboards, record keeping and the potential use of de minimis thresholds.

Once a member surplus payment has been allocated, schemes may need to administer the entitlement for many years before payment can be made. Clarity across the full lifecycle of these entitlements will help trustees and administrators apply the new flexibilities consistently and support good member outcomes.

2. Consultation questions and answers

Question 11: Do you think the notification requirements in regulation 11 are sufficiently clear?

The notification requirements are broadly clear.

We'd welcome clarification on how the requirements are intended to operate where the amount notified to members differs from the final certified amount. In particular, clarification is needed on whether a change in the certified amount would require a further notification period, or whether the original notification would remain valid where there's been no material change to the nature of the proposal.

Question 12: Do you think the notification requirements in regulation 12 are sufficiently clear?

The reporting requirements are generally clear.

We'd welcome confirmation of the level of detail expected to be provided to The Pensions Regulator (TPR) regarding member surplus payments.

We'd also welcome clarification on the point at which member surplus payments are expected to be reported to TPR, particularly where an entitlement is allocated but payment can't be made until a later date. This is particularly important where payment may not be made for many years after the original allocation. It'd be helpful to confirm whether reporting is intended to relate to the allocation of the entitlement, the eventual payment, or both.

3. Other comments

Member surplus payments

The Regulations distinguish between members who can receive a surplus payment immediately and those where it can't be made until they reach the relevant minimum pension age.

Further clarity is needed on payment timing and member communications, particularly where payment can't be made until many years after the original allocation and entitlement.

We also note receipt of a member surplus payment could have tax consequences or affect entitlement to means-tested benefits. The Regulations should therefore make clear whether members can defer, decline or otherwise influence the timing of payment, so administrators know how any such member requests should be treated.

Treatment of deferred entitlements

Where a member has been allocated a surplus payment which can't yet be paid because they haven't reached the relevant minimum pension age, the Regulations should clarify how the entitlement is treated in a range of circumstances.

Clarity is needed on what happens to the entitlement:

- on the member's death before payment
- where a member has a protected pension age
- on transfer, including whether the entitlement remains with the transferring scheme, transfers with the member's benefits or is treated in another way
- in the event of pension sharing or earmarking on divorce

Ongoing disclosure and pensions dashboards

Where a member has been allocated a surplus payment which isn't payable until a later date, the disclosure requirements applying during the period before payment should be clear. Clarification is needed on:

- how and when members should be reminded of their entitlement before payment becomes due
- whether schemes are expected to contact members when they become eligible to receive payment
- whether the entitlement should be reflected in ongoing member communications, including benefit statements and retirement communications
- whether and how these entitlements should be displayed within the pensions dashboards ecosystem, including whether they should be shown separately from other accrued benefits

A consistent approach will help members understand the nature and timing of their entitlement.

Record keeping

An entitlement to a member surplus payment may be created many years before payment is eventually made. Guidance should set out the records and evidence schemes are expected to retain where entitlements persist through administrator changes, system migrations, consolidation activity and endgame transactions.

De minimis awards

The proposed framework may result in relatively small entitlements having to be maintained and administered for extended periods solely because the member hasn't yet reached the relevant minimum pension age.

Consideration should therefore be given to whether a de minimis approach could allow very small entitlements to be dealt with differently, reducing dis-proportionate long-term administration costs while remaining consistent with the policy objective underpinning the restriction on earlier payment.

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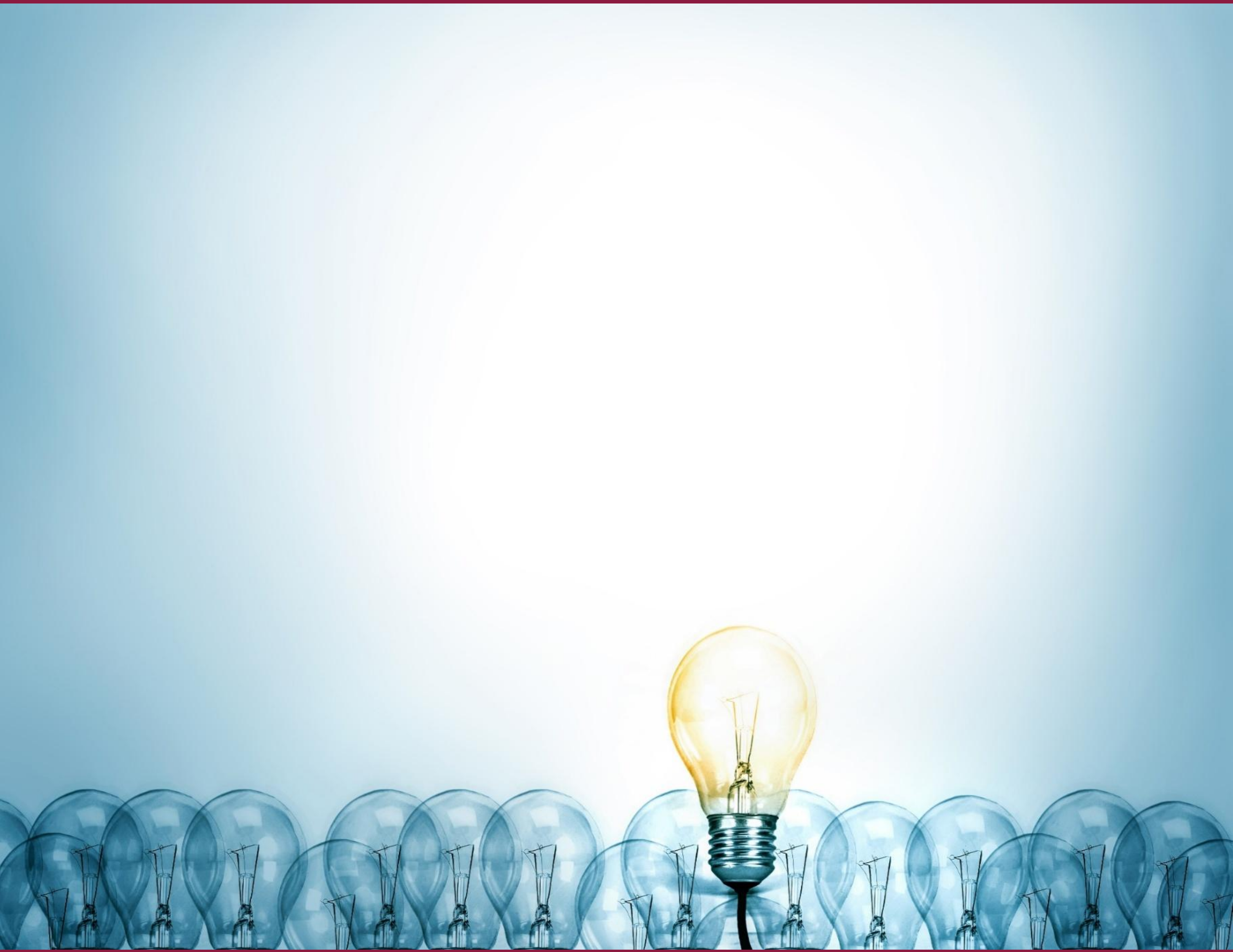

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