Hot Topics

Summer 2026

Contents

This article is intended for professional and institutional audiences only and is not directed at retail clients.

Introduction

This edition of our Hot Topics reflects a pensions landscape that is increasingly moving from policy development into implementation and decision-making.

On the DB side, strong funding positions and the Pension Schemes Act 2026 continue to reshape the conversation. The focus is no longer simply on deficit repair, but on endgame strategy, surplus, and the role of schemes beyond a traditional path to buyout. The emerging surplus framework, alongside wider legislative changes, introduces greater flexibility—but also places significantly more weight on trustee judgement, particularly where member outcomes and sponsor interests intersect.

Alongside this, several developments bring practical and operational implications into sharper focus. Changes to inheritance tax on pensions, the evolution of transfer requirements, new data complaint processes, and the continued rollout of dashboards all require schemes to adapt processes, governance and member communications—often within relatively tight timeframes. These are not headline-grabbing reforms in isolation, but collectively they represent a meaningful shift in day-to-day scheme complexity and administrative risk.

There is also a broader backdrop of longer-term structural and external pressures. The Pensions Commission has refocused attention on adequacy in DC saving, while regulatory expectations continue to evolve in areas such as AI. At the same time, geopolitical developments serve as a reminder that market and economic risks remain highly relevant to funding, investment and covenant.

Taken together, these themes point to a common direction of travel:

- more choice and flexibility for trustees and sponsors
- combined with greater complexity, discretion and accountability in these decisions
- plus evolving risks and governance expectations to be managed.

This update brings together the key developments likely to affect you over the coming months, with a focus on how they interact and where they are likely to require active judgement rather than passive compliance.

We have also provided links to our latest output to help trustees and sponsors keep up to date with the world of pensions:

- “The Broadcast” podcast episodes
- “Pensions in 10” weekly updates

I hope you enjoy reading this edition, and it helps to inform the discussions you have on your schemes.

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Surplus flexibilities – Consultation Update

Following the Pension Schemes Act 2026, the Government has now launched a consultation on the detailed framework for accessing surplus in DB schemes. This marks a clear shift in policy direction—from a system largely focused on deficit reduction, to one that recognises DB schemes as potential generators of value in a well-funded environment.

The proposals contain a statutory override, allowing trustees to amend scheme rules to permit surplus payments even where these are currently restricted. This is a significant change, removing “trapped surplus” as a barrier to schemes considering run-on as an alternative to buyout.

The minimum conditions for release are built around a low dependency funding threshold, rather than buyout, although in practice Trustees may well require margins above this. Trustees would require actuarial certification that:

- the scheme is above low dependency at the point of payment, and
- it is more likely than not to remain above that level over the following three years.

This introduces an explicitly forward-looking and risk-sensitive test, with greater focus on funding resilience and investment volatility.

The framework also sets out a structured process, including:

- actuarial advice and certification;
- agreement with the employer;
- advance notification to members; and
- post-event reporting to TPR.

Notably, there are no restrictions on how surplus can be used. This enables a wide range of potential outcomes including employer payments, benefit enhancements or contribution reductions. Indeed, there will be further details and consultation on how a one-off lump sum to members could be paid.

Alongside the consultation, TPR has emphasised that trustees remain the central decision-makers, with strong expectations around:

- governance and documentation;
- management of conflicts;
- alignment between funding, investment and covenant; and
- consideration of member outcomes.

In practice, this is where much of the complexity lies. While the framework is intentionally flexible, it places significant weight on trustee judgement—particularly in assessing:

- appropriate buffers above low dependency;

- sustainability of the post-release investment strategy;
- covenant reliance; and
- fairness between members and sponsor.

The proposals are clearly designed to make run-on a more credible option, extending the likely lifespan of some larger DB schemes, but any sponsor thinking they can simply crystallise and withdraw their low dependency surplus is not seeing the full picture. Fundamentally, the new rules do not remove the underlying trade-offs in terms of lower funding generally meaning more risk for members and trustees are therefore likely to tread carefully. For many schemes—especially those close to buyout—the decision to release surplus will remain finely balanced.

Operational readiness is also key. TPR has highlighted the importance of resolving issues such as data quality and benefit uncertainty (including GMP equalisation) before considering any release to make sure that all scheme liabilities are fully accounted for.

Overall, this is a significant and welcome development, but one that introduces greater complexity and accountability. Trustees will still need to weigh their fiduciary duties carefully, but the framework supports a broader and more flexible set of endgame options.

IHT – Summary

Following Royal Assent of the Finance Act, the Government has confirmed that most pension death benefits will fall within the scope of Inheritance Tax (IHT) from 6 April 2027. This is one of the most significant changes to the pensions tax regime in recent years and introduces a fundamental new process for trustees.

The key shift is the introduction of “notional pension property”. In practice, this means schemes will need to identify and value death benefits at the point of death, with those values then fed into the deceased member’s overall estate for IHT purposes. Importantly, this happens before final beneficiary decisions are made, which is a material change from today’s approach.

The process itself becomes much more integrated with estate administration. Personal Representatives (PRs) will take the lead on calculating IHT, but schemes will be required to:

- Provide timely valuations
- Respond to withholding notices (potentially pausing up to 50% of payments)
- Facilitate scheme-paid tax via direct payment to HMRC
- Provide final confirmations to allow estates to be finalised

This introduces new operational complexity, tighter timelines, and significantly more interaction with PRs than schemes are used to today. Including the need to verify their authority before we can accept instructions and share data with them.

There are also important governance implications. Discretionary death benefit decisions may now directly affect tax outcomes, increasing the risk of disputes where beneficiaries receive different IHT treatment. Trustees may therefore wish to review whether current approaches to decision making regarding discretions remain appropriate.

In terms of timing, while the rules apply from April 2027, key detail is still emerging:

- HMRC has issued an initial technical note and consultation on information requirements
- Further regulations and full operational guidance are expected through 2026 and into early 2027
- Templates, tools and final processes are expected closer to implementation

This will require careful attention as it is a material change with real operational impact. Preparation during 2026 will be key and we are actively monitoring developments and considering suitable administrative procedures and safeguards as part of supporting schemes to get ready.

For more detail, see our full briefing note:

Finance Act Royal Assent Confirms IHT on Pensions - broadstone.co.uk

Pension Schemes Act 2026 – DC Aspects Summary

The defined contribution (DC) elements of the Pension Schemes Act 2026 are focused on driving scale, value for money, and improved retirement outcomes, with implications differing between single-employer trust schemes and multi-employer arrangements (particularly master trusts).

A central reform is the introduction of a Value for Money (VfM) framework, which will require DC schemes to assess and disclose performance across investment returns, costs, and service quality. This creates a more standardised basis for comparison across the market. While this applies broadly, the implications are most acute for single-employer trust schemes, many of which may struggle to demonstrate competitive value relative to larger providers. As a result, trustees of smaller schemes may face increasing pressure to improve, merge, or wind up, accelerating consolidation.

Closely linked to this is the policy drive toward scale, including the development of large multi-employer “megafunds”. These are expected to deliver improved access to a wider range of investment opportunities—particularly illiquid and productive assets—and reduce unit costs through economies of scale. This direction of travel clearly favours multi-employer master trusts and large consolidated vehicles, which are expected to play a growing role in the DC landscape.

The Act also introduces provisions for the automatic consolidation of small pots, addressing the long-standing issue of fragmented pension savings as members move between employers. This primarily impacts multi-employer schemes and master trusts, which are likely to be key consolidators, but also affects single-employer schemes that may see deferred member pots transferred out. Operational readiness and data quality will be important as this regime develops.

Another significant area is decumulation and retirement income. The Act requires schemes to provide default retirement solutions or pathways, ensuring members have support in converting their savings into sustainable income. This represents a shift away from purely accumulation-focused design. While applicable across all DC schemes, master trusts and larger multi-employer arrangements may be better placed to develop sophisticated in-scheme retirement offerings, whereas smaller trust-based schemes may need to partner with external providers.

There is also a broader expectation that schemes will demonstrate how they are delivering good member outcomes, not just low cost. This includes governance, communications, and support at retirement. Again, scale is likely to be a key enabler, reinforcing the structural shift toward larger schemes.

Overall, the DC provisions mark a decisive move toward a smaller number of larger, higher-quality schemes, with multi-employer arrangements gaining prominence and single-employer trusts facing strategic decisions about their long-term viability.

For further detail, please see our full briefing note:

DC aspects of the Pension Schemes Act 2026 - broadstone.co.uk

Pension Schemes Act 2026 – DB Aspects Summary

The DB-related provisions of the Pension Schemes Act 2026 are aimed at widening the strategic options available to trustees and sponsors and reshaping how well-funded schemes are managed.

As noted previously, the Act introduces provisions enabling trustees to amend scheme rules to permit surplus payments to employers, or to relax existing restrictions, subject to appropriate safeguards such as actuarial certification and member notification requirements. The detailed framework for how these flexibilities will operate is now being developed through separate regulations (see Surplus flexibilities).

The Act also places superfunds on a more formal and permanent regulatory footing, providing a clearer structure for DB consolidation vehicles. These entities are designed to accept transfers from individual schemes and manage them collectively, with the aim of improving efficiency, governance, and long-term sustainability. The establishment of a formal regime is expected to increase confidence in consolidation solutions and support further market development. It also opens up a potentially viable alternative for schemes that may not be able to reach buy-out in the near term but wish to reduce reliance on the sponsoring employer.

For trustees, the Act creates both opportunity and complexity. The expanded toolkit of endgame options means that decisions around surplus, consolidation, and long-term strategy will become more prominent and, in some cases, more contentious. Careful consideration will be needed to balance member security, fairness, and sponsor interests.

Finally, two other key DB aspects of the Act, relating to the Virgin Media case and an increase in PPF benefits, are covered separately later in this update.

For a more detailed overview of the DB provisions and their practical implications, please see our full briefing note:

DB aspects of the Pension Schemes Act 2026 - broadstone.co.uk

Transfer Regulations – Consultation on “Flags” Regime

The Government’s 2026 consultation proposes a targeted reset of the statutory transfer “flags” regime, aiming to preserve anti-scam protections while reducing the delays that have affected a large volume of legitimate transfers.

The current framework requires trustees to assess transfers against a set of red and amber flags:

- Red flags prevent a transfer
- Amber flags require the member to take guidance before proceeding

In practice, these tests have often been applied too broadly, resulting in a high proportion of low-risk transfers being delayed. The consultation therefore moves towards a more proportionate, risk-based approach.

The most significant proposed change is the removal of the overseas investment amber flag. This has frequently been triggered by entirely mainstream investment strategies, meaning routine transfers have been unnecessarily caught. Its removal is intended to eliminate what is widely regarded as a blunt and unhelpful trigger.

A second key reform is the creation of a clearer route for transfers to “reputable schemes”. Where trustees are satisfied that a receiving arrangement meets appropriate standards—for example, large, well-regulated schemes—transfers could proceed without full flag analysis. This effectively expands the current “safe harbour” and should materially improve processing times for straightforward cases.

Balancing this loosening, a new red flag is proposed for transfers to small self-administered schemes (SSAS) where there is no credible employment link to the member. This reflects ongoing concerns around the use of these structures in more complex scam activity.

Importantly, the incentive-based red flag remains unchanged, with the Government taking the view that it continues to provide a targeted and effective safeguard aligned to known scam behaviours.

Overall, the proposals represent a pragmatic recalibration rather than a wholesale overhaul. They should reduce unnecessary friction and improve member experience, particularly in low-risk cases. However, they also introduce a greater reliance on trustee judgement—most notably in determining whether a receiving scheme is genuinely “reputable”. The effectiveness of the regime will therefore depend on:

- clear and workable guidance;
- consistent decision-making; and
- robust governance frameworks.

Without these, there remains a risk of variation in outcomes across schemes.

GMP Conversion – Tax Regulations Consultation

The draft GMP conversion regulations are a targeted intervention aimed at removing one of the key remaining blocks to completing GMP equalisation exercises—namely, the tax treatment of post-conversion benefits.

The central issue addressed is the risk of unexpected annual allowance charges, particularly for deferred members, arising because of conversion. The draft regulations preserve the Deferred Member Carve-Out (DMCO), ensuring that members do not lose this protection purely because GMP conversion has taken place.

This is an important and necessary correction, and should give trustees greater confidence to proceed with conversion exercises that may otherwise have been delayed. However, the regulations are deliberately narrow in scope. They focus specifically on GMP conversion, rather than the broader set of benefit changes that schemes often implement alongside equalisation, meaning they do not fully address the tax treatment of these wider changes.

Trustees will therefore still need to:

- carefully define the scope of any benefit changes;
- take detailed tax advice where wider restructuring is involved; and
- consider whether elements of an exercise should be separated or sequenced.

While the regulations represent a clear step forward, they do not provide a complete solution for more holistic benefit redesign exercises.

NMPA - Summary

The increase in Normal Minimum Pension Age (NMPA) from 55 to 57, effective from 6 April 2028, is now less than two years away. Recent HMRC updates confirm implementation remains on track, but with further detail still to come on transitional scenarios.

On the face of it this is a simple change, but in practice it introduces material complexity, particularly around Protected Pension Ages (PPAs). These protections allow some members to retain access before age 57, but only where specific historic conditions are met, often tied to scheme rules and “unqualified rights”.

This makes scheme rules central. In some cases:

- Rules may unintentionally create PPAs;
- Amendments may have removed protections; or
- Different member cohorts may have different rights.

Trustees shouldn’t assume they “know the position” without revisiting the detail.

There are also clear member risks, particularly for those approaching age 55 in the run-up to 2028. Without protection, accessing benefits early could trigger unauthorised payment tax charges, and there are known “sequencing traps” (e.g. partial crystallisation) that can catch members out.

Transfers are a particular watchpoint, as individual transfers can result in loss of PPA protection, depending on how they are structured.

From a trustee perspective, three priorities stand out:

- Review scheme rules in detail (with legal support if needed)
- Identify affected members and PPA cohorts
- Put in place a clear communications strategy, especially for members approaching retirement

Administrators also need to be ready for increased queries and to handle mixed NMPA/PPA scenarios correctly.

This is a classic “known change, hidden complexity” issue. Early rule checks and targeted member communications will be key to avoiding unintended tax charges and member complaints. For more detail, see our full briefing note:

Normal Minimum Pension Age (NMPA) Increase to 57 – Trustee Actions - broadstone.co.uk

Pension Schemes Act 2026 – The Reserve Power aka “Mandation”

This was the most contested part of the Act and ended up going right down to the wire in Parliament.

The Government’s starting point was a strong “reserve power” to direct DC schemes’ investment strategy—essentially a backstop to push more pension money into UK and productive assets. Unsurprisingly, that triggered a lot of concern across the industry and in the House of Lords about interference with trustee decision-making and fiduciary duties.

The Lords took a clear position early on and voted to remove the power altogether. That set up a prolonged “ping-pong” process, where the Bill bounced back and forth between the Commons and Lords with this issue at the centre of the debate. The Commons repeatedly reinstated the power, while offering increasingly watered-down versions and agreement was only reached after material revisions and additional safeguards were introduced.

The final position is essentially a compromise. The power is still there—but in a much more limited form:

- It is heavily capped (max 10% of default fund assets, with a 5% UK-specific limit)
- It is delayed (it can’t be used before 2028)
- It is single-use and time-limited (it falls away if not used by 2032)
- It has a strengthened “members’ best interests” test and additional regulatory checks

So, in practice this is no longer an immediate or blunt policy tool. It is more of a contingent backstop, sitting in the background rather than driving day-to-day investment decisions and the risk of near-term mandated investment is low.

Nevertheless, the direction of travel is clear. There remains a strong policy focus on how pension assets are deployed so this is unlikely to be the end of the story.

Data (Use and Access) Act 2025 – New Complaints Requirements

The Data (Use and Access) Act 2025 introduces new rights for individuals around how their personal data is handled, with practical implications for pension scheme trustees as data controllers.

The headline change is the need for a clear and structured approach to handling data-related complaints, with new expectations coming into force from June 2026.

What's changing?

Trustees must ensure that members have a clear route to raise concerns about how their data has been used, and that these are handled appropriately and separately from standard benefit disputes.

In practice, most schemes are expected to:

- Update their IDRP to signpost data-related issues
- Introduce a supplementary Data Protection Complaints Procedure (DPCP)
- Update privacy notices and policies to reflect the new process

The emphasis is on clarity and proportionality—this isn't about overhauling processes, but making sure the framework is fit for purpose.

How the new process works

Data complaints will:

- Be handled alongside (but separately from) broader complaints
- Require timely acknowledgement (within 30 days) and resolution without undue delay
- Involve clearer interaction with members and, where needed, the ICO

Schemes will also need to ensure robust record keeping and clear responsibility for handling complaints.

Operational considerations

Administration teams remain the first point of contact, but trustees retain ultimate responsibility as data controller, even where processing is delegated.

Trustees should ensure:

- Administrators can identify and escalate data complaints
- Processes are in place to handle mixed complaints (data + benefits)
- Data handling risks (e.g. inaccurate records, delays, breaches) are well understood

This is an evolution rather than a revolution. Most schemes will not need fundamental change, but trustees should ensure their complaints framework, documentation and administrator processes are aligned ahead of the new requirements.

TPR AFS 2026

As expected, this year's AFS was uneventful in tone, but it's still important as it formally confirms the new funding landscape and regulatory direction.

They reported that DB funding remains historically strong with:

- Around 90% of schemes in surplus on a technical provisions basis
- Around 80% in surplus on a low dependency basis
- Around 60% in surplus on a buy-out basis

The main takeaway is TPR's continued view that schemes should now be moving beyond deficit repair to actively setting and implementing an endgame strategy. Valuations are explicitly framed as a strategic tool, not just a funding exercise.

Main scenarios (as set out by TPR)

Rather than new concepts, TPR reinforces its tiered approach to scheme priorities depending on funding level:

Well-funded (above low dependency) - Focus on locking in endgame and aligning investments

Around low dependency - Focus on monitoring, risk management and refining plans

Below low dependency - Continue journey planning towards lower risk

Underfunded - Still focused on covenant support and recovery

Key areas of focus

As part of this, TPR highlights a small number of consistent priorities:

- Endgame clarity – schemes expected to have a clear, evidence-based plan
- Investment alignment – strategy should reflect endgame, not just current funding level
- Covenant monitoring – proportionate ongoing oversight
- Risk awareness – continued references to market volatility, geopolitical risk, climate change, cyber and other emerging risks

There is nothing radically new—but the direction is set.

Pensions Dashboards – Where are we now?

Pensions dashboards are now firmly in the delivery phase, with progress accelerating across the industry.

The key headline is connectivity: over 70 million pension records have now been connected, marking a major milestone and demonstrating that the technical ecosystem is largely in place. Industry participants—including Broadstone—have been actively connecting schemes, with many of our clients now successfully integrated into the dashboards architecture.

The current focus remains on meeting the statutory connection deadline of 31 October 2026, which is fast approaching. Most schemes are working towards this, and for many the challenge is no longer whether they can connect, but ensuring that connection is robust, accurate and sustainable.

Looking ahead, the expected public "go-live" is scheduled for the 2027/28 financial year. This creates a clear transition point: once schemes are connected, the emphasis shifts from delivery to operation. Key questions for trustees are moving towards:

- Operational readiness – how will dashboards work day-to-day?
- Data quality and matching accuracy – ensuring members receive the right information
- Governance and oversight – monitoring performance and responding to issues
- Member experience – including handling queries, disputes and potential complaints

There is also increasing recognition that dashboards are not just a compliance exercise—they will change how members interact with their pensions, potentially increasing engagement but also placing new demands on administration teams.

Connection remains the immediate priority, but attention is quickly turning to planning for a world where dashboards are live, visible to members, and part of the day-to-day operating environment.

Pension Schemes Act 2026 – Virgin Media and PPF

The Pension Schemes Act 2026 also includes two important DB-specific measures relating to the Pension Protection Fund (PPF) and the resolution of the Virgin Media case, both of which have practical implications for trustees.

The Pension Schemes Act 2026 makes two targeted changes affecting the PPF.

First, it amends the levy framework to remove a technical constraint that previously made it difficult for the PPF to set a very low or zero levy. The change gives the PPF greater operational flexibility in setting its risk-based levy, enabling it to align levy levels more directly with its funding position — including maintaining a zero levy where appropriate.

Second, the Act introduces, for the first time, inflation protection on PPF compensation for pre-April 1997 accrual. Eligible benefits will receive CPI-linked increases, capped at 2.5% a year, broadly aligning treatment with post-1997 compensation.

However, increases are prospective only and limited to schemes where pre-97 indexation was provided. Overall, the Act improves member outcomes while giving the PPF flexibility to reflect its strong funding position in levy setting.

Separately, the Act addresses the long-running uncertainty arising from the Virgin Media v NTL Pension Trustees case, which highlighted issues around the validity of certain rule amendments where actuarial confirmation was not properly obtained. The Act provides a mechanism to retrospectively validate amendments that would otherwise be at risk (e.g. because evidence of the relevant confirmation is no longer available). The mechanism is subject to conditions but should be accessible to most schemes. This is intended to give schemes greater legal certainty and reduce the risk of costly benefit correction exercises.

Together, these changes are designed to reduce systemic risk and uncertainty in the DB landscape—lowering ongoing levy pressures and resolving a complex legal issue that has affected many schemes.

We covered this in some detail here: https://broadstone.co.uk/briefing-notes/pensions-schemes-bill-section-37-update/

Pensions Commission Interim Report

The second Pensions Commission has been appointed by the government to explore the long-term questions of pensions adequacy and retirement outcomes. Their interim report (May 2026) is deliberately light on policy but heavy on evidence— setting the direction of travel for their recommendations and potential future reform.

The central message is straightforward: auto-enrolment has been a success in getting people saving, but the system is not delivering adequate retirement outcomes. Participation is high, but contribution levels are too low, with a large proportion of workers saving only at minimum rates. The report makes clear that this was never intended to be sufficient—but is now widely acting as a default.

A key theme is that “adequacy” is the new problem to solve, replacing the earlier focus on participation. The Commission highlights a growing risk that millions of people will reach retirement without sufficient income, particularly low- and middle-income earners.

There is also more emphasis on who is missing out entirely, with the self-employed standing out as the clearest gap in the current system. Alongside this, structural inequalities remain a concern, including outcomes for women, those with fragmented working patterns and some cultural barriers that exist.

Importantly, the report also reflects a changing economic and social context with:

- More people renting in retirement
- Greater reliance on DC savings, placing a reliance not just on adequacy of these provisions but individual decision-making around how and when to access them
- Longer retirements suggesting a need to work longer and
- More uncertainty around income drawdown

While this report stops short of recommendations, it strongly signals likely areas of focus for the final report (due Spring 2027):

- Increasing minimum contribution levels and/or redesigning auto-enrolment
- Extending coverage, particularly to the self-employed
- Greater focus on decumulation, including default retirement income solutions

- A clearer framework for defining and measuring “adequate” retirement income

The direction is unmistakable, but the Commission are clear that proposals will need to be realistic and sustainable if they are to deliver the necessary long-term change to support future generations. The next phase of pensions reform is likely to focus on higher saving, suitable use of investment, broader coverage and better retirement outcomes, particularly in DC.

AI in Pensions – Regulator Sets Expectations

The Pensions Regulator has set out its initial expectations on the use of AI in pensions, reflecting a clear shift from “emerging technology” to something already embedded across administration, communications and decision-making.

The overall tone is one of cautious endorsement. AI is seen as offering real benefits—improving efficiency, enhancing data use and enabling more tailored member communications. But the clear message is that these opportunities come with new and potentially material risks, and trustees are expected to engage with them now.

A key point—echoed across industry commentary—is that nothing changes in terms of accountability. Even where AI is used by administrators or advisers, trustees remain responsible for outcomes and need to understand how these tools are being deployed within their scheme and supply chain.

The regulator’s focus is on four practical areas:

- Governance – clear oversight of AI use, including by third parties
- Risk management – particularly bias, errors and inappropriate reliance
- Data quality – ensuring inputs are robust and well-controlled
- Cyber and fraud risk – recognising that AI will increase both sophistication and scale of threats

There is also a growing issue beyond the scheme itself in terms of member use of AI. Increasing numbers of individuals are using generative AI tools to interpret pension communications or even guide decisions. While this may improve engagement, it raises real concerns around misinterpretation, overconfidence and unregulated advice, which we are monitoring closely. Further, more detailed guidance is expected later in 2026.

AI is already part of the pensions ecosystem. The priority is not whether to use it but ensuring it is used responsibly and does not create unintended risks—particularly for members.

Geopolitics – Middle East Conflict: Market and Investment Implications

The ongoing conflict in the Middle East has moved beyond an initial volatility shock and is now creating more persistent economic and market impacts, particularly through energy markets and global supply chains.

At the centre of the issue is disruption to the Strait of Hormuz, through which around 20% of global oil supply flows. The effective closure has driven a sharp rise in oil prices, triggering higher inflation expectations, rising gilt yields and pressure on equity markets and corporate earnings.

What began as a market reaction is now broadening into a macroeconomic issue. Continued disruption is feeding into:

- Higher energy and goods prices (including knock-on effects like food inflation)
- Supply chain constraints, particularly via shipping routes
- Slower global growth and weaker earnings outlook

Even with de-escalation, there is likely to be a lag before trade and energy markets normalise, meaning disruption could persist beyond any ceasefire.

What happens next?

Two broad scenarios are emerging:

- Managed de-escalation: markets stabilise, oil prices ease, and inflation pressures gradually reduce
- Prolonged disruption (increasingly likely): continued tension keeps energy prices elevated, drives persistent inflation, and leads to more sustained pressure on growth assets

Trustee implications

For pension schemes, the key message is avoid knee-jerk reactions, but remain vigilant:

- DB schemes: focus on liquidity, collateral resilience and inflation hedging
- DC schemes: monitor asset exposures and consider member communications if volatility increases
- All schemes: review broader risks, including employer covenant and private market valuations.

Bottom line for trustees

This is a reminder that geopolitical shocks can quickly translate into funding, inflation and investment risks. The current position remains fluid, but the focus should be on monitoring and preparedness rather than reacting tactically. For more detail, see our full briefing note:

Conflict in the Middle East: potential impact for investors - broadstone.co.uk

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