HERBERT SMITH FREEHILLS KRAMER

PENSIONS PLANNER

SPRING 2026

Contents

Introduction

There's something for everyone in this edition of the Pensions Planner.

For DB schemes, the Government plans to change tax rules, to allow lump sum benefits to be paid from surplus – but only, it seems, for members who have reached minimum pension age. Schemes grappling with *Virgin Media* issues will welcome new guidance from the FRC, which encourages actuaries to take a pragmatic approach to remediation. Guidance from The Pensions Regulator is expected shortly.

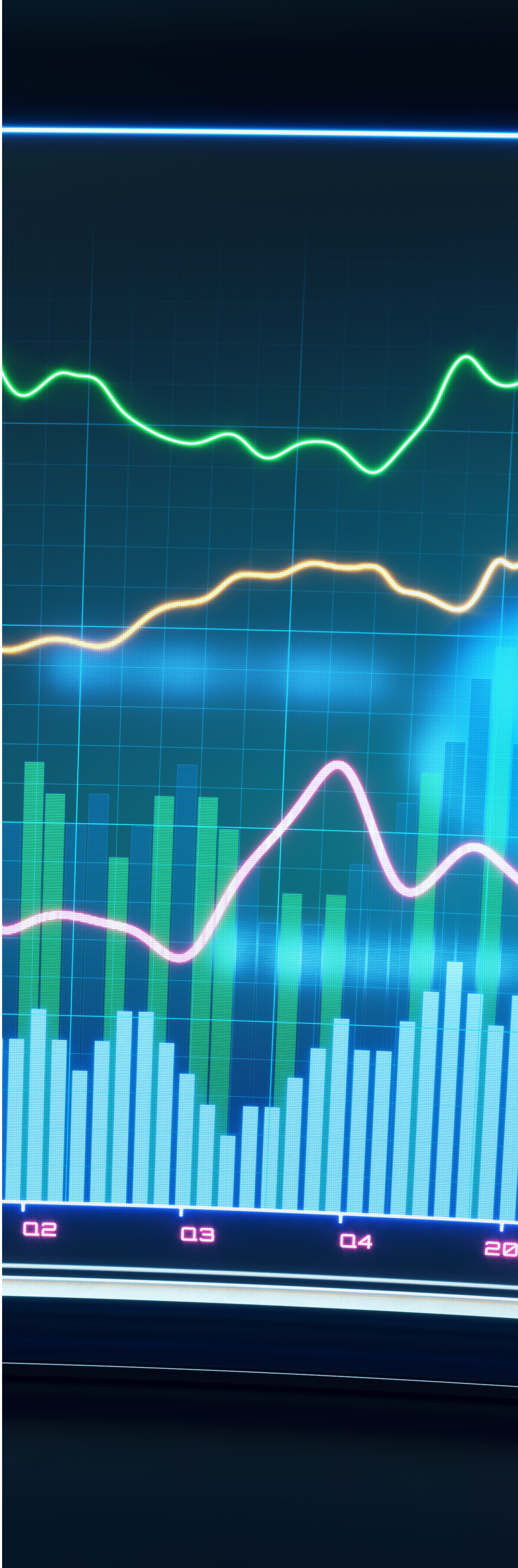
For DC schemes, there is greater clarity as to the value-for-money framework which will apply from 2028: the FCA's revised proposals are a distinct improvement on the original version. Meanwhile the targeted support regime has been finalised for launch in April 2026. The new regime, under which firms will be able to provide savers with ready-made "suggestions", is a potential game-changer for contract-based schemes.

There are two significant developments for trustees, whether DB or DC. First, the Government has launched a consultation on governance, with "TKU" and accreditation on the agenda. Some of the issues were explored in TPR's "21st century trusteeship" initiative, but the landscape has since changed, for example with the rise of master trusts; and this new consultation looks at administrators as well as trustees.

The second development is a surprise announcement about fiduciary duties. The Government plans to produce statutory guidance, to "clarify" the extent to which trustees can have regard to non-financial matters when investing. Easier said than done, perhaps; and whether guidance will in practice change trustee behaviours remains to be seen.

Many employers are facing a new challenge following the Autumn Budget. The national insurance advantages associated with salary sacrifice are to be capped, although with a long lead-in time – the change will take effect from April 2029. For affected employees, the direct impact will be modest, but the additional NI burden for employers is potentially significant.

There is also the small matter of the Pension Schemes Bill – the most significant piece of pensions legislation in 20 years. New provisions have been added to the Bill at the Government's behest, including measures to index pre-1997 PPF compensation (another development announced in the Budget). Otherwise the Bill has changed little during its journey to date. Expect the Bill to be enacted in Q2 2026, but bear in mind that only a handful of measures (*Virgin Media* remediation among them) will take effect at that stage.



Recent developments

Autumn Budget proves a mixed bag

In her Budget speech, the Chancellor announced changes relating to salary sacrifice, PPF and FAS compensation and DB surpluses. Further changes were outlined in a supporting policy paper. The changes are summarised in turn below.

Comment: The Chancellor did not (as some had feared) make changes to income tax relief, lump sum allowances or the annual allowance.

Salary sacrifice advantages to be capped

As many had predicted, the Government will curtail the advantages associated with pensions salary sacrifice.

From April 2029 onwards, the amount of salary which can be sacrificed without liability for national insurance contributions (**NICs**) will be capped at £2,000 per year.

Salary sacrifice is widely used as a way of reducing NICs. By way of reminder, employees pay NICs at 8% on earnings between £12,570 and £50,270, and at 2% on earnings beyond that. Employers pay NICs at 15% on earnings beyond £5,000.

As things stand, no NICs are payable on any earnings which are sacrificed for pension purposes. Under the Government's proposals, NIC savings will apply only to the first £2,000 of salary sacrificed in each tax year.

Relevant measures are in the National Insurance Contributions (Employer Pensions Contributions) Bill now before Parliament. The Government has published high-level guidance.

Comment: The change will have no direct impact in cases where an employee sacrifices no more than £2,000 of salary per year. Where more than £2,000 is sacrificed, the change will mean a modest increase in NICs for the employee, and a potentially significant increase in NICs for the employer. The employer increase may adversely affect the employee, if the employer's practice is to "share" its NIC savings.

In the run-up to 2029, employers may wish to consider whether a better outcome could be achieved by moving to a non-contributory pension model, at least for senior staff where terms are individually negotiated. Much will depend on the final form of the legislation.

Surprise move to index "pre-1997" compensation

The Government will introduce indexation for pre-1997 PPF and FAS compensation with effect from January 2027.

The relevant measures are set out in an amendment to the Pension Schemes Bill. Broadly speaking, compensation for pre-1997 pensions will be indexed in cases where such pensions were indexed under members' original pension schemes.

Indexation will be at the standard PPF rate, ie, unless otherwise determined, CPI capped at 2.5% per year.

The PPF welcomed the Government's announcement, and said that it would work towards implementation. The PPF subsequently published a Q&A.

Comment: The change will benefit those PPF and FAS members who, to date, have missed out on pre-1997 indexation which would have applied under original schemes; but note there is no provision for "catch-up" increases.

The change may prove to have some modest implications for ongoing DB schemes, eg as regards "section 179" valuations and benefit priorities on winding-up.

Government to facilitate member payments from surplus

The Government will enable DB schemes to pay surplus funds to members above normal minimum pension age as from April 2027, subject to scheme rules and trustee discretion.

Tax legislation will be changed so that a one-off lump sum is an "authorised payment", provided that the scheme is in surplus on a prescribed basis and the recipient has reached age 55 (57 from April 2028). The lump sum will be subject to income tax at the recipient's marginal rate.

Comment: This idea was mooted in the "Options for DB schemes" consultation. Curiously the proposed effective date is earlier than the planned launch date for "employer refund" powers under the Pension Schemes Bill – which is late 2027.

Pension Schemes Bill moves to House of Lords

The Pension Schemes Bill completed its passage through the House of Commons, and moved to the House of Lords.

In the Lords, the Bill had its first and second readings, and was considered in detail in grand committee.

Various tabled Government amendments were approved in the Commons. They include:

- New measures covering PPF and FAS compensation (discussed above) and the abolition of the PPF administration levy.
- Minor changes to existing measures, including as to *Virgin Media* remediation (discussed below), the DC "minimum size" requirement and small pot consolidation.

> **Comment:** So far all tabled opposition amendments have fallen by the wayside. Even the controversial "mandation" provisions have emerged unscathed. There is however scope for further amendment at report stage in the House of Lords.

Guidance planned, to "clarify" investment duties

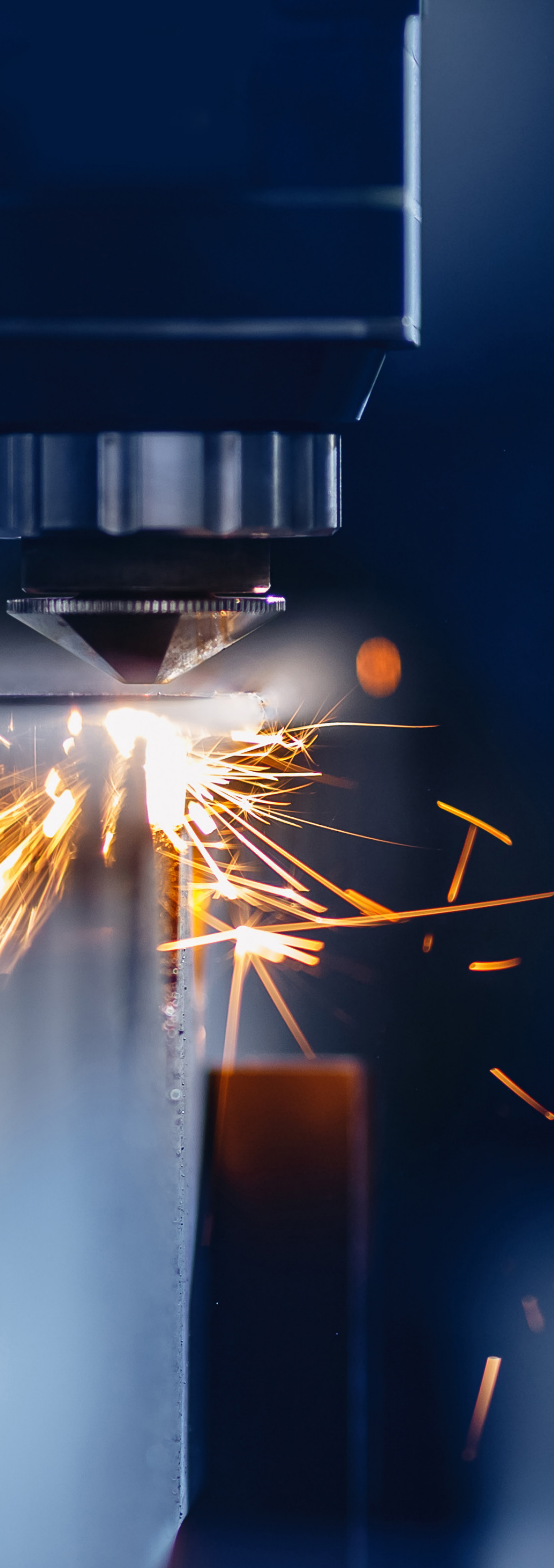
The Government announced that it would take steps to "clarify" the fiduciary duties of trustees when investing.

The announcement was made in response to a proposed opposition amendment to the Pension Schemes Bill, NC17. NC17 provided for a change to the Occupational Pension Schemes (Investment) Regulations 2005, such that, when determining the best interests of members:

- trustees could have regard to systemic risks, impacts on living standards and members' views; and
- trustees would be obliged to have regard to and manage for systemic risks and impacts on living standards if financially material.

The Pensions Minister told the House of Commons that the Government sympathised with the principles of NC17, but wished to consult and to preserve flexibility. It will therefore legislate to enable statutory guidance to be issued in due course. A subsequent parliamentary answer outlined what the guidance will cover.

> **Comment:** Against the background of the Minister's announcement, amendment NC17 was not moved. So for the time being, the law as to fiduciary duties will remain "as is".
>
> The Minister said that the proposed guidance will serve to clarify trustee powers, rather than to create obligations. There was however an obligatory element within NC17. And, even if guidance is permissive-only, trustees will want to be confident that decision based on it (eg which have regard to members' views) will not be susceptible to challenge.



Virgin Media measures refined

Some modest but helpful amendments were made to the *Virgin Media* remediation measures in the Pension Schemes Bill, at report stage in the House of Commons.

The amendments narrow down the (already limited) circumstances in which a potentially invalid amendment will be deemed non-remediable by virtue of prior legal proceedings or "positive action" by trustees.

A further amendment means that the remediation measure will now come into force when the Bill receives royal assent, rather than two months later.

Comment: At committee stage in the House of Lords, Baroness Bowles tabled an amendment which would have removed the provisions whereby amendments may be deemed non-remediable. However, the tabled amendment was withdrawn prior to the relevant sitting of the committee.

FRC issues guidance on *Virgin Media* remediation

The Financial Reporting Council published guidance for actuaries on *Virgin Media* remediation.

The remediation provisions mentioned above will enable trustees to validate amendments which might otherwise be void on *Virgin Media* grounds, by obtaining retrospective actuarial confirmation. For an amendment to be remediated, the scheme actuary will need to confirm that it is reasonable to conclude that the amendment would not have prevented the scheme from continuing to meet the historic reference scheme test (**RST**).

The guidance encourages actuaries to take a proportionate approach to confirmation. Key points are outlined below.

- Certainty is not required. Instead, an actuary should reach a reasoned and justifiable conclusion, based on relevant facts and circumstances after taking a proportionate approach to the gathering of data.
- Actuaries must work on the basis that the RST was met immediately before a relevant amendment was made, and consider only whether the amendment itself would have prevented the scheme from meeting the RST.
- In some cases, it may be evident from an amendment that confirmation can be given; for example, if the amendment did not reduce benefits, or affected only benefits unconnected with the RST (eg ill-health pensions or lump sum death-in-service benefits).
- In other cases, additional information may be needed. Relevant information might include documents relating to the amendment, such as advice or trustee minutes; RST confirmations or certificates which post-date the amendment; or (where there is a question as to earnings patterns) industry norms or confirmation from the employer.

The guidance includes hypothetical case studies, which illustrate possible approaches.

Comment: The guidance will support actuaries in taking a pragmatic approach to retrospective confirmation. But, to be clear, confirmation will not simply be a matter of rubber-stamping. Actuaries will need to understand the effect of relevant amendments, and, in some cases, to obtain further information. Obtaining confirmation will not always be quick or easy, and there may be cases in which confirmation cannot be obtained at all – though such cases are likely to be rare.

The guidance may be modified if there are changes to the remediation provisions as the Pension Schemes Bill completes its journey through Parliament. The Pensions Regulator is expected to issue guidance in spring 2026.

Government fettles IHT proposals

The Government announced further tweaks to the new inheritance tax regime which will apply from April 2027. The Government now proposes that executors or administrators (**PRs**) will be able to direct a pension scheme to withhold 50% of taxable death benefits for up to 15 months, and to pay tax due in certain circumstances. Further detail was provide in a policy paper.

Measures to introduce the new IHT regime are included in the Finance (No. 2) Bill now before Parliament.

Comment: As reported in our Autumn 2025 Pensions Planner, the Government backtracked on its original proposal, under which responsibility for relevant tax payments would lie squarely with trustees or providers. Trustees/providers will however need to liaise with PRs, and in some cases may have additional obligations as described above.

UME CDC moves closer

Further progress was made towards implementation of the new multi-employer (**UME**) collective defined contribution regime on 31 July 2026:

- The proposed regulations were made.
- The Pensions Regulator launched a consultation on a new CDC Code of Practice. The current Code caters only for single-employer CDC schemes. The new Code will cater for both single-employer and UME schemes.
- The Government announced that it would give HM Revenue & Customs new powers as to UME schemes. Relevant measures are included in the Finance (No. 2) Bill.

Comment: A third phase of CDC is envisaged: the Government plans to allow "retirement" CDC schemes, covering decumulation only, with effect from 2028.

New regime planned for tax advisers

Measures for the regulation of tax advisers were included in the Finance (No. 2) Bill.

The Bill provides for a framework under which tax advisers:

- will be prohibited from interacting with HM Revenue & Customs in relation to a client's tax affairs unless registered under a new registration regime; and
- from 1 April 2026, will be subject to a new conduct regime, with penalties for non-compliance.

Comment: The measures are part of a long-running initiative to raise standards among tax advisers.

The Bill's provisions are broadly drafted. There are questions about whether scheme administrators might be caught by the requirement for registration. However, the requirement will not be triggered merely because an administrator:

- supplies information to HMRC in circumstances where legislation requires the administrator to do so; or
- provides support to scheme members on tax matters without interacting with HMRC.

Further information can be found in Pension Schemes Newsletter 176.

Government consults on trustees and administrators

The Government launched a consultation seeking views on trusteeship and scheme governance, and on standards for scheme administrators. The consultation builds on a 2023 call for evidence, and a response published by the previous Government.

Whilst there are no concrete proposals, the Government is evidently contemplating the following:

- Higher expected standards, at least for professional trustees, with a focus on soft skills as well as technical knowledge, and mandatory accreditation.
- A trustee directory, maintained by TPR but not publicly available. The directory might record whether a person was a professional trustee, and whether they had completed TPR's trustee toolkit.
- The possibility of mandatory standards and/or TPR oversight for administrators.

The Government is seeking views on other issues including potential conflicts for some master trust trustees and professional trustees; the advantages and drawbacks of sole trustee appointments; the role of lay trustees, and arrangements to ensure that members' voices are heard; diversity on trustee boards; and potential loss of expertise, with many long-serving trustees contemplating retirement from office.

The consultation closes on 6 March 2026.

Comment: This consultation raises questions, rather than proposing answers. But it does cite mechanisms which have been adopted or proposed in other countries, such as policy committees made up of scheme members, and limits on trustee tenure.

Encouragingly, the Government says that any new measures will need to be proportionate: "excessive regulation and oversight" would adversely affect member outcomes, by inhibiting growth, innovation and productive investment.

New VFM framework takes shape

The Financial Conduct Authority and The Pensions Regulator published a consultation paper, with revised proposals for the planned new value-for-money (**VFM**) framework. TPR subsequently published an overview and a blog post.

The overall shape of the new framework remains as originally proposed, but significant changes have been made to elements within it.

By way of reminder, the new framework will apply to default arrangements under workplace DC schemes. Proposals were first published in August 2024; details can be found on pages 5 and 6 of our Autumn 2024 Pensions Planner.

Based in part on industry pushback, the following changes have been made:

- **Investment performance:** The proposal now is that VFM metrics should cover potential future investment performance, as well as past performance. Schemes will be required to report expected net returns and risk over the following 10 years.
- **Comparison with peers:** For the purpose of the value assessment, a scheme will not, as originally proposed, compare itself with three other selected schemes. Instead, the comparison will be with the "commercial market comparator group" – broadly speaking, master trusts and GPPs with provider-designed defaults. A central repository will hold data for this purpose.
- **Rating system:** Instead of "RAG" as originally proposed, the rating system will be "RAGG". "Light green" is for arrangements which offer value but with room for improvement. "Dark green" is reserved for arrangements which are outperforming. Arrangements which do not offer value will be rated "red" or "amber", depending on whether value can be achieved via improvements.
- **Metrics and reporting:** Proposed metrics and reporting requirements have been slimmed down.

The consultation paper includes draft FCA rules for contract-based schemes. For trust-based schemes, provision for the new framework will be made via the forthcoming Pension Schemes Act and regulations under it.

The consultation closes on 8 March 2026. A further round of consultation will follow in due course. The new framework is likely to take effect from 2028.

Comment: Two developments are particularly welcome. First, the inclusion of forward-looking metrics will support the sort of productive investment which the Government wishes to encourage. Second, the move to an RAGG system will allow for more nuanced ratings. RAG was widely felt to be too binary.

Further information and comment can be found in our blog post.

Targeted support set for launch

The Financial Conduct Authority published a policy statement which indicated that the new targeted support regime will be introduced in April 2026, as had been expected. The Government confirmed that the necessary regulations would be laid.

Targeted support is a new regulated proposition – a halfway house between guidance and advice. Via targeted support, a firm with the necessary FCA permission will be able to provide consumers with ready-made suggestions (eg as to a particular action or product), based on their alignment with pre-defined consumer segments (groups or cohorts with shared needs or objectives).

The policy statement sets out the FCA's response to comments received during consultation, and includes "near-final" rules. The regime will be much as the FCA had previously proposed. This means, for example, that ready-made suggestions cannot include pension consolidation or particular annuities. Suggestions can however include annuity purchase as a means of decumulation. The FCA has made changes to facilitate the referral of consumers to annuity brokers.

There have been concerns that direct marketing rules could unduly constrain the provision of targeted support. The Government has promised regulations to help address the issue, and the FCA and the Information Commissioner's Office have published a joint statement.

Comment: Via targeted support, the provider of a group personal pension scheme might (for example) suggest that relevant consumers should increase their contributions or reconsider their investment choices.

The new regime relates to contract-based schemes, not trust-based schemes. But the policy paper discusses the issues which will be relevant if trustees provide something akin to targeted support for their scheme members.

Further details can be found in our blog post.

Changes planned for contract-based transfers

The Financial Conduct Authority consulted on a proposed new regime for non-advised transfers between contract-based schemes. The aim is to ensure that consumers who consolidate their DC pensions do so on a well-informed basis.

Under the new regime, the provider of a proposed receiving scheme will be responsible for gathering information from the consumer's existing scheme, and then presenting information about both schemes side-by-side. The process will be triggered when the provider becomes aware that the consumer is considering a transfer, ie before he or she has reached a final decision.

The consultation also covered proposed new rules about interactive pension projections (online tools and modellers).

> **Comment:** The FCA's proposed requirements will not apply to trust-based DC schemes. However, the Government will consider whether similar requirements for trust-based schemes would be "beneficial". The FCA suggests that, in the interim, trust-based schemes might respond to information requests from providers on a voluntary basis.

FCA to consult on charge cap

In a letter to the Government, the Financial Conduct Authority outlined proposals for 2026 to support UK growth. Among other things, the FCA will "consult on the pension charge cap so consumers are not disincentivised from investments due to higher performance fees".

> **Comment:** Judging by the regulatory initiatives grid, the plan is to provide a carve-out from the charge cap for contract-based schemes, to accommodate suitably-designed performance fees. There is already a carve-out from the charge cap for trust-based schemes. Consultation is scheduled for Q2 2026.

TPR updates guidance on administration and data

The Pensions Regulator issued new administration guidance for trustees of DB and DC schemes. TPR also published a market oversight report on scheme data, and new data guidance.

The **administration guidance** replaces a previous version which applied only to DC schemes. The new version clarifies TPR's expectations as to member communications, data management, disaster recovery and continuity planning. It also includes new elements, covering:

- arrangements to plan for and monitor administration (trustees "should have a written administration policy");
- IT system governance; and
- holistic performance measurement, covering the quality and accuracy of administration, as well as response times.

The **data guidance** is, again, an update of a previous publication. It reflects issues identified in a recent TPR initiative, which focussed on common data (names and addresses, dates of birth etc). The market oversight report provides details. A second initiative, focusing on scheme-specific data, is underway.

> **Comment:** Trustees should satisfy themselves that their administrators will have due regard to the guidance – but should also consider their own policies and practices. A key message from TPR is that trustees are ultimately responsible for administration and member data.

TPR explains "moral hazard" interventions

The Pensions Regulator published intervention reports relating to the Box Clever and Northern Foods pension schemes. The reports explain actions which TPR took pursuant to its moral hazard powers, and the results achieved.

Box Clever was a joint venture between various companies including ITV. Box Clever bought a business from ITV, and employees transferred to Box Clever and became members of its DB scheme. Box Clever subsequently failed and the scheme entered PPF assessment.

TPR issued a financial support direction (**FSD**) to ITV, requiring it to provide support for the Box Clever scheme. TPR was not satisfied with the offer which ITV made in response. Accordingly TPR proposed to impose a contribution notice (**CN**) for failure to comply with the FSD. Under the proposed CN, ITV would have been liable to make good the scheme's entire buy-out deficit. Following discussions between TPR, ITV, the trustees and the PPF, a settlement was reached, whereby all members of the Box Clever scheme were transferred to ITV's scheme which will provide their benefits in full.

Northern Foods had been acquired by a group called BHL. The acquisition was funded by borrowing, and BHL subsequently sold various Northern Foods subsidiaries in order to refinance the debt. Northern Foods's DB scheme received only modest mitigation. Some of BHL's transactions over the relevant period were with another group owned by the same shareholders, BPO. The transactions were on an arm's length basis, but accounted for a material proportion of BPO's profits.

TPR was concerned that support for the Northern Foods scheme had been eroded. It issued a warning notice to BHL and BPO, seeking financial support for the scheme. Negotiations followed, which resulted in a package of measures to support the scheme, including a change of sponsor, a funding plan to deliver low-dependency, and guarantees from BHL and BPO.

> **Comment:** Both cases were settled by agreement between the parties – but with negotiations driven by the prospect of TPR exercising its moral hazard powers.
>
> Box Clever was a long-running saga. TPR's report includes a summary of litigation along the way. The relevant judgments provide guidance as to TPR's power to impose FSDs.
>
> Northern Foods is an example of TPR flexing its FSD muscles in (as TPR described it) an "avoidance case". Notably, TPR's reach extended not only to Northern Foods' parent BHL, but also to BPO, an entity outside the immediate corporate group.

PPF consults on 2026/27 levy

The Pension Protection Fund consulted on proposed levy rules for 2026/27.

By way of reminder, the rules for 2025/26 provided for a modest overall levy, but with power for the PPF to waive payments. The PPF confirmed in September 2025 that payments would be waived.

For 2026/27, the PPF proposes to set a nil levy, provided that, by the end of March 2026, it is clear that relevant measures in the Pension Schemes Bill will be enacted. If there is insufficient clarity, the PPF proposes to adopt levy rules which replicate those for 2025/26.

The position is different for superfunds ("alternative covenant schemes"). Superfunds paid a levy in 2025/26 and the PPF proposes that they should do so again in 2026/27, with minor changes to the relevant rules.

> **Comment:** Even in a nil-levy world, the PPF will need to collect data in order to monitor overall DB risk. So, for example, "section 179" valuations are still required. However, the Department for Work and Pensions and the PPF will review data requirements going forward.

Court confirms hard-closure valid

The High Court held that an amendment which hard-closed a DB scheme (ie terminated pensionable service) was not prevented by a fetter on the scheme's amendment power: *3i v Decesare*.

The scheme was hard-closed in February 2010, although a salary link was maintained for people who were active members at the closure date.

The sponsoring employer asked the Court to determine whether the amendment infringed a fetter prohibiting amendments which would:

> "diminish ... the accrued rights or interests of any Member or other person in respect of benefits already provided under the [scheme]".

The Court held that the potentially broad word "interests" was qualified, both by the word "accrued" and by the reference to "benefits already provided under the scheme".

Accordingly the fetter was concerned only with amendments which would diminish past service benefits. It did not prevent hard-closure on the 2010 basis.

The Court rejected an argument that active members had an "interest" in future accrual by virtue of the fact that, under the scheme's rules, benefits did not accrue on a uniform basis.

> **Comment:** In the *BBC* case, the Court of Appeal ruled that a reference to "interests" extended to future accrual. But the context here was different. The word "interests" formed part of a composite phrase, and had to be interpreted accordingly. The Court observed that interpretation was a scheme-specific exercise, even though there might be "family resemblances" between one scheme and another.

Court approves settlement of validity and *Virgin Media* issues

The High Court approved a proposed settlement as to the governing documents of a DB scheme, and made an order for rectification: *Places for People Pension Trustee v Places for People*.

Various amendments had purportedly been made to the scheme between 1993 and 2011, mostly with a view to reducing benefits. However, concerns about the amending documents had later emerged:

- **Validity**: Some of the documents might not have been properly executed.

- ***Virgin Media:*** Some of the amendments might have been void for failure to obtain "section 37" confirmations from the scheme actuary.
- **Drafting issues**: Some of the amendments (as drafted) had effects which were said to have been unintended, eg improving benefits rather than reducing them.

The trustee, the employers and a representative beneficiary had negotiated a proposed settlement, under which:

- the amendments would be assumed to have been valid (subject to rectification of the drafting issues); but
- members would be granted additional benefits, calculated on a "probabilistic" basis, ie based on the assessed chances of each of the amendments being invalid.

The trustee applied to Court for approval of the proposed settlement; and rectification (judicial correction) as regards the drafting issues.

The Court approved the proposed settlement. The parties had reached the settlement via a rigorous process, on a sensible basis (the probabilistic approach), and with due regard to the different stakeholders. They had arrived at an eminently reasonable outcome which fairly addressed the interests of everyone affected.

The Court also granted the rectification order. The rectification claim was not opposed by the representative beneficiary, and was amply supported by evidence.

> **Comment:** The scheme was relatively small, and bottoming out the documentation issues would have been disproportionately expensive. Hence the parties asked the Court to approve a settlement.
>
> The Court said that, in the circumstances of the case, a "rough and ready horse-trade" would not have been appropriate. The probabilistic approach was the diametric opposite – a complex statistical analysis, which drew on both legal and actuarial advice.

UURBS tax deductions disallowed

The Court of Appeal upheld rulings against two employers who had set up unfunded, unapproved retirement benefit schemes: *AD Bly Groundworks v HMRC*.

Under the schemes, the employers committed to pay pensions to directors upon retirement. The terms were such that the employers' aggregate commitments were equal to 100% of pre-tax profits in the first year, and 80% of pre-tax profits in the second year. The effect was to eliminate or substantially reduce profits, meaning that, on the face of it, little or no tax would be payable.

HM Revenue & Customs disallowed tax deductions for the scheme liabilities, saying that the schemes were established for tax avoidance, and therefore the liabilities were not (as required by the Corporation Tax Act 2009) incurred wholly and exclusively for the purpose of trade.

The First Tier and Upper Tier Tribunals upheld HMRC's decision. The Court of Appeal dismissed an appeal by the employers. The First Tier Tribunal had found that the employers set up the schemes in order to reduce tax, and that the provision of pensions was at best incidental. The Tribunal's conclusion on the point was "unimpeachable".

> **Comment:** Historically some employers set up unfunded, unapproved retirement benefit schemes to provide benefits for executives impacted by "Inland Revenue limits". Tax avoidance issues are unlikely to arise in respect of an UURBS of that type.

TPO publishes overpayment factsheet

The Pensions Ombudsman published a factsheet, to help members understand the issues which arise in overpayment cases.

The factsheet:

- explains that, where pensions are found to have been overpaid, trustees will almost always reduce future payments to the correct level, and will usually take steps to recover past overpayments;
- outlines the defences to recovery which, "in limited circumstances", may apply: change of position, estoppel and laches; and
- describes the sort of evidence which a member would need to provide in order to support a defence.

> **Comment:** TPO wants to see an increase in the proportion of complaints resolved via internal dispute resolution procedures. The factsheet will help, both in flushing out any defences to recovery, and in managing members' expectations in cases where there is no defence.

Other news

Other developments over the quarter included the following.

- **Auto-enrolment thresholds.** The Government confirmed that auto-enrolment thresholds will be frozen for 2026/27. Accordingly (as at present) the earnings trigger for auto-enrolment will be £10,000, and the lower and upper limits of the qualifying earnings band will be £6,240 and £50,270.
- **Tax newsletter**s. HM Revenue & Customs published Pension Schemes Newsletters 175, 176 and 177. Topics covered include the Autumn Budget and the proposed new regime for tax advisers.
- **Dashboards.** The Pensions Dashboards Programme published new materials on its website, including proposals to update its reporting standards.
- **"Run-on" deal.** Stagecoach's £1.2bn DB scheme, which has a significant surplus, will effectively transfer to fund managers Aberdeen. Aberdeen will replace Stagecoach as sponsor, and will manage the scheme's assets. Some of the existing surplus will be used to improve members' benefits. Any future surplus distributions will be shared between members and Aberdeen.
- **LGPS rules.** The Government published a response to its May 2025 consultation on access and fairness under the Local Government Pension Scheme. The response confirms that the Government will proceed with minor changes to the LGPS rules, eg as regards survivors' benefits and breaks in service.
- **DB landscape.** The Pensions Regulator published its 2025 report on the DB landscape. The aggregate funding level was 118% on a technical provisions basis (the same as in 2024), with 82% of schemes in surplus.
- **Stewardship.** Pensions UK published its stewardship and voting guidelines for 2026. The guidelines suggest how trustees can assess and engage with investee companies, in order to deliver sustainable long-term value.
- **Administration.** The Pensions Administration Standards Association published guidance on data quality, digital transformation and risk transfer transactions.
- **Productive investment.** The Pensions Regulator announced that it was exploring the approach of DB and DC schemes to productive investment, with a view to identifying potential barriers. TPR will share the results with the Government, and will publish a report in 2026.
- **Retirement CDC.** The Pension Protection Fund published a response to the Government's consultation on retirement CDC. While recognising that, under current proposals, providers will need to be trust-based schemes, the PPF says that it stands ready to support the future evolution of CDC.
- **Transfers.** The Government announced that it will consult on measures to improve the transfer process while maintaining member protection. The Pensions Regulator published a blog post on pensions fraud, and encouraged trustees to sign up to its scams pledge.
- **LGPS pooling and governance.** The Government launched a consultation on regulations to make changes to the Local Government Pension Scheme, under the "Fit for the future" initiative. In the Autumn Budget, the Chancellor announced that the Government would introduce relief from stamp duty land tax for transfers of property within LGPS.
- **Regulatory initiatives.** Financial regulators published the usual year-end initiatives grid, which summarises planned developments over the next 24 months. Pensions are covered on pages 51 to 55.
- **BPA providers.** The Prudential Regulation Authority sent its annual "Dear CEO" letter to insurers. The letter covers issues relevant to the bulk purchase annuity market, including pressures on pricing and the use of funded reinsurance.
- **WASPI.** The Government reconsidered whether compensation should be paid for failures in communicating changes to State pension age. It concluded, again, that compensation should not be paid. In the meantime the WASPI campaign group had withdrawn its claim for judicial review.

In the pipeline

The next six months

Pension Schemes Bill

The Bill needs to complete its journey through the House of Lords: the remainder of committee stage; report stage (at which amendments may once again be proposed); and third reading.

The Bill as amended in the Lords will need to be approved by the House of Commons, before it receives royal assent. We expect the process to be complete by April 2026.

Virgin Media remediation

The remediation provisions in the Pension Schemes Bill will come into force when the Bill receives royal assent. The Pensions Regulator plans to publish guidance in the meantime.

Surplus-sharing

We expect the Government to consult on the new surplus-sharing regime soon after the Pension Schemes Bill is enacted. The Government has said that it is "minded to" prescribe a low-dependency funding test. Also expected: trustee guidance from The Pensions Regulator.

Targeted support

The targeted support regime will apply from April 2026. Would-be providers will need to obtain the requisite permission from the Financial Conduct Authority.

Pensions Commission

The Commission has said that it will deliver an interim report in spring 2026, covering the "strategic direction" of its review.

UME CDC

Unconnected multi-employer CDC schemes will be permitted as from 31 July 2026. UME CDC schemes, like single-employer CDC schemes, will be subject to authorisation by The Pensions Regulator.

Verity Trustees v Wood

Judgment is awaited in a complex case concerning TPT, an industry-wide scheme. The hearing was in Q1 2025. Among other things, the court considered questions arising from *Virgin Media*.

Timeline

To September 2026

"Connect by" dates for dashboards

These are the expected connection dates specified in the DWP's staged timetable. The applicable date depends on a scheme's size and type

2026-2028

State pension age

Increases to 67. In the meantime, the Government will conduct a statutory review

April 2026

Pension Schemes Bill enacted

We expect the Bill to receive royal assent by April

April 2026

Targeted support

New regime enabling firms to offer "ready-made suggestions"

Spring 2026

Surplus-sharing

Consultation on conditions for refunds from ongoing schemes

Spring 2026

Pensions Commission

Interim report expected

Mid-2026

Guided retirement

DWP to consult on detailed policy

31 July 2026

Multi-employer CDC

Launch date for "UME" regime

31 October 2026

Longstop date for dashboards

The mandatory deadline for connection. The "go live" date for dashboards has not yet been set

April 2027

Death benefits and inheritance tax

Proposed date for changes to the IHT regime

Late 2027

Surplus-sharing

New statutory refund power for trustees of ongoing schemes

2026

2027

Late 2027
Guided retirement
Proposed implementation date for master trusts

Q2 2027
Pensions Commission
Commission to submit final report, covering adequacy and fairness

January 2028
Retirement CDC
Proposed launch date for decumulation-only regime

April 2028
Guided retirement
Proposed implementation date for own-trusts and GPPs

April 2028
New VFM framework
Proposed launch date for new framework and "contractual override"

April 2028
Superfunds
Proposed launch date for new statutory regime

6 April 2028
Increase in normal minimum pension age
NMPA increases to 57. The change affects people born after 6 April 1971

April 2029
Salary sacrifice
NIC savings limited to first £2,000 sacrificed each year

2030
Indexation
RPI to be aligned with CPIH

2030
Megafunds
Proposed launch date for "minimum size" requirement for multi-employer DC

2030
Small pot consolidation
The Government plans to phase in consolidation, starting in 2030

2028

2029 2030

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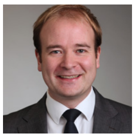

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