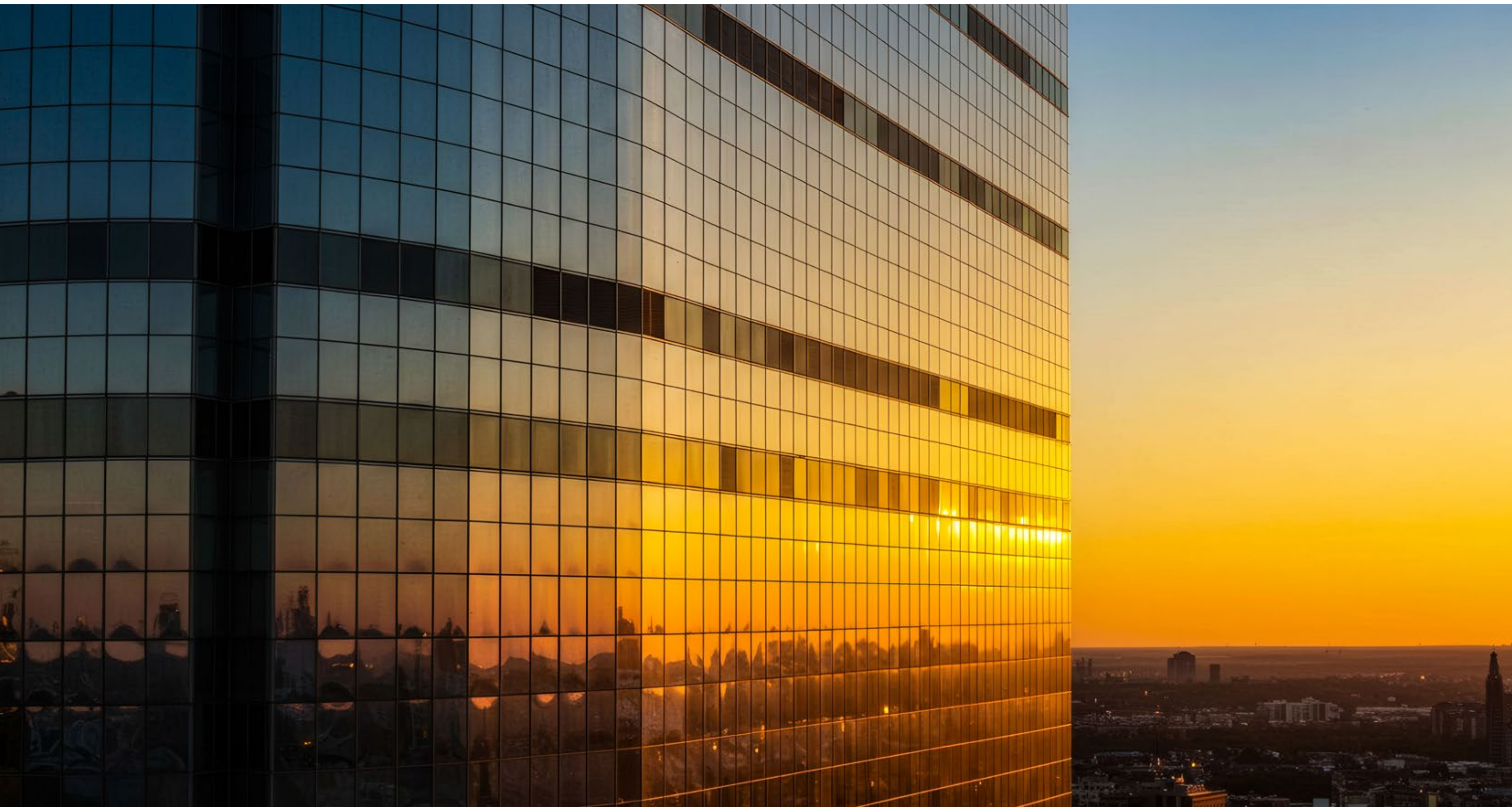
HERBERT SMITH FREEHILLS KRAMER

PENSIONS PLANNER

AUTUMN 2025



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Introduction

Where to start? This edition of the Planner covers more than 50 different announcements and publications, but pride of place must go to the far-reaching Pension Schemes Bill.

Debate in the House of Commons focussed on the Bill's provisions about access to surplus and "mandation". The provisions about surplus, in so far as they go, are straightforward and pragmatic; the Government has, as promised, included a fundamental safeguard, namely that any access to surplus will be subject to trustee consent. Industry eyes will be on two things yet to come: a consultation on the relevant funding test, and guidance for trustees from The Pensions Regulator. Clues as to TPR's thinking can be found in a recent publication about new models and options for DB schemes.

Via the mandation provisions, the Government (or a successor) could compel master trusts and GPPs to invest in prescribed asset classes. But the Pensions Minister has said that this is a reserve power, which the Government does not expect to use. Mandation will be considered only if there is insufficient progress against goals in the new Mansion House Accord. The Government will be monitoring progress closely; from next year, major providers will be asked to supply (voluntarily) information about their asset allocations.

Whilst mandation might never happen, the Government is clear that there will be a minimum size requirement for master trusts and GPPs – £25bn from 2030. The size requirement will apparently apply at the "default arrangement" level, but how this will work is unclear. A key term used in the Bill, "common investment strategy", has not yet been defined.

There are unknowns, too, about guided retirement. DC members certainly need greater support with decumulation. However, designing suitable "default pension benefit solutions" will be challenging, because different members will have different needs and aspirations. Thankfully the Government accepts that, in some cases, a scheme might partner up with another (probably larger) scheme, with the partner scheme providing the "solution".

Some of the current concerns about the Bill will no doubt be addressed via amendments at the Committee stage. And it seems that a further provision will be added, following the Government's promise of legislation to address issues arising from the *Virgin Media* case. Two years have passed since the original, High Court, judgment. The many DB schemes affected will hope for a straightforward mechanism, such that they can resolve "section 37" uncertainties and move on.

Looking further ahead, a new Pensions Commission is to consider adequacy and fairness. Government figures demonstrate the scale of the challenge, with 39% of people under-saving for retirement, and many, particularly the low-paid and self-employed, not saving at all. But don't expect a quick fix: the Commission is to publish its final report in 2027, with "proposals for change beyond the current Parliament".

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Recent developments

DC providers sign Mansion House Accord

17 major DC providers set out their investment ambitions in a new Mansion House Accord. The Accord builds on the 2023 Mansion House Compact, but does not replace it – the two will run side-by-side.

Under the Compact, 11 providers aim to invest at least 5% of default fund assets in unlisted equities by 2030. The Accord goes further. Signatories aim to invest at least 10% of default fund assets in private markets by the 2030 target date, with at least 5% of the total to be invested within the UK. In-scope assets include property, infrastructure, private credit, private equity and venture capital.

Like the Compact, the Accord is not legally binding. Two caveats feature prominently:

- The ambitions of signatories are subject to their fiduciary duties or consumer duty, as applicable.
- Delivery will depend on "critical enablers", including an adequate investment pipeline and a suitable new value-for-money framework and "minimum size" regime.

Comment: The Government, with its productive investment agenda, will chalk this up as a success. The signatories to the Accord account for about 90% of workplace DC assets. If they deliver on the Accord then, by 2030, their overall allocation to private markets could be as high as £50bn.

Pensions investment review – final report

The Government published the final report on phase 1 of its pensions review, and associated consultation responses covering DC scale and consolidation and LGPS pooling and governance.

The report confirmed that the Government would proceed much as previously proposed as regards DC scale, a "contractual override", value-for-money and the Local Government Pension Scheme.

The Government will not (for the time being) take forward two other ideas which it had been considering:

- Mandating productive investment. A reserve power in the Pension Schemes Bill will be used only "if necessary". In the meantime, major DC providers will be asked to disclose asset allocation data voluntarily.
- Changing the duties of employers or their advisers as regards the selection and review of workplace schemes.

Comment: See below as to relevant measures in the Pension Schemes Bill, and as to phase 2 of the pensions review – the Pensions Commission.

DB surpluses and consolidator: consultation response

The Government published a response to the previous administration's "Options for DB schemes" consultation.

The response confirmed that, as indicated in January 2025, the Government would facilitate access to surpluses.

The Government has decided against offering a "full PPF underpin" option for well-funded schemes.

The Government will not, for now, legislate for there to be a public sector DB consolidator. However, it will continue to explore the idea of a "small, focused" consolidator for hard-closed schemes, run by the Pension Protection Fund but separate from the compensation arrangement.

Comment: The consultation response suggests a potentially wider role for a public sector consolidator: it might be an endgame option not only for underfunded schemes, but also for well-funded but small schemes which were unattractive to insurers.

Virgin Media legislation promised

The Government announced that it would legislate to deal with issues arising from the Virgin Media case.

According to the announcement, the relevant measure will allow schemes to obtain, retrospectively, "actuarial confirmation that historic benefit changes met the necessary standard".

Comment: The proposed measure could be introduced by regulations under section 37 of the Pension Schemes Act 1993, or via an amendment to the Pensions Schemes Bill. We understand that the Government plans to take the latter approach.

We hope that the legislation, or associated guidance, will enable actuaries to take a pragmatic approach, recognising that data relevant to the "necessary standard" (ie the statutory reference scheme test) may not have been retained.

Pension Schemes Bill published

The Pension Schemes Bill was introduced to Parliament and debated. Key measures are outlined below. A roadmap, published alongside the Bill, provides information about wider pensions strategy and timings.

DC scale and asset allocation

From 2030, master trusts and group personal pension schemes used for auto-enrolment will generally need to be approved, by a relevant regulator, in respect of a "main scale default arrangement" and any prescribed "asset allocation requirement".

For **main scale default arrangement** purposes, the total value of assets which are "managed under a common investment strategy" must be at least £25bn. Importantly, there is an aggregation provision. A scheme can effectively aggregate assets which are managed under the same common investment strategy under other schemes of the provider (either GPPs or a master trust, with the proviso that only one master trust can count overall). Sub-scale schemes will be able to apply for easements as follows:

- "transition pathway relief": if in-scope assets are at least £10bn, and there is a credible plan to reach £25bn by 2035; and
- "new entrant pathway relief": if there is strong growth potential and an ability to innovate.

For **asset allocation** purposes, regulations may be made whereby a specified percentage of total scheme assets must be "qualifying assets". Qualifying assets are assets of a prescribed type (eg private markets and/or UK assets) which are held within default funds. The Government does not currently intend to use the asset allocation power (see above), and would be required to commission a report on potential impacts if it was minded to do so.

The authorisation criteria for master trusts will be changed, so as to require trusts to have appropriate investment governance systems, including strategies to recruit and retain expert staff.

Value-for-money

There are measures to extend any new value-for-money framework to trust-based DC schemes.

Regulations may require trustees of specified schemes to carry out VFM assessments using prescribed metrics; publish and share the results; and assign a VFM rating. Assessments may involve comparisons with other schemes or with benchmarks. Trustees may be required to carry out member satisfaction surveys.

Ratings will be on a prescribed basis, from "fully delivering" to "not delivering", with one or more intermediate ratings. If a scheme is "not delivering", no new employers may be admitted and the trustees will be required to submit an action plan to The Pensions Regulator, with powers for TPR to mandate a transfer to another scheme. In "intermediate" cases, regulations may, among other things, require trustees to submit an action or improvement plan.

The Government envisages that assessments under the new framework will start in 2028.

"Contractual override"

A contractual override will be introduced for FCA-regulated workplace and auto-enrolment schemes.

The override will enable providers to make unilateral changes: to amend scheme terms, change investments, or transfer members either internally or to other providers.

A provider will be able to make a unilateral change only if both the provider and an independent expert are satisfied that a "best interests" test is met. They key question will be whether the change is likely to achieve a better outcome for affected members.

The Government anticipates that the contractual override will apply from April 2028.

Small pot consolidation

There are provisions for the consolidation of small dormant DC pots held by auto-enrolment schemes. The "small" and "dormant tests" are specified: £1,000 or less, and no contributions made within the previous 12 months.

Consolidators will need to be master trusts authorised for consolidation purposes by TPR, or contract-based providers which meet rules made by the FCA.

A "small pots data platform operator" will determine the allocation of in-scope pots between consolidators.

Under the Government's plans, consolidation duties will be phased in, starting in 2030. Would-be consolidators will be able to apply for authorisation from 2028.

Guided retirement

Trust-based DC schemes will be required to offer one or more "default pension benefit solutions" (referred to here as default solutions). A **default solution** is (broadly) a contractual or other arrangement for providing a regular income in retirement.

Trustees may also be required to provide tailored support for members – eg trustees may need to alert a member who is using a default solution, if he or she seems to be decumulating too quickly.

Different requirements will apply where trustees determine that it is not practicable to offer a default solution, or that another scheme could provide a better solution. Broadly speaking, the trustees will be required to facilitate transfers to a suitable scheme which they have selected, so that members can if they wish access a solution through that scheme.

The FCA will make corresponding rules for contract-based schemes.

The Government plans to phase in guided retirement, starting in April 2027 for master trusts.

Refunds from DB schemes

There will be a statutory power for trustees to modify ongoing DB schemes by resolution:

- to give themselves power to refund surplus to the employer, if there is otherwise no refund power; or
- to remove restrictions on any refund power which the trustees already have.

Section 251 of the Pensions Act 2004 will be repealed. Section 251 potentially prevents a refund unless an enabling resolution was passed by April 2016.

The conditions upon which a refund can be paid will be set out in regulations. As at present, a refund will be permissible only to the extent that there is a surplus on a prescribed basis; but the Government has indicated that the basis is likely to be low-dependency rather than buy-out.

The current condition whereby trustees can make a refund only if "in the interests of members" will be repealed.

These measures are expected to come into force by the end of 2027. TPR will publish guidance, so that trustees can be comfortable in making refunds where benefits are suitably secure.

Superfunds

There will be a new statutory framework for superfunds – commercial consolidators for DB schemes.

Superfunds will be subject to authorisation by TPR. TPR may authorise a superfund if satisfied that it will meet operational requirements set out in the Bill.

Transfers to superfunds will be permitted only with TPR approval. For this purpose, TPR will need to be satisfied that "onboarding conditions" are met, including the following:

- the financial position of the ceding scheme is not strong enough to enable buy-out; and
- the superfund transfer will make it more likely that the transferred liabilities are met in full.

These measures are expected to come into force in April 2028. TPR will issue an associated Code of Practice.

Local Government Pension Scheme – pooling and investment governance

The Government will have power to make regulations as to the management of assets under LGPS; participation in and merger of asset pools; pooling vehicles; and scheme governance.

The Government will use the powers with a view to achieving goals announced in November 2024. In particular, the Government said that, by March 2026, all LGPS investments would need to be manged by pools, with all pools being FCA-authorised. Two of the eight pools have since been told that they will need to merge with other pools.

The Pension Protection Fund

The Bill includes various measures relating to the PPF:

- To facilitate the setting of a nil levy. The relevant provision is expected to apply from April 2027. A PPF announcement explains the potential implications for the current levy year.
- To enable PPF and FAS compensation data to be made available on pensions dashboards.
- To extend the PPF's power to pay compensation in lump sum form for people who are terminally ill.

Recoupment – The Pensions Ombudsman

The Bill will amend the Pensions Act 1995, so that trustees can recoup overpaid benefits on the basis of an Ombudsman determination, without the need for a court order.

> **Comment:** There was widespread, but not unqualified, support for the Bill on second reading in the House of Commons.
>
> The Bill will now be subject to scrutiny and amendment by a Public Bill Committee. The Committee has issued a call for evidence.

Pensions Commission to consider adequacy and fairness

The Government announced that it is establishing a new Pensions Commission, which will, in effect, undertake phase 2 of the pensions review.

The Commission comprises a panel of three, with backgrounds in the trade union movement, business and academia: Baroness Jeannie Drake, Sir Ian Cheshire and Professor Nick Pearce.

Terms of reference have been published. The Commission is to look at the long-term future of the UK pensions system. Among other things, it will consider how to improve retirement outcomes, especially for those on the lowest incomes and at greatest risk of poverty or under-saving. The commissioners will liaise with relevant stakeholders with a view to building a consensus.

The Government expects the Commission to produce a final report in 2027, with proposals for change beyond the current Parliament.

> **Comment:** The original ("Turner") Pensions Commission, in place from 2002 to 2006, can take credit for the introduction of workplace auto-enrolment.
>
> In one sense auto-enrolment has been a great success: 88% of eligible workers are saving for retirement. However, as stated in a Government policy paper, the job is only half-done. Many people are under-saving or not saving at all; there is a substantial gender pensions gap; and decumulation is problematic, with "individuals bearing far too much risk".
>
> The new Pensions Commission is now to finish the job, "by mapping out a pensions system that is truly adequate, in the broadest sense of the word".

State pension age review

The Government announced a review of State pension age (**SPA**).

SPA is currently 66, but is scheduled to rise to 67 between 2026 and 2028, and to 68 between 2044 and 2046.

Legislation requires the Government to review SPA every six years, having regard, among other things, to life expectancy. There have been two previous reviews. A third is now underway.

The Government has commissioned independent reports for the purpose of the review. The terms of reference indicate that the Government is considering the idea of a dynamic SPA – that is, an

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SPA which changes based on life expectancies, eg so that on average 31% of adult life is spent in retirement.

Comment: The deadline for a third review is March 2029 – but the Government has chosen to "go early". Its thinking, in part at least, is that the review can thereby sit alongside the work of the Pensions Commission.

Value, not cost: the Employer Pension Pledge

22 major employers signed a new Employer Pension Pledge. The Pledge is a voluntary arrangement backed by the Lord Mayor of London. Signatories undertake to:

- focus on value and net investment returns, rather than costs, when choosing and reviewing DC providers; and
- seek transparency on the allocation of funds to private markets.

Employers who wish to sign the Pledge can do so using an online form.

Comment: A counterpart to the Mansion House Accord? The Pledge is signed by employers, the Accord by providers. But behind both is a belief that private markets investment can deliver better retirement outcomes. Meanwhile the Pledge's "value, not cost" theme is very much in keeping with Government proposals as to value-for-money. No surprise that the Chancellor gave the Pledge a warm welcome in her Mansion House speech.

Final pieces in place for scheme funding regime

Eight months into the new scheme funding regime, The Pensions Regulator launched an online "Submit a valuation" service.

Under the new service, trustees will need to complete a dynamic spreadsheet in order to generate their statement of strategy. They will then use the service to send TPR the spreadsheet, their valuation and other required documents and information.

TPR also published a final consultation response on statements of strategy – the documents which will formally record schemes' funding and investment strategies and associated matters. TPR consulted on proposals about statements of strategy in March 2024, and published an interim response six months later. Points which emerge from the final response include the following:

- The "small scheme" test will be (broadly) 200 or fewer DB members. There are various easements for small schemes, including new ones as outlined below.
- Small schemes using the "fast track" approach will not need to provide detailed information about the employer covenant. Nor will "low risk schemes". A scheme will be "low risk" if, for example, it is using fast track and has a low-dependency surplus even after applying the fast-track stress test.
- The requirements as to cashflows have been relaxed. In particular, small schemes and "fast track" schemes will not be required to submit cashflow information.
- In various other areas, TPR has slimmed down proposed requirements, or will allow greater flexibility. The areas in question include asset allocation, long-term objectives, journey plans, de-risking and asset allocation.

Comment: It is good to see TPR rowing back on some of its previous proposals. The easements for small and low risk schemes are particularly welcome. The shift in approach is in keeping with TPR's pledge, reported in our summer Pensions Planner, to reduce the regulatory burden.

TPR guidance: "new models and options"

The Pensions Regulator published guidance on arrangements which DB trustees might consider as part of their strategic planning, including for endgame purposes. The guidance covers:

- **The decision-making process**: relevant factors and governance issues.
- **Scheme run-on**, including potential advantages and challenges.
- **Surpluses**. TPR flags the fact that the surplus regime is likely to change. In the meantime, where a scheme is running on, trustees should consider how surpluses might be generated and released. Trustees should work collaboratively with employers, and formulate a policy on surplus extraction.
- **Governance options**: fiduciary management, accredited professional or sole trustees, and DB master trusts and multi trusts.
- **Financial arrangements**: capital-backed journey plans and superfunds.
- **Insurance solutions**: longevity swaps, buy-ins and buy-outs.
- **Case studies**, including questions which trustees should ask themselves when considering the relevant options.

Comment: TPR will provide guidance in due course on the use of surpluses under the proposed new regime. This document indicates the direction of travel. The over-arching message is that, provided benefits are suitably secure, surplus should not be retained unnecessarily. Significant and sustained overfunding, with no plans for distribution, "may not be in the interests of members or the sponsor, and may indicate poor governance".

Good news on inheritance tax

The Government pushed ahead with proposals to bring pensions death benefits within the inheritance tax regime, publishing a consultation response, policy paper and draft legislation.

To recap, the Chancellor announced last year that, from April 2027, many types of death benefit would come within a member's estate for IHT purposes. We outlined the proposals in a blog post.

The fundamental plan remains the same. However, the Government has announced changes which will dispose of two concerns which our blog post mentioned.

First, responsibility for reporting and paying IHT will lie with the personal representatives handling a member's estate, not with pension scheme trustees or administrators as originally proposed.

Second, the Government will address, in a member-friendly way, uncertainties and inconsistencies as regards the treatment of death-in-service benefits. From April 2027, all death-in-service benefits under registered schemes will be exempt from IHT. This includes even "non-discretionary" benefits, which currently come within the IHT regime.

On the first point, the Government proposes to give PRs and beneficiaries various options for paying any IHT which is due. Alternatives are needed because, in some cases, the PRs will not hold sufficient funds to cover the applicable tax. HMRC will work with the industry to develop supporting processes and guidance, ahead of implementation in April 2027.

Comment: Credit to the Government: it sought the industry's views, and, on the basis of responses received (feedback on the first point was "overwhelming"), it has made two significant changes.

New VAT policy for fund management fees

HM Revenue & Customs announced a change of policy as regards the recovery of VAT on DB fund management fees.

Going forward, employers will in principle be able to obtain a full, rather than just a partial, recovery. More exactly, "all the associated input tax incurred will be seen as the employer's and deductible by the employer, subject to normal deduction rules".

Employers may be able to recover VAT not already recovered on past fund management fees, subject to the normal four-year cap under the tax legislation.

HMRC will publish guidance in autumn 2025.

Comment: Employers who believe they may benefit from the policy change should seek advice and ensure that relevant records are preserved.

Note that the announcement is relevant only to DB arrangements. DC investment charges are normally exempt from VAT.

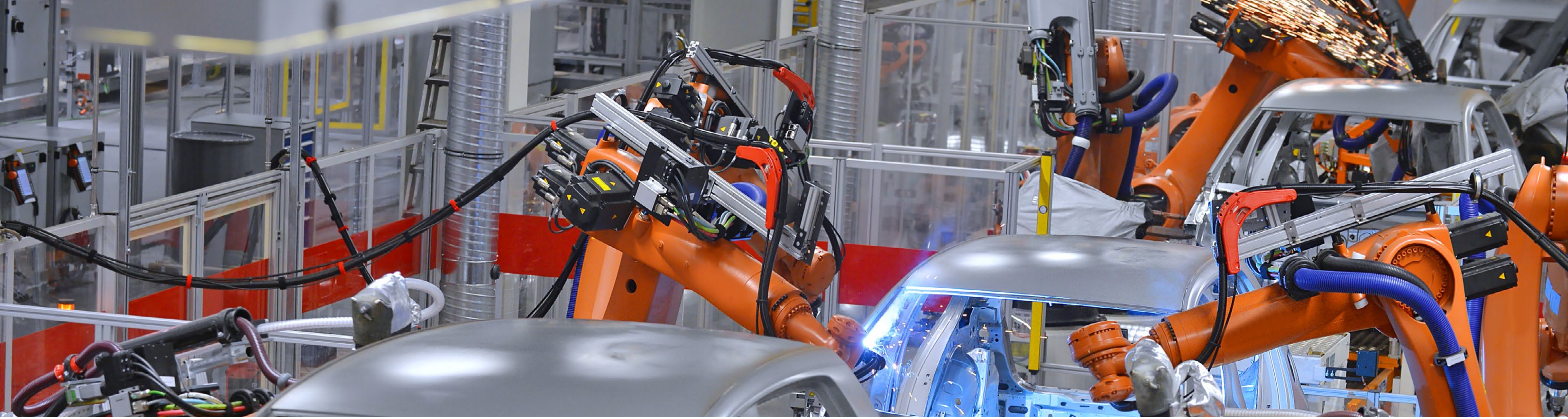
FCA moves forward with targeted support

Following an initial consultation reported in our spring Pensions Planner, the FCA launched a consultation on detailed rules as to targeted support. HM Treasury published a related policy note and a draft Order.

Targeted support is a new regulated proposition – a halfway house between guidance and advice. Via targeted support, providers will be able to make specific recommendations for particular groups or cohorts.

The fundamentals are much as the FCA originally proposed, although some of the terminology has changed. Targeted support must be designed to deliver better outcomes for consumers. Providers who wish to offer targeted support will need to:

- pre-define **situations** in which support will be provided;
- pre-define relevant **consumer segments** (ie groups of consumers with common characteristics);
- pre-define a **ready-made suggestion** for each consumer segment (eg a suitable product or action); and
- deliver ready-made suggestions to consumers having identified the relevant consumer segment.



The FCA believes that target support can be of particular benefit in the pensions context. Potential use cases are "under-accumulators", "disengaged accumulators", "uninformed accessors" and "over-decumulators". However, the FCA has decided that ready-made suggestions cannot include annuities or pension consolidation.

The consultation closes on 29 August 2025. The FCA plans to publish a final policy paper by the end of the year.

As well as moving forward with targeted support, the FCA will take steps to clarify the distinctions between simplified and holistic advice, and between guidance and advice. A consultation paper will be published early in 2026.

Comment: The FCA's proposals have been widely welcomed. Figures suggest that only 9% of consumers are taking financial advice, with 59% receiving no support or guidance at all. The need to fill the gap is obvious.

Court fixes drafting error via "corrective construction"

The High Court granted an order as to corrective construction of a scheme's rules, effectively fixing a drafting error.

The rules had at all times provided for a conventional "1/60ths" final salary (**FS**) pension. However, in 1992 an underpin was added. The relevant provision stated that a member's FS pension would if necessary be increased so as not to be less than a notional money purchase account – twice the member's contributions, adjusted for investment returns.

The question before the Court was how the underpin provision operated. There were two competing constructions:

- the annual FS pension was to be compared with the **total value** of the money purchase account (as the provision, read literally, seemed to require); or
- the annual FS pension was to be compared with the **annual pension** which could be secured using the money purchase account (the approach which had been taken in practice).

The Court held that the principle of corrective construction applied. There was a mistake in the wording of the underpin provision, and the step needed to correct the mistake was clear. The parties could not have intended that the "total value" approach would apply, eg because on that basis the underpin benefit would have been irrationally generous.

The Court determined that the underpin provision should be construed as providing for the "annual pension" approach.

Comment: A literal construction of the underpin provision would have had bizarre implications. Among other things, the scheme's liabilities would have increased from £140m to £1.6bn.

Note that, for corrective construction to apply, two things must be clear: (1) that something has gone wrong with the language; and (2) what the parties must have meant to say.

Attempt to re-litigate ill-health dispute fails

The High Court struck out a claim by a scheme member, on the basis that the matter had already been dealt with by The Pensions Ombudsman.

The member had left service due to incapacity. Under the rules of the employer's pension scheme, there was a two-tier ill-health pension, eligibility depending on the degree of incapacity. The trustee paid the member the lower-tier pension but said that he did not qualify for the upper-tier pension, based partly on the trustee's construction of the relevant rule. The member complained to TPO. The Ombudsman ruled in favour of the trustee.

The member did not appeal against the Ombudsman's determination. Instead, he began High Court proceedings for a declaration as to construction of the relevant rule.

In a preliminary hearing, the Chief Master of the High Court found that the Ombudsman had dealt with construction in his determination. The determination was final and binding, subject to the right of appeal which the member had not exercised.

Accordingly there were no reasonable grounds for the member's claim.

Comment: Legislation provides that Ombudsman determinations are final and binding on the relevant parties. So the member could not re-litigate the construction point, but the determination in his case would not be binding on other members.

Discretionary pension increases: Ombudsman rejects member challenge

The Pensions Ombudsman turned down a complaint relating to pension increases under a DB scheme.

The scheme's rules provided for annual pension increases in line with RPI capped at 5%, subject to an "uncapping" provision. In years where RPI was greater than 5%, the trustees could, at the request of the employer, calculate the increases as though the cap was 10% rather than 5%. For this purpose, the employer and the trustees were to have regard to an aim agreed in connection with a prior scheme merger, namely to provide increases in line with RPI capped at 10%, subject to the finances of the scheme (the **Stated Aim**).

In 2022 and 2023, RPI was greater than 5%. The scheme was in surplus on an ongoing basis, but there was a significant buy-out deficit. Taking account of the buy-out deficit (among other things), the employer did not make a request under the uncapping provision. Pension increases were therefore capped at 5%. A member complained to TPO.

The Ombudsman ruled as follows:

- In years where inflation exceeded 5%, the employer had to "genuinely consider" whether to make a request under the uncapping provision, having regard to the Stated Aim.
- For Stated Aim purposes, the employer had to take account of two factors: the RPI/10% objective, and the finances of the scheme. The employer had taken account of both factors. The interpretation which the employer had placed on "finances of the scheme" (ie the use of a buy-out yardstick) was not unreasonable.
- In making or withholding a request under the uncapping provision, the employer was subject to a "duty of good faith" (the "Imperial" duty). The employer had complied with the Imperial duty. It had taken account of an irrelevant factor when reaching its decisions (the adequacy of RPI as a measure of inflation), but that was not fatal. Where a power was non-fiduciary, what mattered was whether a disputed decision was perverse or irrational when considered overall.

Accordingly the Ombudsman did not uphold the member's complaint.

Comment: With members – and the Government – focussing increasingly on discretionary pension increase powers, this robust but carefully reasoned decision is timely.

Note, though, that the member's complaint related to the employer. As the Ombudsman explained, the employer did not have fiduciary obligations; it was subject only to the "duty of good faith". The analysis would be somewhat different in cases involving the exercise or non-exercise of trustee powers.

TPO guidance on overpayments

A determination of the Deputy Pensions Ombudsman provides guidance on TPO's approach to overpayment cases (paragraphs 41-55).

The determination draws on a longer determination relating to the same scheme, reported in a previous Pensions Planner – referred to as the "lead case".

Comment: The guidance covers issues including estoppel, misstatement, laches and recoupment. It is clearly intended for trustees, members and advisers generally, although the Deputy Ombudsman flags that each case will turn on its facts.

Update on TPO process and timescales

The Pensions Ombudsman published an update on its new operating model.

The new model did not deliver reduced waiting times in 2024/25, mainly because of an unprecedented volume of new complaints.

Further information about TPO's work over the year was provided in its report and accounts.

In 2025/26, TPO will seek to increase case closures by 4%. Priorities include:

- expedited determinations;
- new processes for jurisdiction decisions and submissions by respondents; and
- the large cohort of complex cases within the system.

> **Comment:** Separately, TPO explained its approach to the management of cases relating to early retirement terms under the Boots Pension Scheme.

Other news

Other developments over the quarter included the following.

- **Dashboards**. The Pensions Dashboards Programme published a progress update report and supplementary guidance, a blog post on voluntary connection, and a data protection impact assessment. The Pensions Administration Standards Association published an AVC toolkit. The Pensions Minister reported that the State pension had successfully completed connection.
- **Drawdown**. HM Revenue & Customs published new materials about the designation of DC funds for drawdown. According to HMRC, a designation will be valid only if the rules of the scheme in question include a drawdown facility. This point will be relevant to schemes which allow designation in anticipation of a transfer-out.
- **Fraud prevention**. The Pensions Administration Standards Association published guidance on identity management and verification. The guidance explains steps which schemes can take to prevent fraud.
- **Stewardship Code**. The Financial Reporting Council published a new version of its Stewardship Code. Changes include a new definition of stewardship; dedicated principles for different types of signatory (asset owners, asset managers and service providers); and a reduced reporting burden. The new Code will apply from 1 January 2026. The FRC is issuing guidance which will sit alongside the Code.
- **TPR trusteeship strategy**. The Pensions Regulator signalled that, in coming months, it will adopt a new trusteeship strategy, "to bring trustees into line with other professions and corporate governance standards".
- **TPR priorities**. TPR's strategic priorities were outlined in a speech by its chief executive.
- **TPR support for innovation**. TPR announced the launch of a new service to support innovation. TPR will focus on administration and the member experience (particularly as regards decumulation); and new scheme models and investment. The new service can be accessed here.
- **Surplus refund order**. TPR made a modification order, to allow surplus to be refunded when a scheme was wound up. The trustees had secured members' benefits in full, with some enhancements. The scheme's rules did not allow the surplus to be refunded. Nor could the surplus be used to augment benefits, because the employer had not given the requisite consent.
- **LGPS terms**. The Government launched a consultation on proposed minor changes to the rules of the Local Government Pension Scheme. The changes are intended to improve access and fairness. The consultation closes on 17 August 2025.
- **Financial Ombudsman Service**. The Government launched a consultation on proposed changes to the FOS framework. The aim is to ensure that the FOS provides "a simple, impartial dispute resolution service", rather than "acting as a quasi-regulator".
- **Salary sacrifice**. HM Revenue & Customs published a report on employers' views about salary sacrifice arrangements. Researchers asked employers how they and their employees would respond, if the Government were to withdraw tax or national insurance relief on contributions paid via salary sacrifice.
- **WASPI**. The High Court reportedly granted leave for judicial review, in a case brought by the WASPI campaign group. The case relates to the communication of past changes to State pension age. The group is challenging the Government's decision not to compensate people who may have been adversely affected.

In the pipeline:

The next six months

Pension Schemes Bill

Public Bill Committee stage: a committee of MPs will scrutinise the Bill's provisions, and propose amendments. The Committee will first meet on 2 September 2025, and is to complete its review by 23 October.

Verity Trustees v Wood

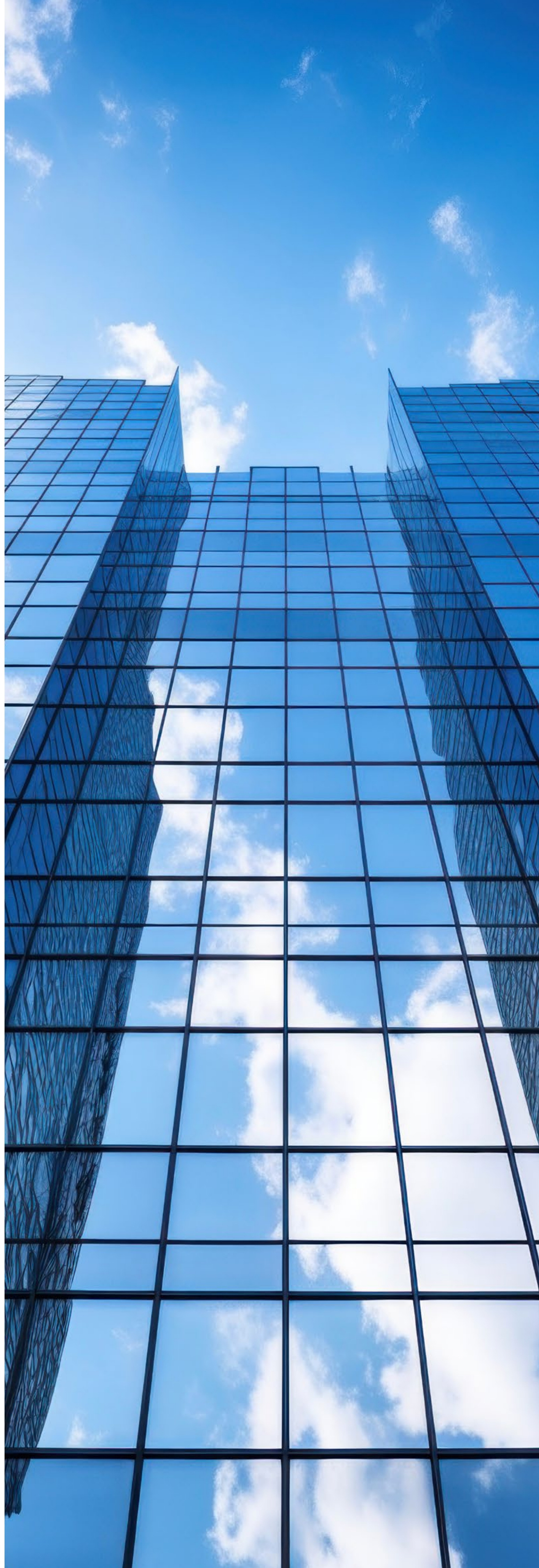
A case on the validity of past amendments to TPT, an industry-wide pension scheme, was heard in February and March 2025. Among other things, the Court considered questions arising from the *Virgin Media* case. Judgment is expected in autumn 2025.

Refunds from ongoing schemes

The Government has said that it will consult about changes to the funding test which must be met in order for a refund to be paid.

VFM framework

The industry awaits the outcome of the FCA's consultation on its proposed new value-for-money framework, which closed in October 2024. The original proposals (including a "traffic lights" rating system) met with significant pushback.



Timeline

April 2025 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

April 2026

Pension Schemes Bill enacted

We expect the Bill to receive royal assent in Q2 2026

April 2026

Multi-employer CDC

Proposed launch date for new regime

31 October 2026

Longstop date for dashboards

This is the mandatory deadline for connection

2026-2028

State pension age

Increases to 67. In the meantime, the Government is conducting a statutory review

April 2027

Guided retirement

Proposed implementation date for master trusts

April 2027

Death benefits and inheritance tax

Proposed date for changes to the IHT regime

2027

Pensions Commission

Commission to submit final report, covering adequacy and fairness

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"

6 April 2028

Increase in normal minimum pension age

NMPA increases to 57. The change affects people born after 6 April 1971

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

Proposal is to phase in consolidation, starting in 2030

2025 2026 2027 2028 2030

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