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PENSION SCHEMES ACT 2026

AN OVERVIEW

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This note provides a broad overview of the provisions of the Pension Schemes Act 2026, including target implementation dates. The content is based on the Act as published in May 2026 and the Government's July 2026 roadmap.

DB schemes

Local Government Pension Scheme

Sections 1-8

LGPS schemes

Regulations in force from 30 June 2026

Regulations may make provision as to asset pool companies under the Local Government Pension Scheme, and the participation by schemes in asset pool companies.

The regulations must make provision about the management of relevant assets, including requirements for assets to be held by asset pool companies, and for scheme managers to adopt an investment strategy and to co-operate with local authorities as to investment opportunities.

Regulations may also make provision for governance reviews of scheme managers.

Existing regulation-making powers are amended so as to cater expressly for the merger of schemes within LGPS.

Regulations as to pooling and governance have been made.

Refunds from ongoing schemes

Sections 9, 10

DB schemes

April 2027

Trustees will have power to modify schemes by resolution, to give themselves refund powers or to remove restrictions on existing refund powers.

Conditions for refunds will be prescribed, including a funding test.

Current conditions as to "s.251 resolutions" and "interests of members" will be repealed.

Virgin Media remediation

Sections 101-108

DB schemes which were contracted-out on the salary-related basis

In force from 29 April 2026

Trustees can validate (remediate) historic amendments which might otherwise be void on *Virgin Media* grounds, if they obtain retrospective actuarial confirmation.

For remediation purposes, the scheme actuary must confirm that the relevant amendment would not have prevented the scheme from continuing to satisfy the contracting-out "reference scheme test".

There are limited carve-outs: an amendment may not be remediable if it has been the subject of "qualifying legal proceedings" before 29 April 2026 (when the Act received royal assent), or if the trustees have taken "positive action" on the basis that it was invalid.

For schemes which were wound up or fell into the PPF before 29 April 2026, amendments (save as above) are deemed to have been valid on *Virgin Media* grounds, without the need for retrospective confirmation.

Superfunds

Sections 59-100

Superfunds; ceding DB schemes

Q4 2028

Superfunds will be subject to authorisation by TPR.

New requirements will apply as to the operation of superfunds, covering governance and structure; funding and investment; key personnel; and information and reporting. Special requirements and TPR powers will apply if an "event of concern" occurs.

Superfund transfers will be subject to TPR's approval. "Onboarding conditions" will need to be met, including (unless a scheme is exiting PPF assessment) the following:

- the ceding scheme's funding is not strong enough to enable a full buy-out, at the point when approval is sought; and
- the transfer will make it more likely that liabilities will be met in full.

DC schemes

Guided retirement

Sections 50-58

DC occupational schemes; FCA to make similar rules for regulated schemes

For master trusts and GPPs, Q3 2029; for own-trust schemes, Q3 2030

Trustees will be required to design and make available one or more "default pension benefit solutions" for DC members, subject to a transfer alternative mentioned below.

A "**pension benefit solution**" is an arrangement for making pension payments in respect of accrued rights. A "**default**" solution is one under which members (all or a subset) will receive pension payments unless they choose a different solution. Default solutions must be designed to provide a regular retirement income, except in prescribed cases.

Different requirements will apply in respect of "**transferable members**", i.e. members (all or a subset) for whom trustees determine that:

- it is not reasonably practicable to provide a default solution; or
- another scheme's solution will deliver a better outcome than any default solution which the trustees could provide.

For transferable members, trustees will be required to identify another scheme, which will accept transfers and make available a solution; and to facilitate transfers for members who wish to transfer.

Trustees will be required to give members information about applicable solutions and other benefit options. Regulations may require trustees to request relevant information from members, and/or to give members information to support their decisions (e.g. as to solutions or decumulation rates).

Trustees will be required to put in place a strategy for compliance with the new regime – a "**pension benefits strategy**".

Value for money

Sections 11-21

DC occupational schemes; FCA proposes similar rules for regulated schemes

Phased in from 2027. First assessments 2028 or 2029

Regulations may make provision as to value for money (**VFM**), including requirements for trustees to conduct VFM assessments, assign VFM ratings, and publish metric data.

Regulations may specify how VFM assessments are to be conducted (e.g. factors, comparators, benchmarks), and may make provision for member satisfaction surveys.

Trustees will be required to assign a VFM rating, from the following:

- "fully delivering", if the scheme is delivering VFM;
- one or more intermediate ratings, to be provided for in regulations; and
- "not delivering", if the scheme is not delivering VFM and one of various tests is met, e.g. there is no realistic prospect of the scheme delivering VFM within a reasonable period.

Regulations may allow TPR to assign an overriding VFM rating, if it determines that a rating assigned by trustees is not correct.

Regulations may specify the consequences of an intermediate rating; e.g. an improvement plan may be required.

If a scheme is rated "not delivering", trustees will have to notify existing employers, close the scheme to new employers and prepare an action plan. TPR will have powers to require the transfer of members to another scheme chosen by the trustees.

Contractual override

Section 49

FCA-regulated auto-enrolment and workplace schemes

March 2028

Providers will have power to make changes under in-scope schemes unilaterally, i.e. without the consent of affected members.

The power will cover amendments to scheme terms, changes to investments, and transfers of pots to other schemes (including schemes operated by other providers).

A unilateral change will be permitted only if, among other things:

- the provider is satisfied that a "**best interests test**" is met: i.e. it is reasonably likely that the change will achieve a better outcome for directly-affected members overall, and no worse an outcome for other members overall, than relevant alternative actions;
- an independent expert, appointed by the provider, certifies that the best interests test is met and the change is consistent with the legislation; and
- the provider sends affected members a "unilateral change notice" with prescribed information.

DC scale and asset allocation

Sections 40, 41

Master trusts and GPPs

Scale requirement to apply from April 2030. Mandation power to apply from January 2028

Master trusts and GPPs which are used for auto-enrolment will have to be approved under a new framework covering scale and asset allocation, unless a prescribed exemption applies. Approval will be a matter for the relevant regulator (TPR or the FCA).

Scale

In-scope schemes will have to be approved either in respect of a main scale default arrangement (**MSDA**), or as qualifying for one of two forms of pathway relief. Key conditions for each purpose are specified below. Additional conditions may be prescribed.

For a scheme to obtain MSDA approval, the value of relevant assets must be at least £25bn (the **scale requirement**). Relevant assets for this purpose are:

- the scheme's assets which are subject to its MSDA and are managed under a "common investment strategy"; plus
- the assets of any "connected" master trusts and GPPs which are subject to the same MSDA and are managed under the same investment strategy.

An MSDA is an arrangement under which assets must or may be held, under scheme rules, for members who do not make investment choices. The meanings of "common investment strategy" and "connected" will be prescribed.

A scheme may be approved for **transition pathway relief** only if the value of relevant assets (as above) is at least £10bn, and the scheme has a credible plan to meet the scale requirement.

A scheme may be approved for **new entrant pathway relief** only if the scheme has no members at the time of approval, but has an innovative product design and strong potential to meet the scale requirement.

Asset allocation

In-scope schemes will have to be approved in respect of an asset allocation requirement, whereby – if the Government makes regulations using a "mandation" power – a prescribed percentage (by value) of the assets in main default funds will have to be invested in "qualifying assets".

"**Qualifying assets**" are assets of a prescribed description. A description can be prescribed only if it represents a holding (direct or indirect) in specified private markets asset classes.

There are various guardrails as regards the use of the mandation power:

- before using the power, the Government must prepare and publish a report on potential impacts;
- constraints apply, including a cap based on Mansion House targets: regulations may not require more than 10% to be held in qualifying assets, or more than 5% to be held in assets with a UK nexus;
- the power can be exercised only once, and not before the start of 2028 or after the end of 2032; and
- the asset allocation requirement will be repealed at the end of 2035.

A provider may ask the relevant regulator to suspend the asset allocation requirement for a scheme on the basis of a "savers' interest test", i.e. if meeting the requirement is likely not to be in the best interests of members.

Other measures

Regulations may require providers to report asset allocations to the relevant regulator.

Additional criteria will apply for the authorisation of master trusts. Master trusts will need to have "sufficient investment capability", and to be approved in respect of the scale requirement unless an exemption applies or they qualify for pathway relief.

Default arrangements

Sections 42-48

Master trusts and GPPs

Restrictions from 2029; Government review 2029

Regulations may restrict the ability of providers to create non-scale default arrangements, i.e. default arrangements other than MSDAs.

The Government will carry out a review of non-scale default arrangements. Regulations may then provide for the consolidation of non-scale arrangements into MSDAs.

Consolidation of small dormant pots

Sections 22-39

Auto-enrolment schemes; would-be consolidators

Phased in from April 2030. Authorisation available from Q4 2028

Regulations will provide for the consolidation of small dormant pots into consolidator schemes.

A pot will normally be in-scope if the value is £1,000 or less, there have been no contributions for 12 months (or longer prescribed period), and the member has not made a positive investment choice.

Consolidator schemes will have to be master trusts authorised for the purpose by TPR, or personal pension schemes recognised for the purpose by the FCA. Operational requirements for consolidators will be prescribed.

Where a pot is in-scope:

- a prescribed person will determine a default consolidation proposal and one or more alternative consolidation proposals;
- the ceding provider will have to send the member a "transfer notice", saying that the default proposal will apply unless the member chooses an alternative proposal or opts out of consolidation; and
- when the prescribed notice period has expired, the provider will have to take steps to implement the applicable proposal, unless the member has opted out of consolidation.

Miscellaneous

PPF/FAS indexation

Sections 109-111 | PPF/FAS | January 2027

"Pre-1997" PPF and FAS compensation will from a future date be indexed on the normal PPF/FAS basis, in cases where pre-1997 pensions were indexed under original schemes.

Other PPF/FAS changes

Sections 122-124, 126-128 | PPF/FAS; PPF levy-payers | Various

Changes apply/will apply to existing legislation, to:

- facilitate a nil scheme levy, and abolish the administration levy;
- facilitate the payment of compensation in lump sum form in cases of terminal illness; and
- enable PPF and FAS information to be shown on pensions dashboards.

Recoupment

Section 121 | Occupational schemes | In force from 29 June 2026

Restrictions on forfeiture will be modified, so that overpaid benefits can be recouped based on a determination of The Pensions Ombudsman.

Information-sharing

Section 125 | **Employers** | **In force from 29 April 2026**

Regulations may require employers to give information to pension schemes about employees who are active members.

Public sector provision

Section 128 | **Public sector schemes, excluding LGPS** | **In force from 29 April 2026**

The Government actuary will be required to publish a report setting out cash-flow provisions (over the next 50 years) for public sector schemes.

Replacement of AWE Pension Scheme

Sections 112-120 | **AWE Pension Scheme** | **In force from 29 April 2026**

Regulations may establish a public sector scheme to replace the AWE Pension Scheme, and may provide for the transfer of accrued rights etc.

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