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# PENSIONS PLANNER

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YOUR GUIDE TO FUTURE DEVELOPMENTS

SUMMER 2025



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# Introduction

Consolidation takes centre stage in this quarter's Pensions Planner.

On the DC side, the Government has fleshed out proposals for the consolidation of small deferred pots. As expected, the system will involve multiple default consolidators and a central hub. Primary legislation will be included in the Pension Schemes Bill, but the system is unlikely to be up and running until 2030. By that stage, on Government figures, almost 20 million pots could be in scope.

Separately The Pensions Regulator has taken steps to support DB schemes contemplating transfers to a superfund. A blog post suggests that trustees might in some respects take a light-touch approach when assessing whether the relevant "gateway tests" are met. The blog post is aimed particularly at a subset of smaller DB schemes - those for whom buy-out will not be affordable for the foreseeable future. For schemes within that subset, TPR "sees consolidation, whether in a superfund or a more conventional master trust, as a positive for ensuring good [member] outcomes". Again, the Pension Schemes Bill will move things on, introducing a statutory framework for superfunds which (TPR hopes) will drive further innovation and expansion.

With consolidation can come concentration of risk. The Pensions Regulator said as much earlier this year, when it announced that it was moving to a "more prudential" style of regulation. TPR has now indicated that - on prudential principles - it will be extending its oversight of professional trustee companies. With most schemes now having a professional trustee, trustee companies have become key actors in the pensions industry, responsible between them for £1 trillion of assets.

All well and good, but there is nothing new to report, in this edition, on the two main initiatives to drive consolidation: the proposed "minimum size" requirement for multi-employer DC schemes, and a new framework for DC value-for-money. In both cases, the proposals proved controversial; consultation responses are awaited. Watch this space.



# Recent developments

## Government firms up small pot policy

The Government **announced** that it will proceed with plans for the consolidation of small deferred DC pots. Alongside its announcement, the Government published a **report** with information about proposed mechanisms and timings.

As proposed in a consultation response published under the previous Government:

- Consolidation will be via a system of multiple default consolidators. Consolidators will be subject to authorisation and supervision.
- A central hub will underpin and support consolidation.
- A pot will be in scope if it is in a default fund under an auto-enrolment scheme, has received no contributions for at least 12 months, and does not exceed £1,000.
- A scheme will be required to transfer an in-scope pot to a consolidator, but with the member having the chance to opt out or choose for themselves.

The report, which builds on work undertaken by the Small Pots Delivery Group, explains that:

- Trust-based consolidators will have to be authorised master trusts which meet additional requirements as to scale and value-for-money. The Government will work with the Financial Conduct Authority to establish a corresponding framework for contract-based providers.
- Consolidators will have to operate on a "whole-of-market" basis. It will not be permissible for a scheme to operate as a

consolidator in respect only of its existing members.

- The central hub will be known as the Small Pots Data Platform. It will operate on a streamlined basis. It will facilitate the consolidation process but will not be involved in asset transfers.
- The hub will allocate in-scope members to a consolidator on a "largest pot" basis and via a carousel. If a member already has one or more pots with a consolidator, the member will be consolidated into the largest of those pots. If the member does not have a pot with any of the consolidators, a consolidator will be allocated using a carousel system.
- There will be a prescribed basis and standards for data matching.
- There will be just two touchpoints for communication with in-scope members: one at the start of the consolidation process, and one when it is complete.
- Schemes will be allowed a period of 12 months in which to complete the transfer process, once a pot has been identified as being in-scope.

As promised in the **King's Speech**, measures as to consolidation will be included in the Pension Schemes Bill. In the meantime, a Feasibility Review will consider issues relating to the Small Pots Data Platform.

The Government will consult with the pensions industry on draft regulations in 2026. Duties to consolidate are likely to come into force from 2030 onwards.

**Comment:** The long lead-in time reflects the scale of the consolidation challenge. Based on Government figures, 13 million pots are currently in-scope, with the number growing by one million per year.

The Government evidently wishes to learn from and leverage the dashboards experience. The Feasibility Review will consider whether processes used for dashboard purposes (eg as to data matching) might usefully be replicated.

## Supporting UK growth: TPR's commitments

The Pensions Regulator announced steps which it will take to support UK growth.

The Government wrote to key regulators in December 2024, asking each to identify reforms which they would make in 2025 to support growth.

TPR's proposed reforms were summarised in a Government **policy paper**. Further information was provided in a published **letter** and an associated **speech**.

The letter sets out a series of commitments, intended to:

- increase the value of pension funds;
- enable productive investment;
- reduce unnecessary regulatory burden and release funds for investment;

- drive growth through data and digital enablement; and
- support market innovation.

This year TPR will, among other things:

- develop a strategy to raise standards of trusteeship, while increasing its "regulatory grip" on independent trustee firms;
- design a process for analysis of investment performance data under the proposed new value-for-money framework, and encourage master trusts and other large DC schemes to share data voluntarily in the meantime;
- conduct a review and report to the Government to help formulate policy on the use of DB surpluses;
- reduce the burden on schemes by reviewing and streamlining its data requirements;
- review its capital reserving requirements for master trusts, on the basis that the requirements may be unduly cautious;
- review both regulatory interventions and legislation, to determine whether they are of genuine value; and
- ask the Government to repeal legislation which is found to be unnecessary (a candidate already identified is the mandatory penalty under the chair's statement regime).

**Comment:** Tucked away among the short-term plans is a more radical proposal: the Government should legislate to give TPR rule-making powers.

The idea, presumably, is that in prescribed areas (examples could be disclosure of information or value-for-money), TPR might set rules in a similar way to the Financial Conduct Authority.

TPR argues that, with a rules-based system, applicable requirements could easily be flexed to remove unnecessary burdens, or to respond to developing technologies.

## TPR to extend supervision of professional trustees

The Pensions Regulator **announced** that it will introduce a new framework for oversight of professional trustees.

The announcement followed a six-month review, during which TPR worked with major trustee firms to understand the market, business models, and risks and opportunities.

The new framework will involve "targeted, expert-to-expert, engagement" with trustee firms, including collection of relevant data.

Engagement will focus on key risks identified in the review:

- **Relationships with employers** – is independence maintained?
- **Profit and remuneration models**, and whether they could unduly affect decision making.
- **Sole trusteeship**: the drivers behind sole trustee appointments, and the internal controls which sole trustees have in place.
- **In-house advisers**: whether the use of in-house advisers could lead to compromised advice or decisions.
- **Scheme decision-makers** – processes and controls as to decision-making, and the knowledge and understanding of the relevant individuals.

Engagement with the largest trustee firms will begin in summer 2025. TPR will roll the framework out to other firms by the end of the year.

**Comment:** The new framework reflects TPR's move to a more prudential style of regulation, which looks not only at individual schemes, but also systemic risks and key market actors.

TPR noted in a related **speech** that the 10 largest trustee firms are responsible, between them, for more than £1 trillion of assets.

## Superfund transfers: TPR blog post

The Pensions Regulator published a **blog post** about transfers to superfunds.

The post seeks to provide clarity as to the "gateway tests" in TPR's relevant **guidance**, and to address possible misconceptions.

TPR indicates that a pragmatic and proportionate approach may be justifiable when:

- determining buy-out costs;
- reviewing a superfund's legal and governance structures; and
- assessing whether a transfer will improve the chances of members receiving full benefits.

At the same time, TPR warns that ceding trustees and employers must:

- have a thorough understanding of the superfund's business model and issues specific to the proposed transaction; and
- provide a comprehensive rationale for the transaction, including supporting advice and evidence.

**Comment:** TPR estimates that, as at the end of 2024, 40% of DB schemes met two of its three gateway tests – ie could not afford to buy out benefits, and would not be able to afford buy-out for the foreseeable future. 1,400 of those schemes had assets below £100m; 900 had assets below £25m.

TPR wants to facilitate superfund transfers for schemes in this category. Smaller schemes can "particularly benefit" from the advantages which a superfund may bring, in terms of improved governance and investment opportunities. But a superfund transfer should be considered only if the third gateway test is met, ie the transfer is expected to increase the chances of members receiving their benefits in full.

## TPR publishes annual funding statement

The Pensions Regulator published its **annual funding statement** for 2025. The statement is aimed particularly at schemes with valuation dates between 22 September 2024 and 21 September 2025 (T24/25 schemes). However, the statement includes points relevant to DB schemes generally. In particular TPR has taken the opportunity to clarify its expectations as regards the new scheme funding regime.

The statement reports that funding positions are typically healthy. TPR estimates that, as at December 2024, 85% of DB schemes were in surplus on a technical provisions (TPs) basis, with 54% in surplus also on a buy-out basis. However, the statement flags the risks presented by trade and geopolitical uncertainties.

TPR suggests that the appropriate focus, for trustees and employers, will depend on a scheme's funding level:

- **At or above low-dependency:** focus on the scheme's endgame.
- **Below low-dependency, but above TPs:** focus on the journey to low-dependency.
- **Below TPs:** focus on making good the deficit.

In appendices to the statement, TPR provides clarification on matters relating to the new funding regime: assessing and monitoring the employer covenant, and supportable risk.

Various commentators had queried whether trustees' buy-out objectives need to be stated in their funding and investment strategy. The answer, TPR suggests, depends on the extent to which such objectives are "clear and settled". TPR reminds readers that trustees are not legally obliged to meet their stated objectives within a specific timeframe.

**Comment:** The appendices cover FAQs as to the new funding regime. Further materials are to follow. Later this year TPR will publish a response to its statement of strategy consultation, and guidance on scheme endgames.

In the meantime, a TPR **webinar** provides an overview of the new regime.

## Corporate transparency: identity verification etc

Companies House introduced a **service** which allows company directors to verify their identity voluntarily, before verification starts to become mandatory later this year.

Provision for identity verification is made in the Economic Crime and Corporate Transparency Act 2023. The Act will require verification for company directors, "people with significant control", and others who file information at Companies House. It will be possible to verify identity with Companies House directly, through a firm which has registered for the purpose, or in person at a post office.

It is expected that, from autumn 2025:

- Verification will be mandatory in respect of any new director on appointment.
- A 12-month transitional period for verification of existing directors and PSCs will start.

**Comment:** Identity verification will be relevant for trustee companies and their directors. A **bulletin** produced by our corporate governance team provides information about the verification regime.

Other transparency measures, which the Government intends to phase in from 2026, may also have pension implications:

- A **proposed restriction** on the use of corporate directors. The restriction would mean that the directors of a trustee company could not include another company (eg a professional trustee company) unless all directors of the other company were individuals.
- **New requirements** for UK limited partnerships (LPs). LPs are sometimes used for scheme funding or investment purposes. Under the Government's proposals, any company which acts as an LP's general partner (the partner responsible for day-to-day running) would need to have at least one director who is an individual.

## Response to WPC report: Government to consult on trustee governance

The Work and Pensions Committee published the Government's **response** to the Committee's March 2024 report on DB schemes.

Points which emerge include the following:

- The Government does not propose to change the remit of The Pensions Regulator. The Committee had suggested that TPR's objectives should be reconsidered, given the general improvement in scheme funding.
- The Government is still considering the idea of a "small, focused" public sector consolidator, run by the Pension Protection Fund.
- The Government is considering whether changes should be made to the indexation of PPF compensation. **Correspondence** about indexation was published separately.
- The Government wants to explore ways to improve trustee capabilities and governance. It will consult later this year on a framework for trustee governance and accreditation.

**Comment:** The Work and Pensions Committee concluded that governance would be particularly important if (as the Government proposes) trustees are to be given power to allocate scheme surpluses. The Committee also recommended that accreditation should be made mandatory for professional trustees.

## Tribunal finds that compulsory retirement constituted age discrimination

An Employment Tribunal **ruled** in favour of a partner who was forced to retire from a law firm on reaching age 63.

The firm's retirement policy was set out in its governing documents. Partners had to retire at age 60, subject to a power of the firm to grant extensions. If a partner was making an exceptional contribution, the firm could extend his or her term to age 63, at which point the firm could grant a further extension to age 65.

Mr S, a partner, was granted an initial extension but refused a further extension, and so was forced to retire at age 63. Mr S claimed that this amounted to unlawful age discrimination. Under the Equality Act 2010, treating someone less favourably on the basis of age is unlawful, unless the less favourable treatment is a proportionate means of achieving a legitimate aim.

The Tribunal found as follows:

- The forced retirement amounted to less favourable treatment of Mr S on the basis of age.
- The firm had two legitimate aims for its retirement policy: (1) workforce and succession planning, to ensure that there were sufficient partners; and (2) maintaining a collegiate atmosphere among the partner group.
- However, forced retirement was not a proportionate means of achieving those aims. There was little or no evidence that forcing partners to retire at age 63 was necessary to achieve either aim. And there was only limited evidence that the firm had seriously considered the availability of other, less discriminatory, alternatives.

Accordingly the Tribunal upheld Mr S's claim.



**Comment:** The firm's defence failed because it was unable to produce evidence to support the forced retirement policy. While accepting that the case was not about the firm's record-keeping, the Tribunal endorsed a relevant **Code of Practice**, which suggests that, in circumstances where discrimination might be alleged, employers should keep notes of their decisions and the reasons for them.

The Tribunal stressed that its decision turned on the facts, and did not mean that compulsory retirement at 63, or any other age, was incapable of justification. However, the Tribunal observed that, with many employers having abolished retirement ages altogether, the firm's policy was "bucking the trend". The Tribunal also noted that the firm had not been able to cite any case in which a retirement age of 63 had been found to be justified.

## Overseas schemes and transfers: Finance Act 2025

The **Finance Act 2025** received royal assent. The Act gives effect to proposals in the autumn Budget as to overseas schemes.

- From 30 October 2024 (Budget day), there are changes to the tax rules for transfers to qualifying recognised overseas pension schemes established in the European Economic Area and Gibraltar.

- From 6 April 2025, there are changes to the conditions which schemes established in the EEA must meet in order to be recognised overseas pension schemes.
- From 6 April 2026, all registered schemes will have to have a UK-resident administrator.

**Comment:** These were characterised in the Budget as measures to close the tax gap. For example, the rules for transfers to EEA and Gibraltar schemes were tightened "to address the risk of individuals receiving double tax-free allowances".

## Other news

Other developments over the quarter included the following.

- **Virgin Media.** The Pensions Minister **stated** that the Government was "actively considering" its response to the Virgin Media case, but that no final decisions had been made. The Pensions Research Accountants Group published a **discussion paper** which considers how Virgin Media issues should be dealt with in pension scheme accounts.
- **Dashboards.** The Pensions Dashboards Programme **published** technical, data and reporting standards and a code of connection, following approval by the Government. (Drafts had been published previously.) Various **volunteer participants** completed the connection process. The Pensions Regulator launched **videos** which urge trustees to get "dashboard-ready".
- **Collective defined contribution schemes.** The Pensions Minister confirmed that regulations allowing multi-employer CDC schemes will be laid in autumn 2025. The plan is for the regulations, and an updated Code of Practice, to come into force as soon as practicable thereafter. We discussed the relevant consultation in our **winter 2024 Pensions Planner**.
- **WASPI.** The **Women's State Pension Age (Ombudsman Report and Compensation Scheme) Bill** was published. This private members' bill would require the Government to propose compensation for failures in communicating changes to women's State pension age. The Government had previously announced that it would not be providing compensation. Campaigners opposed to the Government's decision applied to the High Court for judicial review.
- **Spring Statement.** Pensions did not feature in the Chancellor's **Spring Statement** or the documents published alongside.
- **Climate change.** The Pensions Regulator published a **climate adaptation report** – TPR's contribution to the assessment of UK resilience to climate change. The report considers climate-related risks for trust-based schemes, and the steps taken to address them.
- **Stewardship.** The Pensions and Lifetime Savings Association **updated** its vote reporting template for trustees.
- **Integration.** In a **Parliamentary debate**, MPs expressed concerns about integrated benefit structures, whereby DB pensions are subject to deductions to reflect the State pension. The

Pensions Minister stated that the Government would not compel schemes to withdraw such deductions.

- **Indexation.** In the same debate, the Pensions Minister reported that he had met MPs to discuss concerns about DB pensions which did not carry annual increases. The DWP is working with The Pensions Regulator "to understand why schemes are not making discretionary increases and to monitor trends".
- **PPF strategy.** The PPF published its **strategic plan** for 2025-28, under the banner "Delivering security, supporting growth".
- **FCA's plans.** The FCA published its **strategy** for 2025-30, and **announced** that it would consult further on proposals to allow "targeted support".
- **Regulatory Initiatives Grid.** A new version of the **Regulatory Initiatives Grid** was published. The grid provides an overview of the "regulatory pipeline".



# 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

## 2026-2028 State Pension Age

Increases to 67

## 31 October 2026 Longstop date for dashboards

This is the mandatory deadline for connection



2025

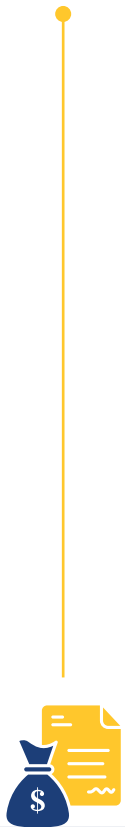


2026



**April 2027**  
**Death benefits and inheritance tax**

Proposed date for changes to the IHT regime



2027

**6 April 2028**  
**Increase in normal minimum pension age**

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



2028

**2030**  
**Indexation**

RPI to be aligned with CPIH



2030

## In the pipeline

# The next six months

### Pensions review

The Government plans to publish a final report on phase 1 of the pensions review in spring 2025.

### Pension Schemes Bill

We expect the Pension Schemes Bill to be published in the wake of the phase 1 report.

The King's Speech indicated that the Bill would cover commercial superfunds, small pot consolidation, DC decumulation, and the extension of any new value-for-money framework to trust-based schemes.

From the 2024 Mansion House speech, it seems that the Bill will go further, covering changes to the Local Government Pension Scheme, and perhaps measures to drive DC consolidation.

The Bill is likely to provide also for removal of the cap on PPF levy increases.

### Surpluses and public sector consolidator

The Government plans to publish a response to the 2024 "Options for DB schemes" consultation in spring 2025.

### Scheme funding regime

The Pensions Regulator plans to launch its online "Submit a valuation" service in spring 2025. The Regulator will also publish a response to its statement of strategy consultation.

### High Court case on validity of amendments

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 likely to be handed down in autumn 2025.

### Productive investment

A new version of the 2023 Mansion House Compact is likely to be announced by June 2025. Under the original version, various DC providers pledged to invest at least 5% of assets in unlisted equities by 2030. Press reports suggest that the target will be raised to 10%, with half of the pledged investment to be within the UK.

### 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 proposals (including a "traffic lights" rating system) met with significant pushback. It may be some time before a consultation response emerges.









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