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Collective action

New legislation promises to allow the creation of collective defined contribution¹ (CDC) schemes that can accommodate multiple, unconnected employers. Those interested in establishing such schemes may be able to apply for the necessary authorization as early as the summer of 2026. In addition, the Government is seeking opinions on its proposals for retirement-only CDC schemes.

Extending coverage

The UK's first—and presently only—CDC scheme (the Royal Mail Collective Pension Plan) commenced operations in October 2024, under provisions made by the *Pension Schemes Act 2021*. The legislation currently prevents CDC schemes from catering to multiple employers, unless those employers form part of the same corporate group.

The Department for Work and Pensions (DWP) has announced the [outcome](#) of a 2024 consultation exercise on proposals to extend CDC provision to 'unconnected multiple employer schemes' (UMES).² In conjunction with the announcement, the DWP sought Parliament's approval of [draft UMES Regulations](#) containing the changes to the CDC legislation necessary to achieve the extension³; and also laid [Miscellaneous Amendments Regulations](#)⁴ that will amend various other pensions statutory instruments. If approved, the UMES Regulations

¹ Technically 'collective money purchase', but that label is almost universally shunned, outside of the legislation.

² In retrospect, perhaps 'multiple, unconnected-employer schemes' (MUES) would have made more grammatical sense. For details of the consultation proposals, see [Current Issues November 2024](#).

³ The (draft) *Occupational Pension Schemes (Collective Money Purchase Schemes) (Extension to Unconnected Multiple Employer Schemes and Miscellaneous Provisions) Regulations 2025*.

⁴ The *Occupational Pension Schemes (Collective Money Purchase Schemes) (Miscellaneous Amendments) Regulations 2025* (SI 2025 No. 1113).

will come into force on 31 July 2026; the Miscellaneous Amendments Regulations come into force on 4 December 2025. (Both sets of Regulations cover only England, Wales and Scotland—Northern Ireland will require separate legislation.)

In his foreword to the consultation outcome, the Pensions Minister, Torsten Bell, anticipates that the Pensions Regulator will revise its *Code of Practice on Authorization and Supervision of Collective Defined Contribution Schemes* in time for the coming-into-force of the UMES Regulations, on 31 July 2026, and will begin to take authorization applications later in the summer.

Revisions following consultation

The statutory instruments laid before Parliament are very similar to the draft versions about which the DWP consulted in 2024. There have been some changes in response to consultation feedback, though.

For example, the DWP has added ‘*chief investment officer*’ (CIO) to the list of roles that must be filled by ‘*fit and proper*’ persons. The consultation-outcome document confirms, however, that it won’t be mandatory for UMES to appoint CIOs, as the same functions could be performed by scheme trustees or external parties.

The draft UMES Regulations contained actuarial-equivalence tests designed to constrain cross-subsidization among members and among sections catering for different employers. The tests were originally a requirement for the viability certificates that scheme actuaries will have to give to support authorization of UMES, and thereafter as a condition of their continued operation. The Government has been persuaded that the tests would have been impractical as proposed. Consequently, they have been removed from the viability-certificate requirements. They haven’t been discarded, though: actuarial equivalence will instead be a mandatory feature of UMES benefit-design rules. The DWP has also given scheme actuaries latitude to use methods and assumptions different from those employed for scheme valuations, where that is appropriate for the actuarial-equivalence tests. When giving advice on the matter, actuaries will have to consider guidance that is to be produced by the Financial Reporting Council.

The DWP has removed a requirement that would have prevented UMES proprietors from carrying out unrelated activities. It has also removed provisions that would have allowed ‘tranching’, so that UMES could have different annual-increase targets for members belonging to different employers (reflecting the fact that those employers have participated in the scheme for differing lengths of time). Consultation respondents identified problems with the tranching proposals. However, they haven’t gone forever: the DWP says that it will develop a workable approach and incorporate it into the legislation later.

Collective retirement solutions

The DWP is [consulting](#) separately on initial proposals for a new, third species of CDC scheme⁵: one that would exist solely to convert money-purchase funds into incomes at retirement. It’s anticipated that retirement CDC schemes (or rather, sections of schemes—see below) would be a vehicle by which occupational DC trustees could meet their expected obligations to provide default pension benefit solutions, as contained in the current *Pension Schemes Bill*.

The idea is that retirees would transfer into retirement CDC schemes chosen by the trustees of their existing DC arrangements. Members wouldn’t (at least initially) be able to shop around different retirement CDC schemes

⁵ In addition to the existing possibility of creating a single- or connected-employer scheme, and the forthcoming UMES option, which cater for both the accumulation and decumulation phases of pensions provision.

find the best terms on offer: in DWP parlance, this would operate as a ‘wholesale’ rather than a ‘retail’ market. The resulting collectively invested funds would be used to provide the transferred retirees with targeted—but not guaranteed—incomes for the remainder of their lives.

Provision of retirement CDC would be limited to sections of UMES or DC master trusts, with which occupational DC trustees could partner to provide their members with such a benefit solution. The DWP intends to amend the preservation legislation to permit bulk transfers of money-purchase rights, without consent, into retirement CDC schemes. It will also consider, with the Financial Conduct Authority, how transfers from contract-based schemes into (occupational) retirement CDC schemes might work.

What next?

Responses to the consultation proposals can be submitted up until 4 December 2025. The consultation document contains a ‘roadmap’ for the introduction of retirement CDC. The plan is for the DWP to hold a further consultation exercise on draft legislation in mid-2026, with a view to laying regulations in the first quarter of 2027, and for the Pensions Regulator to begin to take applications for authorization in 2028.

It’s possible that retirement CDC providers will eventually be permitted to operate on the open, retail market, competing with one another to attract individual customers, including the self-employed. The DWP is also contemplating the merits of creating a ‘universal provider’ for retirement CDC. That would be a government-sponsored scheme, perhaps operated by the National Employee Savings Trust or Pension Protection Fund, which would have a public-service obligation to accept transfers from anyone (again, including those who are self-employed).

Years of discussion and build-up are coming to fruition. We congratulate the Government for its consultative and pragmatic approach here. There are still questions to be answered: at the regulatory level, about (for example) the content and tenor of the Regulator’s revised Code of Practice, and the approach to tranching that will eventually emerge and be interpolated into the legislation; and for prospective providers and trustees, about how to achieve fairness among scheme members.

Retirement CDC would complement the existing workplace DC system, and be a welcome new option for those nearing the ends of the working lives.

A plethora of Pension Schemes Bill amendments

The list of proposed amendments put forward for the Pensions Schemes Bill, in preparation for its Report Stage in the Commons, is long and varied. However, the chances of them making the final cut may be slim, unless they garner Government support.

At the time of writing the list of amendments covered issues as diverse as—

- various concerns about specific occupational pension schemes associated with AEA Technology, British Coal, Midlands Bank, and Fife Joinery;
- the Pension Protection Fund (PPF) and Financial Assistance Scheme (FAS) rules on terminal illness and pre-6 April 1997 increases;
- Local Government Pension Scheme (LGPS) investment in defence companies;
- the social impact of defined benefit (DB) schemes;

- proposed entitlements to free pensions advice (one proposed amendment focuses on groups that currently have pensions-saving gaps; another would make the provision of advice a requirement when DB surplus is refunded);
- establishment of investment vehicles targeting social or economic benefits;
- the (mostly historical) rules of the Police Pension Scheme about suspension and forfeiture of survivors' benefits on cohabitation and remarriage;
- State pension integration (A.K.A. 'clawback') rules;
- a proposed cap on the cost of pensions advice;
- a requirement for trustees, when investing, to take account of scheme beneficiaries' views, '*system-level considerations*' and '*reasonably foreseeable impacts*' on matters such as beneficiaries' standards of living;
- a requirement for employee representation on LGPS-asset-pooling-company boards;
- demands that LGPS scheme managers invest in ways that don't conflict with the UK's international-law obligations, and disinvest from fossil-fuel companies within five years;
- various value-for-money (VFM)-related tweaks (requiring reporting on alignment with Paris climate goals, and on sewage discharges by investee water companies, and extending VFM to DB schemes);
- proposed restrictions on trustees' investments in companies involved with thermal coal (with the potential to extend the restrictions to other fossil fuels);
- allowing members aged between 30 and 50 to withdraw money from their pensions, tax-free, to fund financial advice; and
- authorizing '*significant life event lump sums*' of up to £5,000, which could be withdrawn prior to normal minimum pension age, to help members to (for example) buy a first home, get married, or cope with sudden unemployment.

Don't get too attached

None of the proposed amendments are Government-sponsored, so their chances of success are low unless they chime with Mr Bell, the Pensions Minister. In some cases, even the MPs who have tabled them probably don't expect the amendments to succeed: they're just engineering debate on subjects that are dear to their (or their constituents') hearts.

We don't yet have a date for the Bill's Report Stage, which is the final opportunity for amendment by the House of Commons. There will be more openings to propose changes when the Bill advances to the House of Lords.

Improving access to the LGPS

The Ministry of Housing, Communities and Local Government (MHCLG) is [consulting](#) on proposed changes to the Local Government Pension Scheme (LGPS) in England and Wales, under the heading of ‘Scheme improvements (access and protections)’. The proposals would result in councillors regaining access to the LGPS, extend membership to mayors, and bring the ‘new Fair Deal’ guidance into the world of local-government outsourcing.

The MHCLG also plans to—

- increase the normal minimum pension age to 57, reflecting the change to the tax rules that is scheduled to take effect on 6 April 2028; and
- simplify the process by which employers (especially those operating multi-academy trusts) can bring together their LGPS members under one administering authority.

The package of consultation documents includes draft legislation.

Fair Deal: recap & reanimation

The new Fair Deal guidance, [Fair Deal for staff pensions: staff transfer from central government](#), was published in October 2013. The headline change was that, when public-sector employees have their employment compulsorily transferred to an independent contractor in an outsourcing exercise, entitlement to membership of their public-service pension schemes continues for so long as they are engaged in the outsourced public-sector activity—even surviving subsequent compulsory transfers.

As its title suggests, the 2013 guidance is for central, not local government. Moves were made to adapt the new Fair Deal to the local-government setting, but were not carried to completion by the governments of the day.

On 15 October 2025, however, the current Government expressed its commitment to accomplishing the task, and published its proposals for doing so. The policy is to require that outsourced staff members have continued access to the LGPS, removing from future outsourcing exercises (other than in exceptional circumstances) the alternative of providing them with a ‘broadly comparable scheme’.

To deal with some of the complexities of implementation, and arrest the growth in the number of LGPS participating employers that has resulted from the current practice of giving contractors access to the Scheme as ‘admission bodies’, the MHCLG plans to deem that outsourcing authorities remain the employers of the transferred employees for pensions purposes.

The consultation document says that membership of the LGPS will also be a possibility for new staff members hired by a contractor to perform the outsourced functions. The deemed (e.g. local authority) employer and contractor would be able to enter into a written agreement to extend the Fair Deal protections to all employees of the contractor who work wholly or mainly on the outsourced activities.⁶

⁶ It’s perhaps worth noting in this context a related regulation-making power that would be created by the current *Employment Rights Bill*. Provisions made by clause 36 could be used to require that outsourcing contracts include terms ensuring that (i) compulsorily transferred public-sector employees are treated no less favourably than those remaining in the public sector; and (ii) certain other employees of the contractor are treated no less favourably than those transferred to its employment from the public sector.

Action

Anyone wishing to respond formally to the proposals should do so by 22 December 2025.

We're supportive of the intention to simplify LGPS administration via the new Fair Deal proposals and multi-academy-trust consolidation proposals. Achieving simplification can be complicated in practice, though, and careful thought will need to be given to the details of implementation.

Statutory increase expectations

In October 2025, the Office for National Statistics reported a 3.8% rise in the Consumer Prices Index (CPI) from September 2024 to September 2025. This figure, typically used to adjust UK pensions and benefits, will be reflected in statutory orders for benefit increases in 2026.

The 3.8% statistic is expected to be included in the upcoming Revaluation Order, which is scheduled for publication before the end of the year. This figure will be used to determine the minimum increases for deferred final salary benefits for early leavers reaching normal pension age in 2026. The legislation requiring increases to pensions in payment, where the benefit was accrued after 5 April 1997, cross-refers to the Revaluation Order, so that the same 3.8% increase should apply.

The earnings-related addition to the State pension (SERPS and S2P), for those who reached State pensionable age (SPA) prior to 6 April 2016, is also likely to increase next April by 3.8%. Increases to 'official' (public-sector) pensions in payment (and revaluation of deferred benefits under the legacy final-salary schemes¹) are tied to that additional State pension increase.

For other State pensions, a non-statutory 'triple lock' policy has been applied in almost all financial years since 2011/12. It involves increasing the basic and new State pensions by the greatest of earnings inflation, price inflation, and 2.5%. The average-earnings measure is the only part of the triumvirate that the Secretary of State is bound to apply and, with the preferred yardstick standing at 4.8% at the moment, it is the one that will triumph this time around.

Guaranteed minimum pensions (GMPs) in payment, to the extent that they were accrued after 5 April 1988, should be increased next year by 3%, as the 3% cap applies to increases that would otherwise be in line with those in CPI.

Each of the career-average revalued earnings (CARE) schemes for public-sector workers has its own formula for the revaluation of past years' pensionable earnings. For some, such as the Local Government Pension Scheme, that involves the September-to-September price-inflation change.

Other benefits and benefit-related calculations that stand to be affected by the 3.8% increase, include:

- any excess over the full amount of the new State pension to which a person who reached SPA on or since 6 April 2016 is entitled because of transitional provisions; and
- the adjustment to the opening values of rights under defined benefit arrangements when calculating annual allowance pension input amounts for the 2026/27 tax year.

Although the confirmation of the inflation figures allows for planning ahead, most of the increases mentioned above will only be certain once the relevant statutory orders are made.

Statistical incidents

Last month saw the publication of various surveys and statistical publications. We've pulled together summaries and extracted some notable numbers.

DC trust-based scheme survey

The Pensions Regulator has published a [report](#) presenting findings from a survey conducted between March and May 2025, involving several trust-based occupational defined contribution (DC) pension schemes. Subjects covered included value for members, benefit options on decumulation, administration, transfer of members to a master trust, pension scams, and capabilities in relation to climate-related risks/opportunities and diversified investments.

The [press release](#) accompanying the report concentrates exclusively on the findings related to benefit options. Regarding guided retirement and decumulation, the survey indicated that all master trusts provided decumulation options for members, whereas only 27% of other occupational DC schemes did so. Awareness of the proposed requirement to offer a default decumulation solution (contained in the Pension Schemes Bill 2025) was higher among larger schemes. Approximately half of the schemes familiar with the proposed duty had begun reviewing their decumulation offerings in response. More than half of surveyed schemes gave members access to guidance services for retirement decisions; 32% worked with financial advisers, and 31% supplied personalised information on decumulation options. One third of schemes reported offering no support beyond statutory communications.

DB scheme survey

The Regulator has also [published](#) the findings of a March 2025 survey of private-sector defined benefit (DB) schemes. The report covers subjects such as long-term objectives and investment strategies, views on superfunds, surplus rules, scam and cyber-security preparedness, investment in data improvement and administration technology, attitudes to ESG, and the influence of professional trustees.

The findings include the following:

- Most schemes have a long-term objective (93%). Of these, 58% planned to transfer liabilities to an insurance company through a buy-out, and 31% intended to continue operations with minimal reliance on the employer. Only 6% targeted ongoing operation with the goal of generating a surplus.
- 27% of schemes indicated that consolidation was an option they considered for their scheme, but just 1% said that their long-term objective was to enter a commercial consolidator vehicle.
- Roughly a third of schemes had rules allowing a surplus payment to be made to employers when the scheme wasn't in wind-up.
- 53% of schemes said their trustee boards had concerns about the Government's proposals to lift restrictions on release of surplus funds, whilst 38% said that they had no such concerns (9% didn't know).
- 97% of schemes felt their processes for detecting and preventing transfer scams were effective, with 82% describing them as '*very effective*'.
- Only 17% of trustee boards treated environmental, social and governance issues as a high priority in comparison to their other responsibilities, and 57% saw their fiduciary duty as a barrier to investing in a net-zero economy (although only 16% saw it as a '*significant barrier*').

- Schemes with a professional trustee reported higher standards of governance and administration in some areas and were less likely to have considered releasing surplus than those with no professional trustees.

Market trends in funded occupational pension schemes

The Office for National Statistics (ONS) has published [Funded Occupational Pension Schemes in the UK: October 2024 to March 2025](#), which provides information on changes in pension investments during the period.

Some findings of note:

- The market value of private-sector DB and hybrid schemes fell by £80 billion (7%) to £1,103 billion, mainly due to a drop in long-term debt securities.
- The combined market value of private-sector DC and public-sector DB and hybrid schemes rose by £18 billion (2%) to £868 billion, driven by increased direct investments.
- Insurance policy assets held by private-sector DB and hybrid schemes grew by £9 billion (6%) to £172 billion, reflecting continued use of buy-ins and longevity swaps.
- Deficit-reduction contributions to private-sector DB and hybrid schemes rose slightly (by £117 million) between the third quarter of 2024 and the first quarter of 2025, but remained at their lowest levels since September 2019, when compilation of the information began.

LGPS E&W

The Ministry of Housing, Communities & Local Government (MHCLG) has released [statistics](#) gathered on the Local Government Pension Scheme (LGPS) funds in England and Wales for the 2024/25 financial year. They cover income and expenditure, membership and employers, and retirements.

- Total expenditure rose to £19.1 billion, up 11.7% from the previous year, mainly due to an increase in benefit payments.
- Total income reached £21.7 billion, a 5.2% increase, driven by stronger investment returns.
- Employer contributions fell by 3.9% to £10.1 billion, an expected effect of the fluctuations resulting from triennial reviews.
- Employee contributions increased by 5.8% to £3.2 billion.
- The market value of funds grew by 2.7% to £402.3 billion
- Retirements rose by 11.2%, with 110,678 members retiring during the year.

HMRC newsletters: October 2025

His Majesty's Revenue and Customs (HMRC) published [*Pension Schemes Newsletter 174*](#), which contains articles on—

- the need to migrate schemes over to the online Managing Pension Schemes service in order to report a winding up, and implications for pension scheme tax returns;
- actions required due to the requirement for scheme administrators to be UK-resident from 6 April 2026;
- how to volunteer for HMRC user research on QROPS transfer reports;
- the policy on reversing tax-free lump sum payments (i.e. that the tax effects can't be undone), as announced (or reiterated) in *Pension Schemes Newsletter 173*;
- the latest pensions flexibility and scheme-registration figures; and
- the need to wait for postal correspondence before contacting HMRC about scheme-registration status updates.

Notably, *Newsletter 174* says that HMRC '*may challenge alternative interpretations of the tax consequences of tax-free lump sums that have been returned after 5 December 2024, when the position was made clear*'. It's unclear whether it might also pursue earlier repayments in some circumstances.

And Finally...

The Office for National Statistics (ONS) has published [*Estimates of the very old, including centenarians, UK: 2002 to 2024*](#). It doesn't just declare them to be *awesome*. Rather, it reckons that there were around 625,000 people in the UK aged 90+ in 2024, an increase of 53.7% since 2004 (and 2.2% up on mid-'23). Among them were something like 16,600 centenarians, which is 100% more than in 2004.

Apparently Wales is the place to be if a letter from the King is your kinda thing, so it seems that Cerys Matthews was onto something about the charms of the land of song (Catatonia, *International Velvet*, 1998). And *AF* was personally interested in the news that the longevity gap 'twixt men and women at very old ages seems to be closing a bit; but not so much that his kids should stop betting on their mum (see *The Dead Pool*, 1998)...

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