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Current issues

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Articles this month:

Beep-beep, VfM-VfM

The Financial Conduct Authority (FCA), working with the Pensions Regulator and the Department for Work and Pensions (DWP), has published consultation paper, CP26/1, The Value for Money Framework: Response to Consultation, Further Consultation and Discussion Paper. The further consultation element covers the detailed rules for contract-based schemes and the issue for discussion is whether these rules are also suitable for trust-based arrangements.

The purpose of the value for money (VfM) regime is to improve long-term value and comparability in workplace pensions by increasing transparency about performance. The joint consultation paper sets out detailed rules for contract-based arrangements, including disclosure requirements, benchmarking against a wider comparator group, and the introduction of a four-tier rating system (Red, Amber, Light Green, Dark Green) to assess value for money. It also outlines plans for a central database to support consistent comparisons and transparency.

The FCA is asking whether the rules are also suitable for trust-based occupational pension schemes. Trustees are invited to share views on how the framework might work in practice, and whether adjustments are needed to reflect the governance and fiduciary responsibilities unique to trust-based arrangements.

The consultation runs until 8 March 2026. Implementation on the trust-based side will be subject to the successful passage of the Pension Schemes Bill. The DWP plans to consult on draft regulations to implement the VfM framework for trust-based schemes, and the Pensions Regulator will consult on any codes of practice or guidance that are required.

Regulator guidance

The Pensions Regulator has published a blog and guidance to help trustees understand the VfM proposals, and encourage them to respond to in the consultation exercise. The guidance gives an overview of the framework and notes the proposals that will be most relevant to trustees. It also explains how assessment and reporting would operate.

A Grand affair—the Pension Schemes Bill

In January 2026, a Grand Committee of the House of Lords began its scrutiny of the Pensions Schemes Bill. In this article we take a canter through the five days' worth of proceedings (so far).

The Committee Stage involves clause-by-clause analysis, and presents opportunities for peers to propose amendments. As is customary for a Grand Committee, however, all such amendments were withdrawn after debate (none was pressed to a vote). Some may resurface at the next (Report) stage.

Day 1 (12 January)

The opening Grand Committee session saw peers debating the statement of purposes at the start of the Bill (Viscount Younger wanted more detail); the procedure for delegated legislation (Lord Sharkey wanted more-rigorous Parliamentary scrutiny); and changes to Local Government Pension Scheme (LGPS) investment arrangements and governance (there was some probing by Baroness Altmann, Baroness Bowles and others about the scope of the powers that the Government is conferring upon itself, with the Minister, Baroness Sherlock, reassuring them that it couldn't lead to mandatory allocations).

Day 2 (14 January)

The subject of the second sitting was, again, the LGPS. Conservative peers voiced concerns about the scope of the Government's power to impose fund mergers. Lord Willetts extracted reassurance from the Government that the power wouldn't be used to pursue a particular investment strategy.

Later, the Tory peers pushed for a review of costs and sustainability, concerned that whilst the Scheme is now (overall) in a healthy state of surplus, that change of funding position hasn't yet filtered through to employer contribution rates, and that some participating employers are still paying secondary contributions (akin to deficit-reduction contributions). There was particular concern about the implications for admission bodies (broadly, private-sector participating employers), and more specifically housing associations.

Day 3 (19 January)

In the next sitting it was the turn of DB-surplus-reform. The Government argued against all efforts to tweak the Bill's provisions, for example to mandate surplus sharing, require benefit enhancements as a pre-condition, or allocate part of the surplus to providing members with financial advice. Lord Palmer sought post-commencement reviews looking into pre-'97 pensions indexation and State-scheme deductions. Lord Sikka argued for trustees to have priority over other unsecured creditors if employer insolvency follows within ten years of a surplus refund.

Day 4 (22 January)

The fourth session covered defined-contribution (DC) matters, such as value-for-money (VFM) and automatic small-pot transfers. The hottest and most-controversial topic, though, was clause 40, containing the scale and asset-allocation conditions. Opposition to mandatory asset-allocation was all-but-universal; Baroness Bowles called the Government's reserved power a '*devil's clause'*.

Baronesses Altmann and Noakes suggested that the scale condition is causing market disruption, so that providers with default funds under £25bn are already finding it harder to attract investment. Attempts to include new exemptions, for providers with strong performance, or innovative features, were resisted; Baroness Sherlock denied that the Government is '*obsessed with scale*'.

Baronesses Bowles and Altmann were concerned that investment trusts don't help fund meet the asset-allocation condition. Bowles expressed a preference for a 'comply or explain' approach rather than mandatory allocation levels, which she said

> '*does nothing but harm. It is economically inept, competitively unfair, legally unprincipled and blind to the regulatory opportunities that have only just come on stream.*'

Lord Sharkey suggested that it would create artificial demand for UK assets, and questioned the strength of the evidence that higher levels of UK and private-markets investment would improve outcomes. Lord Vaux asked about liability if mandated assets perform poorly. Lord Younger and Baroness Stedman-Scott

> '*oppose... the principle of the State directing investment decisions and, in doing so, cutting across trustees' fiduciary duty to act in the best financial interests of their members.*'

Younger mentioned the danger of a future Government using the power before it expires at the end of 2035, and warned that

> '*Fiduciary duty is not a technicality. It is not an inconvenience to be managed around. It is the constitutional principle of the pensions system. Once we accept that Ministers can direct asset allocation by regulation, we cross a line that will be extremely difficult to uncross.*'

Baroness Sherlock refused to accept that the reserved power cuts across fiduciary obligations and consumer duty. She said that the Government doesn't expect to use it, having been encouraged by progress on the Mansion House Accord, and noted that there will be a '*savers' interests*' exemption.

Day 5 (26 January)

The fifth session was the setting for more genteel combat over clause 40. Baroness Sherlock offered justification for the £25bn scale benchmark, and rejected amendments that would have exempted high-performing and innovative schemes from the asset-allocation condition, as well as attempts to redefine what will count as '*qualifying assets*' away from just unlisted private assets (the investment-trust issue again). She also resisted an attempt to cap the required qualifying assets percentage at 10%. The gist of her response was that the reserve power is a 'backstop' for the Mansion House Accord, and therefore the Government is determined that the details of the asset-allocation condition must follow those of Accord.

There was some debate about bringing forward the 2035 sunset date for the reserved power. Sherlock said the expiration date was a judgement call based on competing pressures. Lord Davies (Labour life peer and, much more importantly, an actuary) spoke in support of the mandating power, but asked

> '*Do the Government understand that the inevitable corollary of mandation is responsibility for the outcome?*'

Time ran out before Baroness Sherlock could respond, so the clause-40 debate will almost certainly run over into its third day.

Extra time

The five originally scheduled sittings passed without their lordships getting near such exciting subjects as the contractual override that would allow FCA-regulated schemes to transfer members without their consent, the obligation to provide DC 'guided retirement' solutions, the statutory supervision regime for DB superfunds, the Government's solution to the Virgin Media issue, indexation of pre-06.04.97 benefits by the Pension Protection Fund (PPF), the Pensions Ombudsman's jurisdiction in overpayments cases, and PPF levy reform. It was unsurprising, therefore, when two further sittings (on 3 and 5 February) were added to the schedule for the Grand Committee's scrutiny of the Bill.

Prepping for private-sector dashboards

The Pensions Dashboards Programme (PDP) is seeking views on a proposed approach that would see it collaborate with the industry to support the development of private-sector dashboards (PSDs).

The PDP's focus so far has been on getting the infrastructure in place for the government-backed dashboard that will be run by the Money and Pensions Service (MaPS). The MaPS dashboard will be the first available to the public and is designed to allow savers to view all their pensions, including State pension, in one place. Although the MaPS dashboard remains the priority, it's the Government's intention to allow PSDs, to provide savers with greater choice.

The PDP proposes using an 'industry participant' model, similar to that used in the development of the MaPs dashboard, to help shape the delivery of PSDs. The model involves collaboration between PDP and industry representatives on a working group that would help define the processes and requirements for connecting PSDs, support the development of standards, assist with digital infrastructure, refine connection processes, and facilitate user testing.

The PDP notes that participation doesn't guarantee Financial Conduct Authority authorisation, but says that it will offer early insight into requirements and processes, which may help organisations prepare more effectively.

The request for feedback is open until 10 February 2026.

Death & (pensions) taxes

On 13 January 2026, the House of Commons debated the pensions inheritance tax (IHT) aspects of the Finance (No. 2) Bill 2024/26, during its Committee Stage. The IHT clauses were challenged, but remained part of the Bill following a vote. Various attempts to force the Government to produce assessments, conduct consultations and publish guidance (within six months) failed.

Lucy Rigby, Economic Secretary to the Treasury, said that the Government would publish regulations on the exchange of information between personal representatives (PRs) and scheme administrators this year. She also said that His Majesty's Revenue and Customs (HMRC) will publish comprehensive guidance in advance of April 2027 (when the change would have effect) and will provide interactive tools for PRs.

The House of Commons Public Bill Committee called for evidence on the contents of the Bill, including the pensions IHT . Written submissions should be made in good time before the Committee begins its scrutiny of the Bill, on 27 January 2026.

The House of Lords Economic Affairs Committee recommended that the Government alter its plans so as to provide personal representatives who've acted in good faith with a '*statutory safe harbour*' from late-payment interest. The Committee also said that the Government ought to extend the six-month deadline for payment of IHT to one year; and that HMRC should waive any interest and penalties incurred for at least two years, whilst the changes settle in. Other recommendations are intended to help PRs and otherwise make the process more workable.

Navigating Virgin territory

The Financial Reporting Council (FRC) has published guidance for actuaries who are asked, under provisions included in the current Pension Schemes Bill, to confirm whether (in the actuary's opinion) a historical alteration to the rules of a contracted-out defined-benefit (DB) scheme would have prevented it from continuing to meet the associated statutory conditions. The FRC's message is generally that it's possible to take a pragmatic and proportionate approach to the undertaking.

The history

The Bill clauses are a response to the *Virgin Media* judgment.[1] In that case, the High Court and the Court of Appeal confirmed that certain purported rule amendments would be held void in the absence of contemporaneous written actuarial confirmation of the scheme's ability, after the changes, to continue to meet the statutory test (the 'reference scheme test') for contracting out of the State additional pension scheme.[2] In practice, that might also affect cases where historic confirmations cannot be located now.

Following appeals for Government help to overcome the difficulties of demonstrating, many years later, that such written confirmations were given; and the upheaval and cost implications that would flow from inability to

[1] *Virgin Media v NTL Pension Trustees II & others* [2024] EWCA Civ 843.

[2] Such confirmation was required under section 37 of the *Pension Schemes Act 1993* and regulation 42 of the *Occupational Pension Schemes (Contracting-out) Regulations 1996* (SI 1996 No. 1172).

locate them, the Government agreed to provide a legislative solution. Clauses were added to current Bill as it underwent its House of Commons Committee Stage in early September 2025.

Under the proposed legislation, a historical alteration would be validated if the trustees or scheme manager obtain their scheme actuary's written confirmation that, in the actuary's opinion, it's '*reasonable to conclude*' that the change would not have prevented the scheme from meeting the reference scheme test. The scheme actuary would be permitted to take any professionally acceptable approach, such as making assumptions or relying upon presumptions, and could use such information as is available and sufficient for the task.

The guidance

The FRC's guidance is intended to help actuaries navigate their way through the legislative solution. It isn't mandatory, and the FRC describes it as being '*practical* [and] *non-prescriptive*'. The guidance is subject to change until such time as the Bill becomes law.

The FRC offers advice on when it might be reasonable to conclude that the reference scheme test would have been met following a rule amendment, saying that it requires a reasonable exercise of judgement, rather than certainty. Examples are provided to aid understanding. Whilst most of the examples illustrate the scope for flexibility, two paint scenarios in which an actuary feels unable to provide the confirmation statement.

On the question of what approaches are available, the FRC encourages actuaries to consider what's proportionate, saying for example that it's not necessary for them to try to step into to the shoes of the scheme actuary who was in place at the time of the rule change, or to obtain all of the data that would have existed at that time.

Actuaries are expected to use their professional judgement and encouraged to use data that's readily available without disproportionate time and effort; a flow-chart shows the levels of data that might be required in different circumstances. The FRC says that it generally won't be necessary to obtain complete member data to form an opinion, noting the flexibility built into the legislation and the ability to make reasonable assumptions (including assumptions about information that's unavailable).

At the request of the Institute and Faculty of Actuaries, the FRC has also included a section on professional and ethical considerations. It expects actuaries to assess their level of understanding of the relevant law and guidance, but cautions on the risks of being drawn into giving advice on matters outside of their sphere of expertise, such as legal issues. It emphasizes the need for actuaries to act with integrity, and without bias or conflicts of interest.

We're happy to see that the FRC has prioritized proportionality and pragmatism. Although aimed at actuaries, it should also be helpful to others, such as trustees.

It's rather unusual for guidance to be published before changes become laws, but the FRC explains that it was done 'To give actuaries sufficient time to prepare' for the legislation, which is set to come into force as soon as the Bill receives Royal Assent, and becomes the Pension Schemes Act 2026.

ARGA-naught*

The Government has shelved a plan to establish a statutory basis for the regulation of the actuarial profession.

In 2019, amid the fall-out from the insolvency of the Carillion group and other companies, the Conservative Government announced that it would replace the FRC with a new statutory regulator, which it dubbed the Audit, Reporting and Governance Authority (ARGA). As part of that revamp, the FRC's role as overseer of the actuarial profession was to be placed on a statutory footing. The King's Speech in 2024 included the current Labour Government's intention to bring forward an Audit Reform and Corporate Governance Bill.

The news about the parking of the proposal for actuarial regulation was broken shortly before Christmas by the Institute and Faculty of Actuaries (IFoA). The IFoA welcomed the development, saying that it had been concerned about the possible unintended consequences of attempting to define actuarial work in an Act of Parliament. It will instead work with the FRC to update the Memorandum of Understanding that exists between the organizations, as the basis for a '*modern, proportionate regulatory framework*'.

On 20 January, the background to the decision came further into focus when the Department for Business and Trade said (whilst announcing a '*growth package and red tape review*') that the Government was '*scrapping the Audit Reform Bill to avoid significant new costs for large firms*'. On the same day, the Department published a letter from the Minister for Small Business and Economic Transformation to the Chair of the House of Commons Business and Trade Committee that expands upon the rationale for the decision. The Minister says that the ARGA plan might have increased costs on business, that progress made since the Carillion collapse means that there's now less need for major reform, and that there's currently a dearth of time available for such a Bill in Parliament's calendar. Although the Government intends instead to simplify and modernize corporate reporting, it '*will still look to put the Financial Reporting Council on a proper statutory footing, as soon as parliamentary time allows.*'

*Regrettably, no-one involved in these developments appears to have been named Jason.

HMRC newsletters: January 2026

Pension Schemes Newsletter 177, from His Majesty's Revenue and Customs (HMRC), has articles for non-UK-resident scheme administrators (who will have to become UK-resident by 6 April 2026, or exit the scene), administrators and practitioners interested in joining a research panel on the forthcoming process for assessing and paying pensions-related inheritance tax, and administrators of relief-at-source schemes. There are also some statistics on the (c. £46m worth of) tax refunds made from October – December 2025 related to defined-contribution 'pensions flexibility' payments.

In other tax-related news—

- Torsten Bell, acting in his Treasury role, said recently that there will be more lifetime-allowance-abolition regulations in the spring, covering (for example) scheme-specific lump sums for those with enhanced protection.
- HMRC launched (as promised in *Pensions Schemes Newsletter 176*) the facility to check lifetime-allowance protections and enhancements, via the online Managing Pension Schemes service.

And Finally…

AF fears that, having now spent some years following pensions activity in Westminster (Parliament, not Piccadilly), he might have become inured to its eccentricities to the extent that they've been rendered effectively invisible (like the gorilla in the famous test of inattentional blindness). At least, right up until the point, during the first House of Lords Grand Committee sitting on the Pension Schemes Bill, when he was smacked in the face by one of them.

The Official Report of debates in Parliament (better known as Hansard, which must be the world's worst acronym) marks the moment when Baroness Wheeler stood up to speak with the legend, '*Captain of the King's Bodyguard of the Yeomen of the Guard and Deputy Chief Whip*'.

Our extensive research (yes, Wikipedia) reveals that the Yeomen of the Guard is, along with the Yeomen Warders of the Tower of London, the oldest existing British military corps. You may know the two, collectively, as the Beefeaters (terrible, *terrible* camouflage kit—unless they're standing beside post-boxes). The Yeomen of the Guard was established in 1485 by King Henry VII, after the Battle of Bosworth Field, toward the end of the Wars of the Roses. History buffs and coerced schoolchildren will remember that at the conclusion of said battle Henry Tudor spotted found Richard III's crown under some shrubbery, and Richie found him himself destined for the long sleep under a Leicester car park. [*Community Note:* AF*'s knowledge of English history is largely gleaned from the BBC children's television series* Horrible Histories*, and therefore frequently comes in the form of musical parody.*]

Previous holders of the office of Captain of the King's Bodyguard of the Yeomen of the Guard include John de Vere, the 13th Earl of Oxford, and Sir Walter Raleigh (twice). Honourable mentions go also to Pattee Byng, 2nd Viscount Falmouth, Heneage Finch, 4th Earl of Aylesford, and Ulick de Burgh, 1st Marquess of Clanicarde, simply for having tremendous names.

If Baroness Wheeler hasn't gotten an enormous ceremonial sword and an unusually shaped hat out of this, *AF*'ll be sorely disappointed…

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