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Consolidating power

The Department for Work and Pensions (DWP) has published [proposals](#) for the ‘*building blocks*’¹ of a system for automatic consolidation of small defined-contribution (DC) pots, which would take effect in 2030. The basic elements include details of the authorization and supervision of consolidator schemes, the process that will lead to consolidation, and the digital infrastructure that will enable it. Responses to the consultation will help to shape the DWP’s implementation of the system.

History

The need for a response to the proliferation of small, deferred DC pots, which has increased since the advent of automatic enrolment, has been under discussion now for over a decade. In that time, several possible policy solutions have been aired: readers may recall shorthand descriptors like ‘pot-follows-member’ and ‘lifetime provider’, each of which have had their fifteen minutes of fame. The Government established an industry working group, in 2020, to explore the options.

In 2023, the DWP concluded that it pursue a ‘*multiple default consolidator*’ model for the system. Each eligible pot would be allocated to one of the schemes authorized to operate as a consolidation vehicle, and would be transferred to it unless the member opts out or chooses an alternative. The legislative groundwork for the system is contained in the *Pension Schemes Act 2026*.

¹ As the Pensions Minister, Torsten Bell, describes them in his introduction to the consultation document.

The regulation-making power bestowed upon the DWP by the Act applies to small, dormant DC pots. A pot is deemed '*small*' in this context if it doesn't exceed £1,000; it becomes '*dormant*' twelve months after receiving its last contribution, provided the member hasn't played any active role in determining how the funds are invested.

Consultation

It's notable that there will be parallel systems for the trust- and contract-based worlds, overseen by, respectively, the Pensions Regulator and the Financial Conduct Authority. The DWP is keen to ensure that there's a high degree of parity in standards and outcomes between the two.

Eligibility

In addition to the basic pot-size and dormancy criteria discussed above, the DWP proposes allowing for the temporary exclusion of pots that are 'paused' during (for example) overseas secondments, periods of extended parental leave, or other planned career breaks. In such circumstances pots would be excluded from consolidation, and would only become eligible again if inactivity persists for twelve months after the end of the 'pause' period. The DWP is gathering information to enable it to assess the likely impact of the proposal, and will publish its findings when it announces the outcome of this consultation exercise.

Self-selected investment arrangements will be out of scope for consolidation, initially. The DWP is gathering data on the implications for members of Sharia-compliant funds. It proposes to give trustees² discretion to exclude classes of members who are invested in arrangements catering to other values-based requirements, and invites views on how the proposal might be accomplished.

It also intends to exclude schemes that are being wound up when the small-pots provisions come into force, and, at least in the initial phase, schemes with fewer than 100 members.

Pots that come with guarantees will generally be excluded from automatic consolidation, but trustees will have discretion if they conclude that the benefits of consolidation outweigh the value of the guarantee (members will still have the option of opting out). Members with pots that are *excluded* from automatic consolidation because of guarantees will have to be informed, and will be able to opt into a transfer.

Pots *won't* be excluded automatically from scope because members have '*protected pension ages*' (PPAs) within their current scheme: those are rights to retire earlier than the normal minimum pension age that's in force at the time, under the tax legislation. However, it's expected that ceding-scheme trustees will have discretion to exclude them from small-pots consolidation if it would result in disadvantage to the member, for example if it wouldn't qualify as a '*block transfer*' that fully preserves PPA entitlements.

Member communications

The DWP envisages the use of standardized communications to inform members about consolidation proposals. They would include details of the default proposal, any alternative open to the member, and the consequences of inaction. Although the member would be told about the choices available, the design assumption would be that most recipients will not actively respond.

Those receiving their first small-pot consolidation communication would be told about their ability to opt out, the default transfer destination if they take no action, and the available alternatives. If the recipient is already a

² And managers of non-trust schemes, but we'll stick with 'trustees' in the interests of brevity.



member of an authorized consolidator, that scheme would be the default. They would be given thirty days in which to respond, though trustees would have discretion to accept late opt-outs.

There is an open question about what ought to happen when auto-consolidation is triggered on a second or subsequent occasion for members who've already had pots transferred to an authorized consolidator. The DWP asks for respondents' views on how best to explain the implications of pension-pot fragmentation, and whether communications in such cases should exclude alternatives to the default (transfer to the member's existing consolidator), given that such alternatives wouldn't lead to reduced fragmentation.

Whilst the Government doesn't wish to encourage members to make choices that perpetuate fragmentation, it recognizes that any choices that are made ought to be informed choices. On that basis it thinks that members might need to be given details of schemes' value-for-money (VFM) ratings, fund charges, investment strategies and other key features.

Consolidators

Trust-based consolidators will have to be DC master trusts, and the Government's plans in that area rest heavily on the existing authorization and oversight system for such schemes. A new Pensions Regulator Code of Practice can be expected. An analogous system will apply to contract-based consolidators, under FCA regulation.

In addition to the requirements of the master-trust regime, consolidators will need to—

- accept any pots transferred via the small-pots system;
- qualify as vehicles for auto-enrolment compliance;
- honour members' protected pension ages; and
- have only one default investment arrangement.

The DWP is seeking respondents' input on whether authorized consolidators should have to—

- meet the minimum £25bn DC scale requirement contained in the *Pension Schemes Act 2026*, or be on one of the transition pathways towards that minimum scale;
- meet the £25bn requirement with *no* transition-pathway option; or
- meet a more-onerous scale requirement (higher than £25bn).

The Government is also considering how to prevent small pots from being eaten up by any flat fees charged by consolidators. It proposes to review the £100 *de minimis* restriction that currently applies to all auto-enrolment default arrangements, and implement any change in 2030, when small-pots consolidation commences; but it's willing to hear arguments for other approaches, such as imposing a higher *de minimis* (£1,000 is given as an example) only for small pots transferred to consolidators.

Other potential conditions for operation of an authorized consolidator are discussed. For example, it's likely that they will need to have a light- or dark-green (the highest grades of) VFM rating. Initially, at least, consolidators will be encouraged (but not required) to have one pot per member, where that's in the member's interest. They will almost certainly need to offer a Sharia-compliant option, eventually, once the VFM framework is extended to those sorts of funds.

Infrastructure

The system would be built around a '*federated delivery model*', with central oversight, rather than a fully centralized system. It means that responsibility for the practical operation of the system would largely rest upon the governing bodies of the ceding schemes (those holding the small pots) and the consolidators, who will need to interact to establish whether a member already has funds held by a consolidator, where the small pot should go otherwise, and to process resulting transfers.

A central oversight body (COB) would be responsible for setting the standards and rules that will underpin the system, and for supporting and supervising the interactions necessary for its operation. The details (identity and constitution, for example) of the COB have yet to be decided.

There are other decisions still to be made about the appropriate balances between prescription and flexibility, and legislation versus guidance and standards. The DWP is hoping to build as much as possible upon the work already undertaken to establish the pensions dashboards infrastructure and standards. Matching of members to existing pots held with consolidators would work similarly to the process involved in the dashboards system in the sense that the result would be either a match, a possible match, no match, or 'more information required'.

Where a scheme member has multiple consolidator-held pots, the default for transfer will be the largest one. If he or she has none, a centrally governed 'carousel' allocation mechanism will choose the default destination. The details of the carousel system are still to be decided.

Although, under the preferred federated delivery model, the DWP doesn't envisage there being a central matching system, it thinks that there might need to be a secure digital interface, under the auspices of the COB, through which participating schemes can find one another and interact. It would allow ceding schemes to determine the current list of authorized consolidators and establish secure communications; consolidators could use it to confirm their compliance with standards and provide verification that their responses to ceding schemes are legitimate.

Employer duties

The advent of small-pots consolidation is likely to place new obligations on scheme members' employers too, built upon existing auto-enrolment processes. The consultation paper suggests, for example, that they will be expected to obtain email addresses from their employees and supply them to those running their pension arrangements. They'll also have to keep their employees' details—names, significant dates and addresses—up to date. It's also suggested that employers would be a natural source of information about career breaks during which small-pots consolidation should be suspended (see '*Eligibility*', above). The intention is that these new obligations would commence from a single date, but that employers would be given up to one year in which to comply, and that records would have to be updated at least annually thereafter.

What's next?

Responses to the consultation should be submitted by 17 November 2026. The Government intends to use the comments that it receives to produce draft regulations, which will be circulated when it announces the outcome of the consultation exercise. It's expected that there will be an additional consultation exercise in late 2028 or early 2029. The small-pots consolidation system would commence operations in 2030.

Modern employees change jobs frequently, are likely to have multiple employers over their lifetimes, and consequently multiple pension pots. While there is growing attention to pensions adequacy, it is important that it considers past as well as current employees, so that deferred members benefit too.

An effective system for consolidation of small, dormant pots, combined with the drive towards dashboards, could help battle current inertia, and result in better understanding and engagement, and ultimately better retirement outcomes.

Even at this early stage, it's clear that the small-pots consolidation system will entail significant new obligations for employers and, especially, pension scheme trustees.

Converting words into deeds

The Department for Work and Pensions (DWP) is [consulting](#) on proposed amendments to the secondary legislation on conversion of guaranteed minimum pensions (GMPs) into ordinary scheme benefits. The exercise is intended to clarify the GMP conversion process and help those who would like to use it to achieve equalization for GMP disparities. The proposed changes would affect the minimum benefits that converted schemes must pay to deceased members' survivors, determine when and which employers must consent to conversion, and provide an alternative process for actuarial certification of individual conversion calculations.

Background

The *Pension Schemes (Conversion of Guaranteed Minimum Pensions) Act 2022* stands ready to amend the primary GMP conversion legislation to remove detailed requirements about post-conversion survivor's benefits, and an obligation to obtain consent for conversion from the members' employer, and instead allow for the specifics to be set out in regulations. The DWP's draft legislation would fulfil that task. The Act would also repeal an anachronistic requirement to notify His Majesty's Revenue and Customs in advance of or immediately following conversion. The Act will need to be brought fully into force in conjunction with the finalization of the regulations.

Consultation proposals

Survivors

The DWP proposes that the minimum post-conversion survivor's pension should be half of the entire member's pension—not just the GMP—attributable to employment between 6 April 1978 and 5 April 1997 (inclusive of those dates), *if* the survivor is the widow in an opposite-sex marriage; or is a woman by virtue of a gender-recognition certificate that was obtained after marriage to a female member. For all other relationships, the minimum would be 50 per cent of pension accrued by the member during the period from 6 April 1988 to 5 April 1997.

The amendments would also govern the period for which the minimum survivor's pension must be payable. The current requirements reflect the rules applicable to GMPs, which are in turn derived from the historical eligibility conditions for State survivors' pensions. The DWP proposes to simplify the requirements slightly, with the result that survivors' pensions would be payable in a somewhat broader range of circumstances.

The rationale for the DWP's approach is that most schemes' rules for survivors' pensions are more generous than the current legal minima. It has identified an opportunity to simplify GMP-conversion, and thinks that in most cases the resulting administration-cost savings will outweigh any benefit-cost increases.

Employer consent

Legislation currently says that, before GMP conversion can happen, the employer of the affected members must give its consent. The rules don't cater for the possibility that no such employer can be identified in a particular case.

The amended legislation would instead require consent from the '*relevant person*', if any such person exists. The DWP intends to define '*relevant person*' to point to an employer with obligations toward the scheme under the scheme funding legislation. In a multi-employer scheme, it will be possible for the employers to nominate one of their number to give consent on their behalf.

Actuarial certification—individual calculations

It's also a condition that post-conversion benefits are at least as valuable, actuarially, as the pre-conversion benefits; and the scheme actuary must provide a certificate to that effect. The DWP has recognized that whilst the current actuarial-equivalence requirements work satisfactorily when the GMPs of multiple members are being converted collectively, they are cumbersome when it is done individually, for example at retirement, because a separate certificate is required for each instance.

The DWP is proposing to keep the existing requirement for bulk exercises, but introduce a separate route for certification of actuarial equivalence when conversion is to be undertaken case-by-case. Under the proposed new process, the actuary would certify the advised calculation method, rather than the before-and-after values of the benefits. The certificate would provide assurance that conversions performed in accordance with the specified method would produce benefits that are at least as valuable as those to which the member was previously entitled.

The calculation specification would cater for the effects of changing market conditions, and could be subject to exclusions describing cases in which the method cannot be used with confidence. The certificate's validity would have to be reviewed at least annually. The DWP also wants to ensure that the actuary's advice is revisited more frequently if subsequent developments make that appropriate, and asks how best to provide for that eventuality.

Pipeline cases

The amended requirements would not apply to conversion exercises that are already in progress. More specifically, they won't affect exercises that have reached the stage where trustees are making arrangements to consult affected members about the planned conversion. If those trustees wish to make use of the revised rules, they can, however, consult (members and surviving beneficiaries) afresh.

Next steps

Responses to the consultation proposals should be submitted by 29 October 2026.

The proposals are helpful and could lead trustees to reconsider their options. While it's more common for them to address GMP-equalisation using a dual-records method, conversion provides a route to removing all GMP-related complexities from a scheme, providing members with simpler benefits of the same value. Countering the general trend toward increasing complexity, conversion could make schemes easier to run in future.

Adequacy autopsy underway

The House of Commons Work and Pensions Committee has [called for evidence](#) for an inquiry into the adequacy of automatic-enrolment minimum contributions.

The Committee asks:

- To what extent do minimum AE contributions need to increase?
- How should any contribution increase be shared between employers and workers?
- What are the trade-offs for employers and workers between current needs and long-term savings? How might policy design help balance them?
- What would be an appropriate timetable for any increases?
- Is there also a case for reducing or removing the lower earnings limit on contributions and/or the earnings trigger for auto-enrolment?
- To what extent are employers and the public persuaded of the need for contributions to increase?

Responses should be submitted by 26 October 2026.

Fixed outlook

The Department for Work and Pensions (DWP) is [proposing](#) to hold fixed-rate revaluation of guaranteed minimum pensions (GMPs) at its current rate of 3.25 per cent. The outcome of the consultation exercise will determine the annual revaluation, until GMP age (60 for women, 65 for men), of the GMPs of those who leave pensionable service after 6 April 2027.

GMP revaluation

The default position is that GMPs for early leavers revalue, like those for members still in pensionable service, in line with increases in average UK earnings. That default is often described, by reference to the legislation under which the Government confirms the relevant earnings-increase rate, as ‘section 148’ revaluation.³

As an alternative to the default revaluation method, which involved a level of uncertainty about future revaluation rates, scheme rules can instead provide for fixed-rate revaluation.⁴ The fixed rate is based on expectations of earnings growth, and has generally been subject to quinquennial (five-yearly) reviews, at which the Government takes advice from the Government Actuary’s Department (GAD).

³ The reference is to section 148 of the *Social Security Administration Act 1992*.

⁴ A third option, limited-rate revaluation, was available historically, and may remain relevant in legacy cases.

Proposal

For the current review, the GAD advised the DWP to set the rate somewhere from 3% to 3.5%. It suggested that, for the purposes of public consultation, the Government could ask for respondents' views on whether that was the appropriate range, and then set the rate after considering responses; or that it would be reasonable to propose to retain the current 3.25% fixed-rate, which lies at the midpoint of the range. The DWP has taken the latter approach.

Responses to the consultation proposals should be submitted by 29 October 2026.

Limited opportunities to grow

In a [speech](#) at the Labour Party Conference, Prime Minister Andy Burnham announced a plan to constrain the State pension 'triple lock', to save money that could be spent instead on social-care reforms. More detail was subsequently given in a [10 Downing Street press release](#).

Legislation for the triple-lock change would be put in place during this Parliament, but it wouldn't be implemented until April 2030. The current triple-lock mechanism would be maintained for the rest of this Parliament (the next general election is due to be called by August 2029 at the latest).

Out with the old...

The current triple-lock calculation means that the basic and new State pensions are increased each year by whichever of the following is highest:

- price inflation;
- 2.5%; and
- earnings growth.

That produces a 'ratcheting effect' that, over time, increases the values of those State pensions relative to average earnings.

... in with the new

The new uprating mechanism would retain the same three moving parts, but apply them in a different way. The plan is for a variation on the 'smoothed earnings link' concept that has been advocated at various times by (for example) the [House of Commons Work and Pensions Committee](#) (in 2016), the Resolution Foundation (in [2018](#) and [2020](#)), and the [Institute for Fiscal Studies](#) (in 2025).

The basic and new State pensions would be guaranteed to increase annually by at least price inflation or 2.5% (whichever is highest). Greater increases would be awarded when necessary to ensure that the pensions keep pace with UK earnings growth, as measured from the date of the change onward. The difference between the new arrangement and the old would become apparent following years in which increases in excess of earnings growth are awarded, whether via the price-inflation or fixed 2.5% factor. Thereafter, the possibility of earnings-based increases would be temporarily withheld—only the price-inflation or fixed increase would be given—until the pension reverts to the chosen level relative to earnings.

Another way of thinking about it is that the triple-lock triumvirate listed above would become—

- price inflation;
- 2.5%; and
- the increase (if any) necessary to bring the State pension back up to the desired level relative to national earnings.

The revised 'triple lock' would thereby avoid the ratcheting effect that makes the current arrangement so unpredictably expensive.

More information

The Department for Work and Pensions has published an [analysis](#) of the implications of the intended change to the triple lock, and the Institute for Fiscal Studies has produced a handy [explainer](#).

The triple lock can't continue in its current form indefinitely, but reform shouldn't be a simple cost-cutting exercise. What's needed is a clear adequacy target and protection against inflation. The Prime Minister should be applauded for seizing the bull by the horns, providing certainty for current pensioners and hope (this year's Labour Conference mantra) for the next generation.

Privacy concerns

The Pensions Regulator has [published](#) a 'Market Oversight' report based on the findings of a survey of private-markets investment. It concludes that trustees and their advisers are generally open to the idea, and that there's evidence of larger defined contribution schemes making inroads (but generally less enthusiasm in the defined-benefit world, for understandable reasons). The report identifies factors that may be holding trustees back from more involvement, and closes with some steps that it thinks trustees ought to consider taking.

Perceived obstacles to greater participation in private markets include—

- skills and knowledge gaps;
- reluctance, in light of fiduciary duty, to set investment targets;
- the time-lag from decision-making to actual investment;
- statutory obstacles such as those concerning performance-based fees and employer-related investment rules;
- compatibility (or lack thereof) with guided retirement;
- market uncertainty;
- fee concerns;
- limited access to venture capital;
- inconsistency in disclosures increasing the difficulty of due diligence and monitoring; and
- a lack of suitable opportunities.

The Regulator encourages trustees to think about—

- their scheme's future and how that might affect their investment-governance arrangements;
- identifying and filling knowledge gaps;
- the time and resources available to them and how they might change;
- reviewing their investment controls;
- the expertise that their advisers can contribute;
- engagement with developments in the industry; and
- exploring alternatives to pooled funds for private-markets investments.

Enforced fun

The Pensions Regulator has updated its [approach to enforcement](#), following a 2025 consultation exercise. It has also responded in a [separate document](#) to comments received in response to the exercise.

The Regulator says that the revised policy '*introduces a more focused, agile and outcomes-driven model that is better aligned with the changing risks in the pensions landscape, with a stronger emphasis on delivering real-world results*'. Those results '*include improvements in member security, governance and administration standards, and confidence in the pensions system*'.

HMRC news: September 2026

[Pension Schemes Newsletter 185](#), from His Majesty's Revenue and Customs (HMRC), has articles on—

- circumstances in which trustees may still need to submit a pension scheme tax return after they've told HMRC that the scheme has wound up;
- a proposed change to the taxation of the parts of some lump sum death benefits in excess of the lump sum and death benefits allowance—tax would still be charged at the recipient's marginal rate, but the excess wouldn't count as pension income for other tax purposes;
- the shuttering of *Pension Schemes Online* in April 2027, and the consequential need to ensure that schemes are migrated to the successor *Managing Pension Schemes* service, or wound up; and
- annual returns that are overdue from some relief-at-source scheme administrators, how to file them, and the consequences if they don't (claims they've submitted for interim payments of tax relief on member contributions claims won't be processed).

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