

Policy summary

A blockbuster Pension Schemes Bill

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The government has introduced the much-anticipated [Pension Schemes Bill](#) to Parliament, putting the wheels in motion on large-scale pension reforms affecting defined contribution (DC) and defined benefit (DB) pension schemes, including the Local Government Pension Scheme (LGPS). It's likely to receive Royal Assent in 2026, with secondary legislation required to bring provisions into force and add the all-important detail.

As widely anticipated, the Bill is a substantial piece of legislation, containing measures that build on announcements made in the 2024 King's Speech, the final report from the [Pensions Investment Review](#) and the government's responses to its '[LGPS: Fit for the future](#)' and '[Options for Defined Benefit Schemes](#)' consultations.

The Government's [press release](#) highlights the focus on securing better value for savers and driving long-term investment to boost economic growth in the UK.



Defined contribution pensions

In line with earlier announcements¹, the Bill confirms that the Government is proceeding to legislate to:

- Require multi-employer DC and group personal pension schemes to have at least £25bn of assets in their main scale default arrangement (AKA 'megafund') by 2030, or be en route to achieving that scale by 2035.
- Create the legislative framework for the planned Value for Money (regime such that all sizes and types of schemes will be subject to requirements to conduct annual VFM assessments.
- Address 'small pots' with a default consolidator system to automatically combine pots of £1,000 or less.
- Require DC schemes to offer 'default pension benefit solutions' that provide an income at retirement.
- Introduce a contractual override to allow contract-based providers to transfer members out of underperforming and legacy arrangements if in members' best interests.

Defined benefit pensions

Private-sector surpluses

As expected, the Bill confirms a move to modify rules on surplus extraction for well-funded DB schemes. The Bill will permit rule changes by trustee resolution, where necessary, to facilitate employer surplus payments. However, it leaves much of the detail to regulations—including the minimum funding conditions for a payment to be permitted (the Government has expressed a preference for the low-dependency funding basis) and the format of the required actuarial certification.

Local Government Pension Scheme (LGPS)

The Bill also confirms intentions for changes to the LGPS², including reforms to investment management and governance, with requirements for LGPS funds and pools to accelerate the consolidation of assets (reducing the number of pools from eight to six).

Superfunds

The Pensions Regulator (TPR) has operated an interim assessment regime for DB superfunds since 2020. The Bill introduces the long-awaited legislative framework, formalising the requirements and regulatory oversight. It establishes an approval process for transferring pension schemes, with some existing ambiguity removed, as well as the criteria for authorisation and supervision, including governance standards, financial thresholds and capital buffers – although the detail is left to secondary legislation. The Regulator will oversee superfunds, with powers to intervene in cases of concern; they will need to have appropriate management documents and reporting in place.


Other measures

The Bill will allow data from the Pension Protection Fund and Financial Assistance Scheme to be displayed on dashboards and extend their definitions of 'terminal illness'. It will give the PPF the ability to reduce its levy when not required without compromising its ability to raise more in future and establish the Pensions Ombudsman as a 'competent court'.

¹See our 60-second summary, [Government fires starting pistol for pension reforms](#) for more details.

²See our [Policy Briefing Note](#) for more details.





Next steps and the Government's roadmap

The Bill will now be scrutinised and debated by the House of Commons and the House of Lords. Consultations and discussion papers are expected as secondary legislation is developed.

The Department for Work and Pensions (DWP) has published a [workplace pensions roadmap](#) giving the sequence and indicative timings of the reform milestones. It suggests that surplus regulations and guidance might come into force by the end of 2027, whilst the DWP and TPR will work to establish the permanent market for DB Superfunds by 2028. The timeline for implementation of DC measures is driven principally by the 2030 date for the minimum-fund-size requirement. It confirms that the delayed second phase of the Pensions Review, focusing on the adequacy of retirement incomes, will begin 'in the near future'.

The Pension Scheme Bill would make some of the biggest changes to the pensions landscape that we've seen for years. It's a bold step toward the Government's ambitions for scale and consolidation, and we are pleased to see a roadmap laid out. However, with much of the underlying mechanics and detail left to regulations, there is not yet a complete picture of what implementation will look like. The entire pensions industry will be watching closely for this detail to emerge over the coming months.

For more commentary, please see our [press release](#).



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