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Current issues

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Can we Bill it? (yes, we can, probably)

The Pension Schemes Bill has passed through the House of Lords, largely (though not entirely) intact. There were several reverses and setbacks for the Government along the way. It has the opportunity to repair some of the damage, but must do so before the end of the current parliamentary session, or the Bill will turn to rags in a puff of smoke, like Cinderella's dress on the stroke of midnight.

Report Stage

In preparation for the Bill's Report Stage in the House of Lords, the Government (in the form of Baroness Sherlock) laid a profusion of amendments. Most were corrections and other tweaks of a technical nature. However, there were also proposals for changes to:

- lay the groundwork for promised statutory guidance on trustees' investment duties (according to the amendment, the guidance would have been published within a year of the coming-into-force of the new clause,which would have occurred automatically, two months after the Bill received Royal Assent);
- provide for new Code-of-Practice material from the Pensions Regulator on the scale and asset-allocation provisions for defined contribution (DC) master trusts and group personal pensions (GPPs); and
- change the commencement of provisions laying the groundwork for a new value-for-money framework, so that they would be brought into force by regulations, rather than (as at present) at Royal Assent.

We’ll break from strict chronological order at this point, to reveal (*spoiler alert!)* that the first of those amendments was unsuccessful.

During the Report Stage itself, Opposition and Backbench members pushed through several amendments over the Government's objections. Some of those defeats were on the subject of the Local Government Pension Scheme (LGPS), where the amendments would:

- prohibit the Government from using its power to make regulations about the contents of investment strategies to require investment in particular assets, asset classes, or locations;
- require benchmarking of valuations; and
- allow mid-valuation-cycle reviews of employer contributions.

More broadly, there would have to be a review of the affordability, fairness, sustainability and accounting treatment of the main unfunded public-sector pension schemes (note that the LGPS is the paradigmatic example of a *funded* public-sector scheme).

Their Lordships made changes to several high-profile provisions affecting the private sector too. Most notably, it deleted the Government's controversial 'reserved power' to impose certain asset allocations on the default funds of master-trust and GPP schemes used for auto-enrolment. It is unlikely to have come as a great shock to the Government, given the volume and strength of negative feelings that had been expressed on the matter in Parliament and elsewhere.

More surprisingly, perhaps, the Government lost the vote on the proposal to give itself power to produce statutory investment guidance, to which trustees and fund managers would have had to ‘*have regard*’, on concepts such as ‘*financially material considerations*’ and the ‘*best interests of members*’. The amendment was intended to meet a commitment given by Pensions Minister Torsten Bell in the House of Commons, and had appeared to have broad support. However, Baroness Stedman-Scott, for the Conservatives, opposed the amendment on the grounds that it risked ‘*mandation by the backdoor*’, and she was supported by Liberal Democrat peers.

The Government also lost votes on:

- auto-consolidation of small, dormant pots: the definition of 'dormant' was changed so that there must be three years' inactivity (not one);
- the scale requirement: peers introduced an exemption if there's no evidence that consolidation would improve outcomes, and a requirement for the DWP to pay heed to competition and innovation concerns when producing regulations;
- member communications and financial-promotion rules: there would be a mandatory review.

Third Reading

The Bill passed at Third Reading in the House of Lords on 26 March 2026. There were more amendments, but they were essentially tidying-up measures, which is expected for this stage of a bill's gestation.

Baroness Sherlock (DWP Minister) acknowledged, however, that the Lords had made changes that the Government didn't want, and said that it '*will reflect carefully on these as the Bill moves to the other place.*' The ‘*other place*’, from the perspective of members of the House of Lords, is the House of Commons[1], where the Bill

[1] It's a bit like when theatre actors refuse to name *Macbeth* and instead call it 'the Scottish play', lest they fall prey to claymore-related mishaps.

will now go, on 15 April 2026, so that MPs can consider the amendments made in the Lords. Parliament is in recess until 12 April 2026.

The Government will almost certainly use its Commons majority to undo many of the amendments forced upon it by the Lords, such as the deletion of its reserved asset-allocation power. In the final round of back-and-forth ('ping-pong') between the Houses, however, there is opportunity for concession and compromise. That may be when we see the sort of clarificatory Government changes, limiting use of the reserved power to enforcement of the Mansion House Accord, that Torsten Bell seemed to promise at the recent Pensions UK Investment Conference.

One item that won't make a reappearance will be the proposed fiduciary-duties-guidance clause. Baroness Sherlock confirmed *that the Government cannot now put it into the Bill, because it was an amendment rejected by the Lords, rather than a feature deleted from the Bill that was sent up from the Commons. She said that the Government is reviewing its options for another way of meeting the commitment given by Bell and that, in the meantime, the technical working group set up to develop the guidance will continue its work.*

As noted, Parliament is in recess until 12 April. Rumour has it that this Parliamentary session will be prorogued (ended) last thing in April or early May, with the State Opening of the next session and the King's Speech set for the 13th (unlucky for some?). The timing of prorogation depends in part on the progress of Government bills, most of which will expire unless they receive Royal Assent before the end of the session. The closing stages of the Pension Schemes Bill could therefore become a game of chicken—although there are things in it that the opposition parties won't want to lose (guided retirement and indexation of pre-6.4.97 PPF compensation, for example).

Virgin territory: more navigational guidance

The Pensions Regulator has published guidance for trustees and managers of defined-benefit (DB) schemes who might need to make use of the Virgin Media remedy contained in the Pension Schemes Bill. It outlines their legal responsibilities and the Regulator's expectations, whilst giving 'practical tips'.

In the *Virgin Media* case[2], the High Court and Court of Appeal confirmed that historical attempted 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 'reference scheme test' for contracting out of the State additional pension scheme.[3] In practice, that might also affect cases where historical confirmations cannot be located.

The Pension Schemes Bill would, if it receives Royal Assent, provide a process for the retrospective validation of historical alterations. To take advantage of that remedy, trustees or scheme managers would have to obtain their scheme actuary's written confirmation that, in the actuary's opinion, it is 'reasonable to conclude' that the change would not have prevented the scheme from meeting the reference scheme test. The scheme actuary

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

[3] See section 37 of the *Pension Schemes Act 1993* and regulation 42 of the *Occupational Pension Schemes (Contracting-out) Regulations 1996* (SI 1996 No. 1172).

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 Regulator's guidance advises trustees to determine whether they are affected by the *Virgin Media* rulings, and to consult their lawyers, actuaries, administrators and sponsors (as appropriate) about matters such as the terms of the written request to the actuary, the timing of the work, and the information that will be required. The practical tips cover matters such as audit trails, member communication, data issues, and funding implications.

The Regulator, which would have no specific role in the statutory remedy, is not expecting to receive reports about action taken. It's said to be 'very unlikely' that any historical breach of legislation that is resolved using the remedy will be of relevance to the Regulator.

The guidance will remain provisional until the Pension Schemes Bill receives Royal Assent.

Tax text makes tracks

The *Finance Act 2026* received Royal Assent on 18 March 2026. The Act contains provisions that:

- extend the Treasury's power to make regulations connected with the abolition of the lifetime allowance;
- adapt the scheme-registration (and de-registration) powers and responsibilities of His Majesty's Revenue and Customs' to cover collective money purchase schemes; and
- bring some pension and lump-sum death benefits within the reach of inheritance tax (IHT), for deaths occurring on or after 6 April 2027.

Lifetime allowance abolition

The changes made to the lifetime-allowance-abolition legislation will, for example, allow the Treasury to use its regulation-making power up until 30 June 2026; the deadline was previously 5 April 2026. Pensions Minister and Treasury Secretary Torsten Bell said in January 2026 that regulations would alter the treatment of scheme-specific lump sums for members with enhanced protection from the lifetime allowance.

Pensions IHT

At the Report Stage, in March 2026, a Government amendment extended the circumstances in which death-in-service benefits will be exempted from the scope of the new pensions-IHT liability. The change removed a requirement that the benefit is payable in respect of an active member, while leaving a requirement that the member '*is in employment or other work of a particular description*'. So, for the exemption to apply, the member will only need to die while in employment with a scheme employer, rather than while actively accruing benefits.

The Government also changed the proposed ability for a deceased member's personal representatives to issue withholding notices to scheme administrators (temporarily capping the level of benefits that they can pay out). Consequently, withholding notices will also be an option for *prospective* personal representatives (for example, someone waiting for grant of representation).

Reserving judgement: master trusts

Following a review prompted by the Government's desire to lighten the burden of regulation, the Pensions Regulator has updated its guidance on the minimum financial cushion that authorised defined-contribution master trusts (MTs) must hold.

The MT capital-reserving requirements are intended to ensure the financial sustainability of the arrangements. The Regulator says that it wanted to evolve its approach to reflect the lessons that it has learned in the seven years since the authorisation regime was put in place, and to free-up capital for productive use, leading to improved member outcomes.

In summary, the Regulator is now open to persuasion that:

- an MT should be permitted to take account of expected future revenues so as to offset more than twenty per cent of its reserves;
- regarding its liquidity requirements, the cash element of reserves could safely fall below fifteen per cent; and that
- the arrangements made to meet prudential requirements set by other regulators should be taken into account for the MT authorisation regime.

FCA prioritises pensions

The Financial Conduct Authority (FCA) has outlined its priorities for the contract-based pensions and pensions advisory sector.

Beginning in February 2026, the FCA took a new approach to communicating its priorities to the firms that it regulates. It will now publish separate annual 'Regulatory Priorities' reports for each sector of the regulated community, rather than portfolio letters that firms build up a picture of the expectations relevant to their particular activities. The insurance sector was the first to benefit from the revised approach, but the FCA completed the suite of reports over the course of March, with the pensions-related instalment appearing on the 10th.

The FCA's priorities for the pensions sector are:

- well-run, value-for-money schemes;
- effective support for scheme members;
- enabling growth and innovation; and
- modernisation of pensions (including legacy systems and products).

The FCA subsequently published its work programme for 2026/27. So far as pensions are concerned, its plans include:

- a consultation exercise on amending the charge cap '*with the aim of facilitating access to a broader range of asset classes while maintaining an appropriate degree of consumer protection*';
- implementation of the new value-for-money framework;
- support for the establishment of pensions dashboards;
- adaptation of its rules to facilitate development of new digital tools that help with pensions planning; and
- ensuring consistency between the contract- and trust-based regulatory regimes.

Thin gruel for peers critical of IHT reforms

The Government has responded to House of Lords Economic Affairs Committee observations on the pensions-IHT reforms. Although it says that it has '*accepted 9 recommendations and partially accepted a further 31*', there are no further changes afoot to the policy or the compliance and tax-payment deadlines.

Some apparent concessions relate to changes announced at the time of the last Budget. Those include the option for a deceased member's personal representatives (PRs) to give notice to scheme administrators to withhold taxable benefits for up to fifteen months, and the relief from liability that PRs may obtain in respect of benefits discovered after His Majesty's Revenue and Customs has given a discharge certificate.

There is an indicative timeline for the production of, and publication of guidance about, the new information-sharing requirements that will flow from the reforms. The process is set to begin this spring.

PPF ties a bow on levy details

The Pension Protection Fund (PPF) has formalised its levy rules for 2026/27. As previously announced, its plans entail no levies for 'conventional' defined benefit schemes (those with substantive sponsoring employers), but continued imposts for the 'alternative covenant' variety (including superfunds).

The PPF confirmed in February 2026, before its release of the formal levy rules, that there would be no conventional-scheme levy.[1] With the final levy rules, it also published a policy statement giving its conclusions on the consultation exercise that it staged between November 2025 and January 2026. Answering challenges to the proposal to continue imposing levies on alternative-covenant schemes (ACSs), it acknowledges that such schemes are low-risk, currently, but says that rapid development could result in a concentration of risk, and that it wants to insulate conventional schemes from the resulting effects on the levies. It repeats its expectation that the risk-based levy for ACSs will be low relative to their liabilities, and says that there will be no scheme-based levy.

The PPF also says that it will keep the levy methodology under review, not least for the implications of the Pension Schemes Bill's provisions for indexation of compensation associated with pre-6.4.97 service, which won't affect levy calculations until 2027/28. Although the legislation will still require it to make annual estimates of the levies that it will seek to charge, the PPF has concluded that it shouldn't publish its figures, in recognition of the commercial sensitivities for ACSs.

As usual, the final suite of levy publications comes with various appendices and guidance documents. Given the PPF's decisions on the 2026/27 levies, this year's batch is primarily of relevance to ACSs.

Size matters

The Department for Work and Pensions (DWP) has published a document setting out its policy principles in relation to the defined contribution scale requirements in the Pension Schemes Bill. It is intended to provide context for a forthcoming consultation on implementing regulations.

The Bill will require master-trust and group personal pension schemes to have 'main scale default arrangements' (MSDA) with at least £25 billion of assets under management, by 2030, if they are to continue accepting automatic-enrolment contributions.

Recognising that not all schemes can reach the £25 billion target by 2030, the Bill sets out two additional 'pathways' to compliance:

- a transition pathway, which would give smaller (at least £10 bn) schemes with 'credible plans' for growing to £25 bn more time to reach full scale; and
- a new-entrant pathway for new schemes that have 'innovative product designs' and 'strong growth potential'.

The DWP policy document lists relevant considerations for scheme providers that are developing credible plans for following the transition pathway, saying that they should begin their preparations early. Schemes hoping to take the new-entrant pathway would have to provide 'a materially different offering compared to existing market participants', and would be expected to demonstrate credible plans for achieving size and developing investment capability.

The Pensions Regulator has also published its views on what will make a master-trust provider's growth plan credible for the purposes of the transition pathway. It encourages the trustees to evaluate their growth potential, develop robust projections, and review their operational readiness.

The Regulator's statement also cautions advisers and employers not to try to second-guess which master trusts will be unable to achieve sufficient scale in time, saying that they ought to choose schemes based '*squarely on saver outcomes.*' This appears to reflect concern, expressed by members of the House of Lords during the Committee Stage for the Pension Schemes Bill, that the intended DC scale condition is already causing market disruption.

Dashboards: hits paraded & cavies craved

Pension status categories

The Pension Dashboards Project (PDP) published a blog setting out how the MoneyHelper Pensions Dashboard, which is being developed and operated by the Money and Pensions Service (MaPS), will display pensions search results to its users.

Search hits will be categorised as 'confirmed', 'pending' or 'need action', according to the following criteria:

- '*Confirmed pensions*' are those that have been successfully matched with the dashboard user and for which the scheme providers can supply all of the required information;

- ‘*Pending pensions*’ have been successfully matched, but the scheme providers are still expected to supply more information, without further action from the user (the results will switch to ‘confirmed’ as outstanding information becomes available);
- ‘*Pensions that need action*’ are those where matches are uncertain or providers need the user to get in touch before they can release information.

The PDP says that it's continuing to test and refine how it presents these categories to ensure that users understand them and what, if any, action they must take.

Testing help

The PDP has also asked for the industry's help in recruiting scheme members to test the MoneyHelper Pensions Dashboard.

Anyone aged 18 or over with pensions not yet in payment can take part. The MaPS wants a wide mix of testers to help refine the dashboard before it goes live. It’s especially keen to have people with special access needs or who lack confidence in literacy, numeracy, or using digital tools. The hope is that employers, schemes and charities will highlight the opportunity to members and staff.

Feathering the NEST

The National Employment Savings Trust (NEST) is consulting on rule changes necessary to allow it to provide flexi-access drawdown and other benefits to members and survivors. Currently, NEST can only provide benefits in the form of lump sums or annuities.

Legislation that would make amendments to the NEST Order has been laid before Parliament in draft form.[4] The amendments would allow NEST to provide flexi-access drawdown, scheme pensions, and additional death benefits. NEST has no immediate plans to offer scheme pensions; the legislation is being changed simply to give it the same options open to other registered pension schemes.

The consultation sets out the corresponding proposed changes to the NEST scheme rules.

NEST is not consulting on whether it should offer flexi-access drawdown or additional benefits, but rather whether the proposed changes provide ‘sufficient flexibility and legal clarity allow drawdown (and the other) benefits to be introduced and administered effectively within the existing scheme infrastructure’.

The consultation period runs from 4 March to 29 April 2026.

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[4] The (draft) *National Employment Savings Trust (Amendment) Order 2026*.

Valuing actuarial regulation

The Financial Reporting Council's (FRC's) plan for 2026/27 says that it will:

- maintain the Technical Actuarial Standards and related guidance (it mentions defined-benefit pensions, and the possibility of revisions to TAS 310, the standard that applies to collective money purchase schemes), complete the annual review of AS TM 1 (the technical rules for statutory money purchase illustrations); and
- develop its approach to the voluntary monitoring of actuarial work.

The FRC intends to raise £1.9m from its levy on pension schemes with at least 5,000 members (the 2025/26 figure was £1.8m). It will announce the per-member rate once it has membership data from the Regulator.

Payment of the FRC levy is strictly speaking voluntary, but carries the threat of legislative compulsion by the Government if people don't acquiesce.

HMRC news: March 2026

Pension Schemes Newsletter 179 from His Majesty's Revenue and Customs (HMRC) includes the following:

- a new double-taxation agreement between the UK and Luxembourg may alter the tax treatment of UK-based pension payments to Luxembourgers;
- a reminder that, from 6 April 2026, scheme administrators of registered pension schemes must be UK resident, the online Managing Pension Schemes (MPS) service will have some downtime in early April whilst necessary changes are made;
- checks on members' lifetime-allowance protections and enhancements are now only possible via MPS; and
- updates on progress toward making the administration of relief-at-source a digital affair (HMRC hopes to make changes during the summer to speed up its payment of tax relief; pension scheme tax references and scheme administrator IDs will need to be provided with claims from April 2026).

And Finally…

This month's farrago of frivolous folderol returns to the theme of our baroque, but also rather wonderful parliamentary traditions. As we say in Another Place (by which we mean somewhere else in this here pamphlet, rather than in the other parliamentary chamber), the Pension Schemes Bill has served its time in the House of Lords, been changed by the experience (not in ways that will please the Government), and sent back to the Commons to consider the Lords amendments. It's the kick-off for the stage in a bill's life known as 'ping pong' (which to *AF* seems like a lapse in typically stiff parliamentary etiquette, but aptly describes the back-and-forth between the Houses as they try to reach a mutually acceptable outcome).

Erskine May, 'the Bible of parliamentary procedure', explains the minutiae of the process by which the clerks send bills from one House to the other. It seems to entail a greater knowledge of Norman French than one might anticipate in this day and age.

To return the Lords-tweaked Bill to the Commons, the Clerk of the Parliaments has to endorse it with the words '*A ceste bille avecque des amendemens les Seigneurs sont assentus*', which means something like, 'To this bill, with amendments, the Lords have assented.' [*Caveat:* AF *relied upon* Microsoft Copilot *for translation services, lacking the skill—and neck-chilling haircut—to do justice to the Norman lingo himself, so maybe it actually means, 'You know where you can stick this'.*]

There's a better-than-fair chance that the Commons, dominated as it currently is by the governing party, will immediately unpick the Lords' embroidery, and have the Clerk of the House of Commons bat it back to the upper chamber with the phrase '*Ceste bille est remise aux Seigneurs avecque des raisons*' scrawled thereon. Translated, that's, 'This bill is returned to the Lords, with reasons.'

If members of the Commons were in a mood to institute a new, charmingly quirky tradition, *AF* would humbly suggest sweetening the pill with *raisins*, rather than reasons, preferably of the chocolate-covered variety…

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