

UK PENSIONS UPDATE: SPECIAL EDITION

Pension Schemes Bill gains Royal Assent

30 April 2026



Key Themes

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In this special edition of the UK Pensions Update, we take a closer look at what the new Pension Schemes Act 2026 means, with the Bill gaining Royal Assent yesterday.

While the Act introduces a raft of reforms, secondary legislation is needed in most cases to bring the new regimes into force, and it appears that only the *Virgin Media* legislative fix and limited provisions to support the introduction of pensions dashboards have impactfully come into force on Royal Assent. *Please note that, at the time of publication, the final text of the Act has not yet been published.*

Please refer to the timeline at the end of this briefing for a guide on anticipated timings for the various reforms based on what we know so far. The Pensions Minister has confirmed the DWP will be updating the timings outlined in its pensions [roadmap](#) (the **Roadmap**) published in June 2025, but this has not yet been published.

ACCESS TO DB SCHEME SURPLUSES

The Act introduces a statutory power enabling trustees to pass a resolution conferring an express power under their scheme rules to permit the return of surplus to an employer. The statutory power also enables trustees to relax any restrictions which may apply under their existing scheme rules on the return of surplus.

The Act contemplates a two-stage process before making a payment, with: (i) an initial trustee decision to pass a resolution to introduce or modify a power permitting the release of surplus to an employer and (ii) a subsequent decision to exercise that power.

The Act also provides the government with regulation-making powers to amend the threshold for the payment of surplus to an employer from the current buy-out basis to a threshold set at full funding on the low dependency funding basis (as certified by the scheme actuary).

"We will continue to monitor how trustees are able to use the surplus powers to benefit members and employers and whether there is any need for further changes"

Torsten Bell, Pensions Minister

Further details of the new funding threshold will be set out in regulations to be consulted on in due course. These regulations may also impose conditions in addition to the funding threshold; it is envisaged, for example, that they will require notification to members.

The Act also amends existing legislation to clarify that trustees must continue to act in accordance with their overarching duties to scheme beneficiaries (which remain unchanged) when deciding whether to pay surplus to an employer. There is no specific requirement for a decision to be in members' interests.

Timing: Regulations are needed to bring these provisions into force and to provide supplementary detail to the above changes. The government indicated in its [Roadmap](#) that the surplus regulations and guidance will come into force by the end of 2027.

Separately, HMRC confirmed in its [November 2025 newsletter](#) published shortly after the Autumn Budget that legislation will be introduced to enable DB schemes to make direct payments of surplus assets to members (where permitted by scheme rules and subject to trustee discretion).

Such payments will be treated as authorised payments and be taxed as pension income at the individual's marginal rate of tax. These payments are to be permitted only where a scheme is in surplus on the same funding basis applicable to the return of surplus to employers and will be subject to certain conditions, which include the member being above normal minimum pension age.

Timing: This will be legislated for in a new Finance Bill 2026 - 27 and the change is expected to take effect from 6 April 2027.

The Pensions Minister previously announced that the DWP is working with the Pensions Regulator (**TPR**) on how to support schemes in the consideration of their surplus release powers and said that further guidance on surplus release will be published by the end of 2027 (we understand it is likely to be issued for consultation in the Autumn). This guidance is expected to outline key considerations for trustees when releasing surplus and will include illustrative examples of how members can benefit from surplus sharing. We understand that a statement on surplus use is expected this Summer before the official guidance.

DC SCALE AND CONSOLIDATION

The Act introduces a requirement for master trusts and group personal pension schemes used for auto-enrolment to have at least one "main scale default arrangement" (**MSDA**) which has a minimum of £25 billion in assets under management (**AUM**) by 2030.

In March, the DWP published a [paper](#) setting out its policy principles in relation to this. The paper provides an overview of the government's direction of travel ahead of a detailed consultation on regulations. At the same time, TPR published a [statement](#) which aimed to provide further detail to help schemes prepare for these forthcoming changes.

This discusses the alternative pathways for achieving compliance:

- **Transition pathway:** where a provider or master trust can demonstrate that they will have at least £10 billion in AUM by 2030, they will be eligible to apply to be on the transition pathway if they can demonstrate that they have a credible plan to achieve £25 billion in AUM by 2035. The DWP expects regulatory check points to be established across the transition pathway's five-year period to ensure that such schemes are on track to reach scale by 2035.
- **New entrant pathway:** available only for genuinely new schemes with no existing members that can (i) demonstrate innovative product design offering something "materially different" from existing market participants, as well as (ii) strong potential to reach the scale requirements.

Schemes will need to apply for approval to use a pathway and the "pathway relief" will operate for five years. To qualify, applicants of either pathway will also need to meet further conditions prescribed in regulations which are expected to include criteria on governance and investment capability.

Timing: Regulations are needed to bring these sections of the Act into force. The DWP [confirmed](#) it would consult on details in secondary legislation as soon as practicable after the Bill achieved Royal Assent. The actual requirements will start no earlier than 2030 (with pathway approval expected in 2029), subject to some limited exemptions (scope to be confirmed) to be set out in future secondary legislation.

The Act also contains provisions to enable regulations to restrict the creation and operation of new "non-scale" default arrangements (i.e. those which are not MSDAs), except in certain circumstances with regulatory approval.

Timing: Regulations are needed to bring these provisions into force.

"We will automatically bring together people's small pots into one high performing pension, reducing costs as well as hassle for savers."

Torsten Bell, Pensions Minister

The Act introduces a regulation-making power to secure that small dormant¹ pension pots (with a value of £1,000 or less, initially, with a power to amend this level in future by regulations) currently held by auto-enrolment schemes are instead held by consolidator schemes. The new regime will require schemes to transfer eligible pots to one of several default consolidators, with an opportunity for the member to choose their desired consolidator scheme or opt-out of consolidation. The Act contains measures to authorise providers to act as consolidators for this purpose.

Timing: These provisions came into force on Royal Assent but regulations are needed to enforce the new regime, with duties on pension schemes to transfer and consolidate eligible pots likely to come into force via a staged approach from 2030.

¹ A pension pot is defined as "dormant" in the Act if no contributions were paid into it for a prescribed period and the member has taken no action to confirm or alter the way in which the pot is invested (subject to any prescribed exceptions).

The Act further introduces a contractual override regime for contract-based schemes to allow schemes to consolidate underperforming and legacy arrangements without member consent.

Timing: Regulations are needed to bring these provisions into force. It is expected the new regime will commence in 2028 in the run-up to the introduction of the scale requirements discussed above in 2030.

COSTS VS VALUE

The Act introduces a new Value for Money (**VFM**) framework for the DC pensions market.

The new framework requires trustees and firms to measure investment performance, costs, and service quality using prescribed metrics designed to assess VFM effectively. VFM assessment results must be publicly disclosed according to a rating system, depending on whether value is being delivered.

A [consultation](#) launched in January (jointly by the FCA, DWP and TPR) on details for the new VFM framework proposes that such ratings shall be colour-coded to make value comparisons clear, with **dark green** indicating strong value; **light green** indicating good value (but improvements could be made to increase value); **amber** indicating not-value but improvements can be made to reach value; and **red** indicating not-value and cannot be improved. Specified actions must be taken where an arrangement is assessed as not delivering VFM (either **amber** or **red**) (see the [March 2026](#) edition of our briefing for further detail).

Timing: These provisions came into force on Royal Assent but regulations and FCA rules are needed to provide the details of the new framework. The intention is for the first VFM assessment to be required from 2028.

The Act also includes measures to require relevant schemes (most registered occupational pension schemes which provide DC benefits, subject to exceptions to be specified in regulations) to implement default pension benefit solutions, so that savers still have access to the pension freedoms but get an extra offer of support (by being enrolled into default solutions) unless they make an active choice to opt-out.

Timing: Regulations are needed to bring these measures into force. The [Roadmap](#) indicates that such requirements will be phased in, starting from 2027.

INVESTMENTS

One area of the Bill which was subject to significant debate was whether the government should be given a mandation power to specify minimum levels of investment in particular assets for certain pension schemes.

The end result is that the Act includes a reserve power to enable the government to set quantitative baseline targets for pension schemes (which are restricted in scope to relevant master trusts and group personal pension schemes) to invest in a broader range of private assets, including in the UK. This provision was extensively amended in light of concerns that it was too broadly drafted and is now subject to additional constraints to narrow its scope, limiting the extent to which the government can direct investments to no more than 10% of total assets held in default funds to be invested in qualifying assets and no more than 5% to be invested in UK-based assets, in line with the Mansion House Accord. It is also subject to a "savers' interests test" whereby trustees may apply to TPR to suspend the asset application if they can demonstrate that meeting the asset allocation requirement is likely not to be in the best interests of members of the scheme and TPR considers it is reasonable for the trustees to have reached that conclusion.

The reserve power may only be exercised once and not before 1 January 2028. Before it can be exercised, the FCA and TPR must prepare an assessment of the extent to which there is evidence of competitive conditions restricting relevant master trusts and group personal pension schemes from investing in qualifying assets, including in circumstances where such investments may be in the best interests of members of such schemes.

The [Roadmap](#) previously confirmed the government would only use this power if industry change does not take place as envisaged by the Mansion House Accord and that it will be a power of "last resort". This message has been reiterated since, with the Pensions Minister, Torsten Bell, confirming at a Pensions [UK Investment Conference](#) on 11 March that the mandation power was designed as a "backstop to the voluntary commitments made by the pensions industry under the Mansion House Accord."

Timing: Regulations are needed to bring the relevant provisions of the Act into force.

Local Government Pension Scheme (LGPS) Investment

The Act introduces reforms to the investment management and governance of the LGPS, conferring regulation-making powers to introduce new minimum standards for asset pooling. This includes requirements for LGPS administering authorities to delegate the implementation of their investment strategy to, and take investment advice from, their asset pool; to transfer all assets to the management of their pool; and to ensure that the pools are established as investment management companies that are authorised and regulated by the FCA.

Timing: Regulations are needed to bring the new provisions into force and provide supplementary details. Consultation on the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2026 closed in January and it was originally intended the changes should take effect from 1 April 2026, but given the delay in passing the Bill, this timing will need to be revisited.

DB SUPERFUNDS

To date, superfunds operate under the interim regime TPR launched in 2020. The Act now introduces a permanent regulatory regime for superfunds to encourage growth of the superfund market and underpin the security of members' benefits and is accompanied by moves to relax the entry criteria for transfers to superfunds.

The permanent regime is similar to the interim regime currently operated by TPR and sets out the authorisation process and transfer controls for superfunds. TPR is empowered to authorise a superfund upon satisfactory demonstration of its structure, staff, and operational plans. There are strict timelines and onboarding conditions for transfers to superfunds. Under the Act, the "onboarding conditions" in relation to a superfund transfer include that: (i) as at the date of the application, the financial position of the ceding scheme is not strong enough to enable the trustees to arrange an insurer buy-out (although there is a power for this condition to be amended in the future by regulations); and (ii) the superfund transfer will make it more likely that the transferred liabilities will be satisfied in full. Pre-existing gateway principle two² has been dropped which means a scheme would no longer be disqualified if it could conceivably buy out within the next five years.

Timing: Regulations are needed to bring the new Act provisions into force. A consultation is expected later this year, with the new regime expected to come into force in 2028.

VIRGIN MEDIA LEGISLATIVE FIX

The Act contains provisions intended to enable schemes affected by the *Virgin Media* judgment³ to obtain a written actuarial confirmation that would treat the amendments as having satisfied the section 37 requirements.

The provisions are drafted to help schemes provided they have not taken "positive action"⁴ to treat the amendment as void for not satisfying the statutory requirements (broadly, by notifying members that the amendment was void and/or administering the scheme on this basis).

The clauses also carve out schemes where the amendment's validity was in issue in legal proceedings which commenced on or before 5 June 2025.⁵

² This provided that a transfer to a superfund should only be considered if a scheme has no realistic prospect of buy-out in the foreseeable future, given potential employer cash contributions and the insolvency risk of the employer.

³ *Virgin Media Ltd v NTL Pension Trustees II Ltd* [2024] EWCA Civ 843

⁴ Where any member has been notified in writing that the trustees consider the alteration to be void (as a result of section 37/*Virgin Media*) and that the scheme will be administered on that basis; or where any member has been notified that trustees are taking/have taken any step in relation to the administration of the scheme which has/will have the effect of altering payments to or in respect of scheme members (as a consequence of the trustees being of the view that the alteration was void due to section 37/*Virgin Media*).

⁵ Broadly, the exclusion prevents schemes relying on the legislative fix where any question relating to the validity of the alteration (as it pertains to section 37/*Virgin Media*) has been determined by the court or was in issue on or before 5 June 2025 in "qualifying legal proceedings" (including where the matter was in issue and subsequently settled by agreement between the parties before the saving provisions come into force). "Qualifying legal proceedings" are defined as proceedings before a court in the UK which will determine a dispute as to the rules of the scheme where the parties include the trustees of the scheme and one or more members / beneficiaries (or representatives of such).

For schemes which have wound-up or entered the Pension Protection Fund (PPF) before the Act came into force, the legislation would treat any relevant amendments as having complied with the section 37 requirements (so no action would be needed on section 37 for those schemes).

Timing: These provisions came into force on Royal Assent and it is expected that schemes looking to make use of these provisions will now start considering their options more closely.

These provisions also follow [guidance](#) published by the Financial Reporting Council (FRC) at the end of January to support pension scheme actuaries in providing confirmations of historic pension scheme amendments using the statutory remedial provisions. The guidance provides practical, non-prescriptive guidance and includes examples of how to apply a proportionate approach in collecting information and forming judgments when historic records are incomplete. The guidance will be updated by the FRC to reflect legislative changes, where necessary.

PRE-97 INCREASES FOR PPF AND FAS MEMBERS

Currently, compensation levels provided by the PPF and Financial Assistance Scheme (FAS) do not provide annual increases on pensions in payment in respect of benefits earned as a result of pensionable service completed before 6 April 1997.

The Act will help protect members of the PPF and FAS from the impact of inflation by introducing CPI-linked increases, capped at 2.5% a year on pensions in payment in respect of benefits accrued from pensionable service completed before 6 April 1997, where a member's original pension scheme provided for increases on any pre-1997 accrual (in excess of the GMP).

Debate on the clauses confirmed that there is no current government intention to legislate to require schemes to provide such increases, where their rules do not already mandate this.

Timing: Regulations are needed to bring these provisions into force. The PPF previously indicated that if the provisions come into force this year, the first opportunity to apply any changes would be January 2027.

OTHER PROVISIONS

The Act also:

- re-establishes the legal standing of the Pensions Ombudsman as a competent court so that it may make enforceable determinations in pensions overpayment recoupment cases without requiring a county court judgment (see the [December 2023 edition](#) of our briefing for details). **This provision will come into force two months after the Act was passed.**
- supports the introduction of pensions dashboards (to facilitate PPF and FAS information to be displayed on pensions dashboards). **These provisions came into force on Royal Assent.**

- removes the restrictions that prevent the PPF from reducing the annual PPF levy it collects, when not required. **Regulations are needed to bring these provisions into force.**
- extends the definition of "terminal illness" in the PPF and FAS legislation, so that terminally ill eligible members can receive payments at an earlier stage of their illness. **This provision will come into force two months after the Act was passed.**
- includes a new provision which was introduced during Parliamentary debates, giving the government the power to make regulations requiring employers to provide certain auto-enrolment related information concerning workers who are members of a registered scheme to the scheme trustees/provider. **The provision came into force on Royal Assent but the exact information to be provided and the frequency with which it must be provided will be specified in regulations yet to be published.**

EXPECTED TIMELINE OF KEY CHANGES INTRODUCED BY THE ACT

29 April 2026: Bill receives Royal Assent, becoming the Pension Schemes Act 2026. The *Virgin Media* legislative fix and provisions to support the introduction of pensions dashboards (to facilitate the display of PPF and FAS information) come into force.

29 June 2026: Provisions re-establishing the Pensions Ombudsman's status as a competent court and amending the PPF and FAS legislation in respect of terminal illness eligibility come into force.

2026: LGPS reforms expected to come into force.

Early 2027: Pre-97 increases for PPF and FAS members likely to be applied from January 2027.

April 2027: New provisions (to be contained in a new Finance Act) regarding paying DB surplus direct to members expected to come into force.

Mid 2027; Expected that changes to PPF levy rules will come into force.

2027: Requirements for relevant schemes (most registered occupational pension schemes which provide DC benefits, subject to exceptions to be specified in regulations) to implement default pension benefit solutions to commence phasing in.

Late 2027 / Early 2028: DB surplus regulations, TPR surplus Code and guidance are expected to come into force.

Early 2028: Contractual override regime for contract-based schemes are expected to commence in 2028.

2028: Permanent regulatory regime for DB superfunds is expected to come into force.

2028: First Value for Money assessments are expected to be required from 2028.

2029: Applications open for transition pathway approval in respect of main scale default arrangements (**MSDAs**).

2030: Deadline for MSDAs in master trusts and group personal pension schemes to reach the £25 billion AUM threshold.

2030: Duties on pension schemes to transfer and consolidate small dormant pension pots likely to come into force via a staged approach from 2030.



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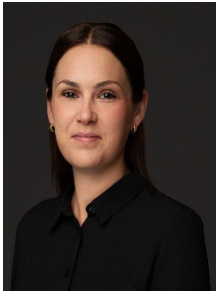
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