Clifford Chance

BRIEFING

UK PENSIONS UPDATE: 5 in 5

September 2026

Welcome to our newsletter: "UK Pensions Update: 5 in 5" where we deliver to you what you really need to know about the 5 key developments in UK pensions from the last quarter – digestible within 5 minutes!

Contents

"This roadmap recognises both the imperative for change and the reality of what it takes to bring the reforms to life. It charts the course to a pensions system fit for the 21st century, with pension savers at its heart."

Ministerial Foreword, Workplace Pensions: an updated roadmap 14 July 2026

1. GOVERNMENT PUBLISHES UPDATED PENSIONS ROADMAP

In July, the government released a revised version of its pensions roadmap, initially published last Summer (the **Roadmap**)[1] which sets out updated indicative timings for the reforms introduced by the Pensions Schemes Act 2026 (**PSA 2026**). The key updates are discussed below.

DB Surplus Extraction

The PSA 2026 introduced reforms to the regime governing when surplus may be returned to an employer from an ongoing DB scheme, but regulations are needed to bring the provisions into force and provide

[1] The Roadmap was published under Sir Keir Starmer's Premiership prior to his replacement as Prime Minister by Andy Burnham on 20 July. As of now, Torsten Bell remains in his position as Under-Secretary of State for Pensions and there is no indication that the Roadmap published prior to Burnham's tenure does not represent the government's current agenda for pensions.

supplementary detail (see the June 2026 edition of our newsletter for further background). The Roadmap confirms that further guidance on surplus extraction is expected from the Pensions Regulator (**TPR**) by the end of 2026, with regulations to follow in early 2027 ahead of an intended commencement date of April 2027. There are no transitional measures proposed and any release of surplus between now and April 2027 will remain subject to the existing regime.

On the same day as the updated Roadmap was published, HMRC published a policy paper and draft legislation which will introduce a new ability for trustees to award discretionary payments directly to members payable on or after they reach normal minimum pension age from scheme surplus (with employer consent and provided certain conditions are satisfied, including that the payments would have satisfied the requirements for employer surplus payments). HMRC requested feedback on the draft legislation by 7 September 2026 and the intention is for the new regime to come into force in April 2027, alongside the revised regime for returning surplus to employers.

"The Pension Schemes Act 2026 sets out a substantial package of reforms which are designed to underpin better outcomes for members. They will drive a future market of a smaller number of bigger, better schemes that offer value for money."

Ministerial Foreword, Discussion paper on key elements of the Scale Policy
13 July 2026

DC Scale and Consolidation

Master Trust and Group Personal Pension consolidation

The Roadmap confirms that scale thresholds will be introduced in April 2030 (with pathway approval expected in 2029), with some limited exemptions (scope to be confirmed) to be set out in future regulations (see the April 2026 special edition of our newsletter for further background). The Roadmap also confirms that the government will consult on draft regulations in the latter half of 2027, with further consultations by TPR and the FCA on the supporting regulatory framework expected during 2028.

Alongside the Roadmap, the government published a discussion paper focusing on how scale will be assessed. The paper also solicits opinions on the operation of default arrangements and investment strategies in multi-employer DC schemes and on the relationships between schemes within a provider's corporate group.

Responses to the discussion paper were requested by 7 September 2026 and are expected to help inform the government's consultation on the regulations in 2027.

Consolidation of small dormant pots

While the target implementation date for the consolidation of small dormant pots (see the April 2026 special edition of our newsletter for further background) remains between April 2030 and June 2030, the Roadmap indicates that this timeline may change depending on decisions taken on the delivery approach. A more definitive implementation timetable will be published when the government consults on next steps in Autumn 2026.

Default Pension Benefit Solutions

The Roadmap indicates that further policy development on guided retirement, default pension solutions and member decision-making is targeted for Autumn 2026.

The government has also published a policy paper outlining various guiding principles for default pension solutions under guided retirement. The key principles for default options are: (i) no requirement for complex decision-making by the member, (ii) protection against longevity risk, (iii) freedom of choice (through high-quality financial advice, Pension Wise, and the introduction of targeted support) and (iv) individual consent to receiving payments through a default pension solution.[2]

Contractual Override

The Roadmap confirms that the government's proposed contractual override mechanism to allow without-consent transfers for contract-based pension schemes remains on track for implementation in Spring 2028 and is being developed alongside the wider Value for Money (**VfM**) framework reforms (see further detail below).

"We want to extend VfM to pensions in the decumulation phase in due course but need to ensure that VfM is working effectively, as well as develop sound proposals for Guided Retirement."

Workplace Pensions: an updated roadmap
14 July 2026

VfM framework

On the same day as the Roadmap was published, the government published a new consultation alongside draft DWP regulations[3] and accompanying FCA rules which will close on 15 September 2026.

This consultation confirms a number of implementation decisions reflected in the Roadmap. Most notably, the government has indicated that:

- the VfM assessment requirements will be implemented in a phased manner. In 2028, assessment requirements will apply only to (i) larger schemes such as master trusts; (ii) large single-employer trusts with over 50,000 total active and deferred members; and (iii) firm-designed (non-bespoke) multi-employer contract-based arrangements open to new employers;
- there will be no automatic consequences linked to VfM assessment outcomes during the first year of the new regime;
- in the first year, smaller schemes will be subject only to data return requirements and will not be required to undertake a full VfM assessment. Their data will also not be publicly disclosed during this period, which means smaller schemes will not be required to complete full VfM assessments until 2029.

TPR has also confirmed that it will consult on a VfM code of practice, which is expected to come into force in the first half of 2028.

Investments

Alongside the wider reforms introduced by the PSA 2026, the Roadmap confirms that the government is developing new guidance on trustees' fiduciary duties in relation to investment decision-making. The guidance is intended to provide trustees with greater clarity and practical support when exercising their investment powers to act confidently in members' best interests, including over the long term. It will be developed in close collaboration with regulators and industry stakeholders, with consultation originally planned for Summer 2026, although nothing has been published to date.

DB Superfunds

While the government continues to expect the statutory DB superfund regime to come into force in 2028, the Roadmap indicates that a consultation on supporting regulations will now take place in early 2027 (rather than later in 2026, as previously anticipated) to allow additional time

[2] The government sees this as an opportune moment to maximise engagement, as a significant proportion of members do not engage with their pensions until they are seeking access to their assets. Members will need to agree to start receiving payments via the default pension – and if the default pension solution includes different phases, then members must be informed (at the point of access and throughout their journey) about their ability to make different choices, although schemes will not be expected to seek consent multiple times.

[3] The Occupational Pension Schemes (Value for Money) Regulations 2027.

to learn from TPR's existing interim regime, react to market changes and ensure that the final legislative framework remains fit for purpose.

The Roadmap also follows TPR's statement on endgame solutions for DB schemes more broadly and the government's announcement in June that there will be a consultation to determine whether and how the flexible apportionment arrangement framework should be strengthened, in light of the recent Stagecoach transaction.

Pre-97 Increases for Pension Protection Fund (PPF) and Financial Assistance Scheme (FAS) members

The Roadmap says the government is currently working with the PPF to develop PPF/FAS pre-97 indexation regulations, which will include transitional provisions and technical amendments to existing legislation.

It refers to a targeted consultation with key stakeholders before regulations are finalised, with the first payments to eligible PPF and FAS members to be made from January 2027, but nothing has been published to date. The PPF also confirmed that it will start contacting all individuals who are eligible for pre-97 increases to make them aware of the changes to their entitlements.

2. HMRC CONSULTS ON TRANSITIONAL PROVISIONS FOR NORMAL MINIMUM PENSION AGE INCREASE

On 6 August 2026, HMRC launched a technical consultation on draft legislation to provide transitional protection relating to the increase in the normal minimum pension age from 55 to 57 which will come into effect on 6 April 2028 under section 279 of the Finance Act 2004. See the September 2024 edition of our newsletter for further background.

The proposed changes are designed to protect members who are aged 55 or 56 on 5 April 2028 and who have already crystallised their benefits or taken steps to access their pension entitlements, but whose benefits have not actually come into payment by that date. Without transitional provisions, such payments could potentially be treated as unauthorised payments, giving rise to unauthorised payments tax charges.

The consultation closes on 28 September 2026.

"Employers can now claim back all the VAT on investment costs linked to pension funds. They no longer need to split the costs with pension trustees. If trustees are providing pension fund management services and charging the employer, they can also claim back VAT on their costs, as long as they're VAT-registered. Both must still follow the usual VAT rules."

HMRC Brief
18 June 2025

3. HMCR ISSUES UPDATED VAT NOTICE 700/17

On 9 July 2026, HMRC issued an updated version of VAT Notice 700/17. This follows updates to its VAT manual made the previous month in light of the Brief published by HMRC in June 2025 (the **Brief**) outlining what seemed to be a significant policy change to VAT deduction on the management of occupational pension funds.

As discussed in the September 2025 edition of our newsletter, historically, employers have been able to recover VAT on certain administration/management costs incurred by trustees in DB schemes, with a distinction made between investment services (generally not VAT recoverable) and administration/management services (generally VAT recoverable). For single invoices covering both services, the "70/30 rule" means 70% (attributable to investment services) is generally irrecoverable, with the remaining 30% (attributable to administration/management services) recoverable by the employer.

European case law disturbed this position in 2014 and caused HMRC to re-think its VAT treatment on services provided to pension schemes. This resulted in new guidance from HMRC issued over several years, with HMRC ultimately maintaining the 70/30 rule option alongside some alternative options in its updated VAT Input Tax Manual in 2017.

The Brief published last June confirmed that, from 18 June 2025, HMRC will no longer treat investment costs as dual use. Instead, all input tax on both administration and investment services for DB schemes will be deductible by the employer, subject to normal deduction rules.

The updated VAT notice 700/17 confirms that HMRC will no longer make a distinction between administration/management costs and investment costs and employers can now recover the VAT on both. The updated notice says that to recover the VAT the employer should hold tax invoices made out in their name. If the trustees pay for the supplies on the employer's behalf, the employer should arrange for the suppliers to make out the invoices in the employer's name. References to the 70/30 rule have been removed, with the notice now saying that an employer can recover the VAT on both investment and management services in full, provided that the invoice is in the employer's name. Another option, if the invoice is in the name of the trustee, is for the trustee to make a taxable onward charge to the employer, which would allow the employer to recover VAT on that charge.

It appears from this latest development that the simplest way to maximise VAT recovery would be for the invoices from the service provider to be addressed to the employer, but in practice this may not be workable where the trustees have contracted with the provider. HMRC's VAT Manual, which was updated in June of this year, continues to say that an invoice marked 'care of' the employer will be acceptable for this requirement, although this is not referenced in VAT notice 700/17.

4. DASHBOARDS MATERIALS PUBLISHED TO ASSIST SCHEMES

A number of helpful documents have been published over the Summer designed to help schemes with their dashboard obligations. Following TPR's updated guidance earlier this year, reminding schemes of the ultimate 31 October 2026 connection deadline, the Pensions Administration Standards Association (**PASA**) published new guidance this June to support ongoing pensions dashboards compliance which focuses on the practical monitoring of compliance across three key areas of dashboards activity: matching, pension information provision and connection performance. It also considers the role of saver queries, complaints and feedback in identifying potential compliance issues and supporting continuous improvement.

Further PASA guidance was then published last month, designed to help schemes respond to member questions on pensions dashboards and earlier this month, PASA published a new dashboards toolkit on reporting on post-use member behaviour, developed with support from TPR. The guidance aims to help schemes understand how member behaviour changes once pensions dashboards become available. The toolkit also outlines a range of reporting measures which schemes and administrators may wish to consider adopting.

"It's important the industry is ready to respond in a clear, consistent and helpful way. Members need straightforward explanations of what dashboards will, and won't, do. They also need to understand dashboards are intended to help them find and view pensions information, not to make transactions or retirement decisions directly through a dashboard."

David Fairs, PASA Chair
PASA Press Release
10 August 2026

5. FCA LAUNCHES CONSULTATION ON CHANGES TO THE CONSUMER DUTY

The FCA recently launched a consultation (CP26/23) on proposed changes to the Consumer Duty (the **Duty**).

Broadly, the Duty sets the standard of care that FCA-regulated firms should give to retail consumers. It consists of a consumer principle that "a firm must act to deliver good outcomes for retail customers" and three cross-cutting rules that explain how firms should act to deliver good outcomes: (i) act in good faith, (ii) avoid causing foreseeable harm and (iii) enable and support customers to pursue their financial objectives.

The FCA says that while this core objective remains unchanged, it has become clear that the Duty is being applied more widely in some areas than intended and this has led to unnecessary cost and complexity without consumer benefit. This is the driver behind the consultation, which is proposing various changes intended to give greater clarity on when the Duty actually applies (and to apply it in a more proportionate manner where required). Specifically, the proposals include proposals to:

Remove business with only non-UK customers from the Duty's scope *(subject to certain exclusions where business still has a clear UK connection).*

The FCA proposes to continue to apply the Duty where UK firms conduct activities, including providing advice or arranging transactions relating to UK pensions to customers who are not usually resident in the UK. For example, this would include pension transfer advice and activities relating to qualifying recognised overseas pensions schemes.

Make it clearer where the Duty does and does not apply

This includes changes to the "retail market business" definition to specify the types of activities that are caught. It is noted that the FCA is proposing to exclude activities by firms which provide services to support DB scheme trustees where the firm does not engage directly with retail customers (i.e. the scheme members) in relation to the activity (unless the trustees are retail customers, in which case the firm will need to consider its obligations under the Duty to the trustees). Firms which carry out activities in relation to DC schemes will need to consider the members as the end users and apply the Duty.

Clarify when and how firms can rely on each other when they work together in distribution chains, and how they can apply the Duty more proportionately

Explain the interaction between the Duty and other product governance rules

The consultation closes on 18 September 2026 and the FCA expects to publish the policy statement and final rules in Q1 2027. For more details, please also see our insurance's group's insights.

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