



Our guide to the Pension Schemes Act

April 2026

The [Pension Schemes Act](#) obtained Royal Assent on 29 April 2026 having been introduced to Parliament on 5 June 2025. This guide provides our understanding of the Act's contents based on our reading of its many provisions.

Please also see our [UK Pension Schemes Act hub](#) where we share our latest thinking on the Act.

An overview

The Pension Schemes Act 2026 covers a multitude of areas, but many of its provisions will require secondary legislation before they can come into force. When the then Bill was introduced to Parliament, back in June 2025, the Department for Work and Pensions published a roadmap setting out the Government's plans to implement these and other reforms across DC and DB workplace pensions. This [roadmap](#) contains two useful timelines for when various aspects are intended to operate, with that for DC schemes concluding in 2030 and that for DB schemes concluding in 2028. It's possible that some of these timelines may now need to be put back, but for the time being we reference the timelines as set out in June 2025.

Much of the Act's contents were widely trailed before the then Bill was introduced, with many of the topics inherited from the previous Government and nearly all of them having been developed through various consultations over the past few years. So, in that sense, there is little in the Act which is a surprise.

1. Measures impacting DC schemes

The Act covers a number of DC topics, nearly all of which have been under development for some time. It is not yet clear to what extent money purchase AVCs in otherwise DB schemes are to be subject to these many new DC requirements

The roadmap states that the **“timeline for implementation of measures affecting DC schemes is driven principally by the 2030 date for the minimum size requirement”** and also that the **“government sees this as the watershed date for the vision for the DC market of the future to be in place”**.

1.1 Value for money

The Act provides for the DC Value for Money framework to apply to DC occupational pension schemes from 2028 based on the roadmap. This framework, first mooted by the Pensions Regulator and the FCA in October 2018, has been developed in recent years through various consultations, with the most recent being in January 2026 when the FCA launched its latest consultation for contract-based arrangements.

The Act’s provisions are similar to those that the FCA is proposing (albeit that the Act contains only regulation-making powers). Those schemes found wanting will have to take remedial action and possibly have to place their savers into a scheme that is providing value for money.

There is much more to the framework than measurement and reporting. For example, a “not delivering” rating starts a process that could result in the scheme or arrangement being transferred to a better scheme. An “intermediate” rating (of which regulations may specify more than one) also starts various requirements – including preparing an “improvement plan” and providing that to the Regulator, so it is not a “benign” rating.

The Pensions Regulator is being given significant new discretions and intervention powers in this area, including challenging a rating assigned by trustees/ managers.

1.2 Building scale and promoting consolidation

The Government wants to accelerate consolidation and help build scale in the DC market and to that end new rules will create multi-employer DC scheme “megafunds” of at least £25 billion by 2030, with the Government’s view being that bigger means better pension schemes which can drive down costs and which can invest in a wider range of assets. There is an easement whereby providers with over £10 billion in assets and a credible plan for achieving scale will have until 2035 to do so. These new rules apply to the “main scale default arrangement” of master trusts and certain group personal pensions.

There are provisions limiting the ability of new and “non-scale” default arrangements from being created by pension schemes and providers.

There is also a controversial temporary “mandation” power being taken under which the Government can set quantitative minima for these main scale default arrangements to invest in a broader range of private assets, including in the UK, for the

benefit of savers and for the economy. There are many restrictions and limitations to the use of this power, put in by the Government following sustained opposition from the House of Lords including that no more than 10% by value of assets held in main default funds of the affected scheme are potentially affected (through needing to be “qualifying assets”) and no more than 5% by value of all the assets so held potentially need to be of a UK-specific description.

The Government has said it does not intend to use this power. The Act provides that it can be activated by the Government only once, not before 2028 and not after 2032 and even if activated, the requirements will fall away after 2035.

1.3 Tackling small pots

The success of the auto-enrolment policy has had an unwelcome consequence which is that many people have built up small DC pots here and there as they move from one job to another. Government has been looking into this small DC pension pots issue since at least September 2020 with various suggestions being put forward and working groups looking into the issue, most recently the Small Pots Delivery Group.

The Act takes numerous powers under which there will be new rules to bring together small DC pension pots worth £1,000 or less into one pension scheme (for a particular individual) that is certified as delivering good value to savers. This should deliver savings to providers and simplicity to savers. However, this is still several years away since the roadmap states that the **“implementation of the Small Pots Consolidation solution is purposefully designed to fully come into force once the market of a smaller number of megafunds is in place”** – ie after 2030.

1.4 Contractual overrides and bulk transfers

There are measures in the Act relating to contractual overrides and bulk transfers to make it easier to ensure contract-based DC schemes providers can move or consolidate their schemes and members’ pots to reduce fragmentation and improve outcomes, with adequate protections that ensure it is in savers best interests. This is currently expected to start from 2028.

1.5 Decumulation

Concern over inappropriate retirement choices being made by DC savers has occupied the mind of Government since at least November 2021, with the then Government deciding in November 2023 that members in trust-based DC schemes should be placed into a “backstop” decumulation solution by their pension scheme unless they make an active choice. The Act now delivers on this through what it calls “default pension benefit solutions” (and also known as Guided Retirement) for the delivery of retirement income, which are suitable for their members. It appears from the roadmap that the Government had envisaged this being in place by 2026/27.



Our viewpoint

Much of the above is about seeking to extract greater value out of DC provision, whether it be through consolidation of the market or consolidation of an individual's pots. But it is likely to be quite some time before the measures start to have an effect.

The £1,000 threshold for small pot consolidation was first mooted several years ago. Inflation has already eroded the effective level of this, and this will be further eroded by the time small pot consolidation is implemented after 2030. Although the Act includes a power for this threshold to be changed, there is a risk that it won't happen and so the policy may become less effective over time, to the detriment of savers.

2. Measures impacting DB schemes

The Act includes three significant measures for DB schemes.

2.1 Releasing surplus

There will be increased flexibility for well-funded DB schemes to “safely” release surplus to support employers' investment plans and to benefit scheme members. The Act contains a statutory resolution power to allow wide-sweeping changes to scheme rules to facilitate surplus release to employers, and an adjustment to the legislative test that the trustees must apply when deciding whether to release surplus – specifically removing the requirement that it is in the “interests of the members”, with trustees expected to fall back on their more general fiduciary duty. Regulations to follow are likely to require the measurement of surplus to be on a low-dependency basis (rather than a buyout basis) and the Government estimates that surplus on this measure is currently worth collectively £160 billion. The roadmap anticipates that the surplus regulations will come into force by Spring 2027 with the guidance to follow shortly thereafter.

Although the new powers being introduced appear wide-ranging it is not yet clear how they will interact with existing scheme rule provisions where the scheme has a rule allowing return of surplus on winding-up but not on an ongoing basis.

2.2 Superfunds

Much of the Act is given over to setting out the primary legislation relating to the authorisation and supervision of DB superfunds (and the transfers to such superfunds), with it seems substantial regulations and a Code of Practice to follow.

This statutory framework is to replace the Regulator’s so-called interim regime. This framework was first announced through a March 2018 White Paper with the then Government deciding in July 2023 to implement it. It should hopefully encourage more than the current one player into this market, but the devil will be in the detail. Given that the relevant regulations and associated regulatory Code are expected to come into force in 2028, it will have taken at least ten years to implement by the time the first DB superfund is authorised under this statutory regime.

One notable element of the Act is that it appears that the “onboarding conditions” for schemes to transfer to superfunds are weaker than the gateway tests in the interim regime (and also in comparison to the proposals consulted on in 2023), with the effect that more schemes will be able to consider using this route to deliver their members’ benefits than can do currently.

2.3. The Virgin Media issue

The Act provides that the Virgin Media issue is addressed by allowing current Scheme Actuaries to make retrospective actuarial confirmations in respect of relevant rule changes – so called “potentially remediable alterations”.

In general a rule change will be in scope as long as trustees have treated the change as being valid, i.e. they have not taken “positive action” on the basis they consider it to be void and have notified members accordingly, or it had not either previously been ruled on by a court in “qualifying legal proceedings” or was in issue in such proceedings on or before 5 June 2025.

Such a rule alteration is then to be treated for all purposes as having always been a valid alteration, provided the scheme trustees make a request to the current scheme actuary to consider the matter and the scheme actuary confirms to the trustees in writing that in the actuary’s opinion it is reasonable to believe that the alteration would not have prevented the scheme from continuing to satisfy the then required statutory standard.

The legislation gives reasonably wide flexibility for the scheme actuary to provide this confirmation, setting out that they may take “any proper professional approach (including making assumptions or relying on presumptions)” and “may act on the basis of the information available” provided they consider it sufficient to form an opinion on the request. In January 2026 the Financial Reporting Council published guidance to assist scheme actuaries with this matter. The Pensions Regulator published guidance for trustees in March 2026.

For any schemes that have already wound up (including where part of a scheme has wound up), or have entered the PPF or FAS, any potentially remediable alterations will be deemed to have been validly made.



Our viewpoint

Having spent many years in collective deficit, the majority of DB schemes are now in surplus on a low-dependency measure. This along with a desire by a number of schemes to run on rather than buy out, means that in our view the DB surplus release flexibility will be the most significant aspect of the Act for DB schemes. We expect this will lead to many new and interesting conversations between sponsor companies and trustees on surplus distribution.

We are delighted to see further progress being made on superfunds, and very much hope the timetable doesn't slip any further. We would hope that as the new superfund regime progresses, the Regulator can update its interim guidance to keep track with any changes in the anticipated requirements, to enable superfunds to function well in the meantime.

The Virgin Media resolution mechanism is good news indeed, but its application in some scheme circumstances may not be straightforward.

3. PPF and FAS-related issues

The restrictions that prevent the PPF Board from making material reductions in the annual PPF levy or even not requiring a levy in a given year when it is not needed are being removed.

If the PPF decides not to impose a levy in a particular financial year (as it has decided for the 2026/27 year), it will have substantial scope to impose a levy in the next financial year, as the maximum in such a case will be 25% of the "levy ceiling" for the prior financial year. Where a levy was imposed in the previous levy year, the maximum will be the sum of the previous financial year's levy and 25% of the previous financial year's levy ceiling. The roadmap says that the PPF levy changes will take effect in 2027.

The PPF and FAS will be brought within scope of the pensions dashboard regime so that those with deferred entitlements from either will be able to view them alongside their state and any occupational and personal pension entitlements.

The definition of 'terminal illness' in the PPF and FAS legislation is being extended so that eligible members who are diagnosed as terminally ill can receive payments at an earlier stage of their illness.

The Act makes provision for certain compensation paid by the PPF in respect of a person's pre-1997 pensionable service to be increased annually. It also makes similar provision for FAS assistance. In essence:

- if the original scheme provided increases to pre-1997 pension that was in addition to any GMP increase, then the whole pre-1997 compensation will receive indexation;
- if the original scheme only provided increases to post-1988 GMPs, then a percentage (to be determined by regulations) of pre-1997 compensation will receive indexation.

In both cases, the indexation on pre-1997 compensation is not backdated. These provisions are expected to operate from January 2027 when the first pre-1997 pension increases will be granted.

The Act also enables the PPF's administrative expenses to be paid out of the Pension Protection Fund and the Fraud Compensation Fund and removes the existing PPF administration levy mechanism. This funding change has effect from 1 April 2026.

4. Other matters

Five other measures complete the Act. They are as follows:

- Various measures whose purpose is to deliver on the Government's desire to consolidate and professionalise the Local Government Pension Scheme in England and Wales with assets to be held in a limited number of pools that can invest in local areas infrastructure, housing and clean energy.
- The Pensions Ombudsman's determinations to be enforceable in pensions overpayment recoupment cases (and in other cases). This has been necessary since a 2023 Court of Appeal decision ruled that the Ombudsman is not a "competent court".
- Formally putting the funding of the PPF Ombudsman on a proper footing by providing that the Ombudsman's expenditure is to be paid from money raised by the general levy and removing the power to impose a separate levy to meet this expenditure.
- Requiring a review of public service pension schemes (excluding local government workers pension schemes) to be undertaken by the Government Actuary, comprising cash flow projections for each of the next 50 years.
- Providing for the establishment of a new public sector pension scheme into which the current AWE (Atomic Weapons Establishment) pension scheme is to be transferred whilst preserving existing rights of scheme members. This follows on from earlier Government decisions to bring the scheme's assets and liabilities into central government control.

In conclusion

So, as has been shown, this is an Act of many parts taking forward not only the Government's pensions agenda but also much previous unfinished business. Work will now begin on the secondary legislation and guidance needed to deliver many of its aspects. In the meantime, the Act offers firm confirmation of the new pension policy landscape, and trustees, sponsors and providers can now progress strategic thinking with much more confidence.

This guide does not constitute advice, nor should it be taken as an authoritative statement of the law. For further help, please contact the partner who normally advises you.

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