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Client Alert

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United Kingdom: Key Pensions Developments for 2026

A summary of key UK pensions developments relevant to trustees and employers of defined benefit and defined contribution arrangements in the year ahead

In brief

A number of significant reforms impacting all types of pension arrangements in the UK are expected between now and 2030, many of which are currently passing through Parliament. In this alert, we focus on developments that are expected to come in during 2026, as well as longer-term developments that will require trustees and employers to take some form of action in 2026.

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Pension Schemes Bill set to become law

The new Pension Schemes Bill, the primary legislation needed to implement a number of key pensions changes, is expected to pass into law in 2026. The exact timing for royal assent is unclear as the Bill is currently going through the House of Lords, but it is currently expected to be around April.

Further consultation and secondary legislation, which will set out the details on what is changing, is also expected in a number of areas this year (see below).

Further detail on the new defined benefit surplus regime

The Government is expected to consult on surplus regulations during 2026, ahead of these coming into force as part of the new surplus regime in 2027. The new regime is intended to facilitate the payment of surplus to employers in ongoing defined benefit (DB) schemes, as well as enabling one-off payments to members out of surplus in certain circumstances.

The consultation and draft regulations in 2026 should clarify the new regime, including the funding threshold for when trustees can refund surplus to an employer in an ongoing scheme. The Government has previously indicated that it is “minded” to reduce the current threshold to a low dependency basis, but so far there has been little detail on how this change will be implemented. Currently a scheme must be funded at buy-out level to return surplus. Further detail, in the form of Pensions Regulator guidance, is also expected to be in place at the point the new regime comes into force.

Although the changes to the current surplus rules will not take effect until the end of 2027, as more detail about the changes becomes available, we expect this to further inform discussions between trustees and employers on DB surplus and wider funding strategies.

Implementing Virgin Media fixes in formerly contracted-out DB Schemes

The Pension Schemes Bill includes a new statutory process which trustees, in conjunction with actuaries, can use to “fix” potential issues relating to historic pension schemes amendments identified in the *Virgin Media* case. The new process is due to come into force at the same time as the Bill receives royal assent (as originally drafted, the Bill provided for the fix to come into force two

months after royal assent). Actuarial guidance will be issued on the "fix", and separately the judgment in the *Verity Trustees* case should be issued, which considered similar issues to those raised in the Virgin Media litigation.

Many pension schemes with potential *Virgin Media* issues have been waiting for the "fix" before taking any definitive action in relation to their scheme. We expect that 2026 will be the year when many schemes start to implement the "fix" for their scheme. The current draft of the Pension Schemes Bill exempts wound-up schemes from having to go through the "fix" process as all relevant historic amendments are treated as valid, so some trustees and employers may be keen to wind-up prior to the Bill receiving royal assent.

Further detail on DB superfunds

A consultation on draft regulations is expected in 2026. This will provide further detail on how the authorisation and supervision of DB superfunds will work from 2028, when the new legislative framework is expected to come into force. The new regime is intended to support the development of the DB superfund market. The Pensions Regulator will also start working on a new DB superfunds Code during 2026.

It will be interesting to see how the superfund market develops in 2026 as further details emerge about the new legislative framework. Although the superfunds regime is not expected to come into force until 2028, an interim regime is already in place allowing DB superfunds to operate subject to receiving authorisation from the Pensions Regulator. It is possible, therefore, that we could see other providers entering the market ahead of 2028 (there is currently one DB superfund in operation), as well as other related models being introduced.

Depending on how the market develops, we could see more employers and trustees considering DB superfunds as a potential risk transfer option for their schemes.

Pension Protection Fund (PPF) levy changes and contingent assets

In November 2025, the PPF announced its plans to set another zero PPF levy for the 2026/2027 levy year (a zero levy was also set for the 2025/2026 year). It is not yet clear, however, how the PPF will implement this from a technical perspective, given that the Pension Schemes Bill may not be in force in time to allow the PPF to rely on the additional flexibility that the Bill provides to the PPF to implement a zero levy. Practically speaking, the way in which the PPF implements the zero levy may affect the question of whether PPF contingent assets (e.g., PPF guarantees) need to be re-certified with the PPF. We will continue to monitor the situation and will provide further details when available.

Defined Contribution schemes: continued focus on decumulation and value for money

Consultation is expected in 2026 on draft regulations setting out further detail about how the new duty on trustees to provide one or more "default pension benefits solutions" for their members (frequently referred to as "guided retirement") will operate. Equivalent rules for providers of Financial Conduct Authority (FCA) regulated schemes (e.g., Group Personal Pensions (GPP) providers) are also expected then. As a reminder, the policy objective behind guided retirement is to ensure that members who do not make an active decision about how to take their defined contribution (DC) benefits at retirement will be placed in suitable arrangements that will provide them with a "regular income".

Under the current timeline, trustees of Master Trusts will have to comply with the new duties in this area from 2027 and GPP providers and trustees of single employer trusts will be expected to comply from 2028. Most trustees of single employer schemes are likely to be partnering with Master Trusts to comply with the new guided retirement duties. Trustees will, however, still need to keep abreast of developments in this area to ensure that they have understood their membership and put in place appropriate default solutions. One area of uncertainty is how the Government is proposing to require trustees to assess what constitutes a "regular income" for the purposes of the new duty. It will also be interesting to see how the industry's thinking on the potential use of "at retirement" collective defined contribution (CDC) (or "decumulation-only" CDC) arrangements will develop in the context of guided retirement requirements following the publication of the Government consultation on these new types of arrangement in October 2025.

We will also get further details about the value for money framework in 2026. The framework is intended to shift the focus of schemes from cost to value and will enable members (and others, such as employers) to more easily compare how DC arrangements are performing. A joint consultation by the Department for Work and Pensions, the Pensions Regulator and the

Financial Conduct Authority was published early this year and will provide trustees and workplace pension providers with further detail about how the new framework is likely to be implemented. The new disclosure and assessment duties in relation to the framework are expected to come into force from 2028.

Finalising preparations ahead of Inheritance Tax (IHT) changes in 2027

During 2026 we expect that trustees of registered pension arrangements (DB and DC) will be finalising preparations ahead of the changes to the IHT regime from 2027 when, broadly, unused pension saving will be brought into an individual's estate for inheritance tax purposes (having predominantly been left out of individuals' estates and so exempt from IHT until now).

Trustees should work with their administrators and other advisers to ensure that the necessary processes are in place to deal with the changes, including where beneficiaries or, potentially, personal representatives, request that trustees withhold some of the lump sum death benefit for IHT purposes. Trustees may also need to consider whether to maintain discretions and what to tell members about the changes.

Preparing for the increase to Normal Minimum Pension Age

Normal Minimum Pension Age (NMPA), the earliest age at most members of registered pension schemes can draw benefits without incurring tax charges, will increase to age 57 from 6 April 2028. Currently, NMPA is 55 for most individuals. If trustees have not already started preparing for the changes, there are several steps which they will need to consider taking ahead of the changes, including reviewing their scheme's governing documentation, confirming arrangements with their administrators and communicating with members. Secondary legislation, intended to address some transitional issues are also expected, e.g., to ensure that individuals who apply to have their benefits put into payment between the ages of 55 and 57 do not breach the rules if they have not reached aged 57 by 6 April 2028.

Getting ready for pension salary sacrifice changes in 2029

A new GBP 2,000 threshold on pension contributions made via salary sacrifice is due to be introduced in 2029. Although this is still some way away, employers may want to do some initial costings to understand the impact of the changes and the steps they may wish to take in light of this, particularly as they may be facing questions from employees.

Focus on trusteeship in occupational pension schemes

The Government is currently consulting on trustees and governance in trust-based pension schemes, with the consultation running until March. The consultation's aim is to improve the standards of pension schemes trusteeship, governance and administration. It is not clear what changes the Government will introduce as a result of the consultation and when they might be introduced, but it is asking questions in a wide range of areas, such as good governance practices, trustee appointment (including professional trustees) and relevant skills and knowledge. Proposals include increased requirements on professional trustees, and additional knowledge and understanding requirements on all trustees. Even with a lack of clarity about the Government's next steps and timing at this stage, we can expect to see continued engagement from the Pensions Regulator with professional trustees to increase its understanding of key issues and to obtain greater market insight.

Connecting to the pension dashboard

30 October 2026 is the legal deadline by which all pension arrangements in the UK will be required to be connected to the pensions dashboard, subject to some (very limited) exceptions.

We expect most pension schemes will be well-placed to meet the legal deadline, given that schemes have already been given an earlier staged "connect by" date, by when the Pensions Regulator expects schemes to have connected to the dashboard. Many of these "connect by" dates for smaller schemes are due in 2026 and so trustees, employers and advisers are working together to ensure data is ready for dashboard connection. From a legal perspective, the current focus for many trustees is agreeing additional contractual terms with their administrators and other advisers to complete the connection process and to ensure that their scheme documentation, such as privacy notices, reflect the new dashboard connection duties.

It is not currently clear exactly when pensions dashboards will "go live", although we understand that current user testing is progressing well and so this is expected to be some time in 2027. In any event, the Government will give six months' notice to the industry of the "go live" date.

What else?

In addition to the areas mentioned above, we are also expecting the following developments to be on trustees' and employers' agendas this year:

- **Pensions Commission findings on adequacy:** In the first half of this year, we are expecting the initial report from the new Pensions Commission that was established last year and was asked to consider the long-term questions of adequacy and retirement outcomes.
- **UK residency requirement for trustees: W**ith effect from 6 April 2026, all pension scheme "administrators" of a UK-registered pension scheme will be required to be UK residents. In the context of occupational pension schemes, trustees will typically be the "administrator" for these purposes. Whilst this is unlikely to be an issue for many schemes (schemes with a corporate trustee incorporated in the UK will meet the requirements), those schemes with individual trustees who include trustees based overseas may need to consider taking steps to ensure that they will be able to comply with the requirement when it comes into force from 6 April 2026.
- **Department for Work and Pensions (DWP) consultation on GBP 30,000 threshold for independent advice requirement: T**he Pensions Minister, Torsten Bell, stated in October 2025 that the DWP is working closely with the FCA, the pensions industry, and the Treasury to consult on the outcome of the work undertaken to identify potential concerns regarding the cost and availability of independent financial advice "in the coming months".
- **Guaranteed Minimum Pension (GMP) conversion regulations?** We understand that the Government may consult in the first half of 2026 on the regulations and detail underlying the GMP Conversion Act, which was passed in 2022.
- **DWP review of Climate Change, Governance and Reporting Regulations**: We were expecting this review in 2025 and so it should be issued early in 2026.

The Courts and the Pensions Ombudsman are also looking busy this year, with several court cases already listed in the courts and the Ombudsman working through its backlog of complaints (including by seeking to issue "lead cases" in several important legal areas).

Finally, the Government is also reforming various important areas of employment law, including the removal of the cap on unfair dismissal claims and restrictions on the right of employers to "fire and re-hire" employees.

If you have any questions in relation to any of the developments detailed above, please do get in touch with your usual Baker McKenzie contact.

Related content

Further details about the *Virgin Media* issue and the associated "fix" can be found here.

Further details about the changes to IHT can be found here.

Further details about changes to pensions salary sacrifice can be found here.

Further details about wider employment being made by the Employment Rights Act 2025 can be found here.

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