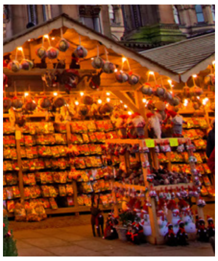
SQUIRE PATTON BOGGS

Hot Topics in Pensions

Winter 2025-2026

We celebrate the joys of the winter season in our latest hot topics. Do not be left out in the cold on pensions developments. Why not read our publication with a hot drink and a mince pie, and take a little time to plan your trustee and corporate agenda for the coming months?



Pension Schemes Bill Sets out Its Stall

The Pension Schemes Bill has the feel of a bustling Christmas market, its stalls laden with shiny baubles of legislation and the occasional dud gift that you would rather leave behind. Trustees might raise a glass of mulled wine and tuck into a bratwurst as they welcome an amendment that introduces a *Virgin Media* remedy, which we summarised in our 3 September weekly update. Many additional amendments have been proposed to the bill since it was reviewed by the public bill committee, although few of these last-minute stocking fillers are likely to have been handcrafted well enough to make it into the final version.

Pensions Dashboards – The Curtain Is Rising ("Oh, yes it is!")

It may be pantomime season, but the cast of the Pensions Dashboards Programme has a serious script to deliver. With more than 60 million pensions records now connected to the ecosystem and less than one year to go to the legislative deadline for connection, the spotlight is firmly on compliance. The Pensions Regulator (TPR) has entered the stage to urge schemes that have missed their timetabled connection to agree a date with their connection provider. Behind the scenes, user testing of the MoneyHelper dashboard is well underway – trustees and administrators should be prepared for members to shout out some questions during the testing phase.

Budget Bash – The Pensions Playlist

In the lead-up to the budget, the buzz in the pensions industry was as lively as the office party, with speculation about what the chancellor would pull out of the hat. In spite of industry representations to the contrary, the government will introduce a £2,000 cap on the amount of employee pension contributions exempt from national insurance through salary sacrifice. This will be from April 2029, to allow time for businesses to dance to the new beat. From January 2027, members of the Pension Protection Fund and Financial Assistance Scheme will receive a bit of sparkle in the form of Consumer Price Index-linked increases, capped at 2.5% a year, on pre-1997 pension accruals where their original schemes provided this benefit.

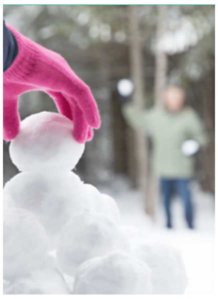
Scheme Administrator Residency Status – Not a Trivial Pursuit!

Will you be dusting off some board games this festive season? HMRC will act as quizmaster, and the question on the card is, "Who is the 'scheme administrator' for HMRC's purposes?" The correct answer is likely to be a pension trustee (not the actual scheme administrator, which HMRC calls a "scheme practitioner"). From 6 April 2026, persons acting as scheme administrators on HMRC's online platforms are required to be UK resident. This does not mean that trustees and directors of corporate trustees may not be resident overseas, simply that the person who operates the HMRC online platforms on behalf of a scheme must be UK resident.

Corporate Transparency – Don't Be on the Naughty List

It might be easy enough to identify a man in a red suit, climbing down your chimney with a sack of toys, but thorough identity verification is now required for company directors (including directors of corporate trustees). A director must provide their unique identity verification code when their company submits its next annual confirmation statement. The verification process is generally quick and simple to do via GOV.UK One Login. However, directors should complete the process early rather than waiting until the confirmation statement is due, in case of any last-minute glitches, ho-ho-ho-lidays, or illnesses. To avoid penalties for noncompliance, make sure that Companies House has your name on its Nice List!

An Avalanche of Collective Defined Contribution (CDC) Developments

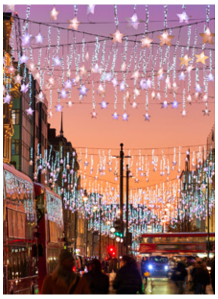


Interest in CDC schemes is snowballing and there has been a flurry of government activity to establish the foundations for two new types of pension scheme. Regulations that extend CDC provision to unconnected multiple employer schemes are scheduled to come into force on 31 July 2026. Separately, the Department for Work and Pensions has consulted on "retirement CDC schemes" for pensioner members only – in due course, these schemes are expected to feature in default benefit solutions, which trustees of defined contribution schemes will have a duty to provide under the Pension Schemes Bill. The landscape is shifting fast – do not get buried under the drift; we are happy to share our CDC experience with you.

TPR's Recipe for Effective Administration

What is your favourite comfort food on frosty days? Apple crumble and custard? Hot chocolate topped with marshmallows? Plum pudding with a generous dollop of brandy butter? In its Market Oversight Report on administrator relationships, TPR serves up its own recipe for success: a perfect pairing of trustees and administrators working together to identify ways to improve administrative practices. TPR's report pays particular attention to the challenges posed by changes to regulatory requirements, technology, staffing, data and cybersecurity. Administration practices are evolving, and trustees are encouraged to periodically review contracts to ensure they remain suitable.

Casting Light on Beneficiaries



While twinkling fairy lights and dazzling high street decorations brighten the dark winter nights, trustees should ensure their decision-making process is not left in the shadows. In a recent Pensions Ombudsman determination, a pension provider was criticised for relying on a questionnaire completed by a beneficiary (who fraudulently concealed the existence of other family members) when deciding to pay the lump sum to that beneficiary. Before distributing death benefits, trustees should shine a light on potential beneficiaries by making thorough enquiries. Procedures should provide for adequate due diligence, and particular care should be taken where unverified information is provided by a person claiming to be the sole beneficiary.

Local Government Pension Scheme (LGPS) – Changes in Choreography

Are you skilled at ice-skating? The LGPS has had to perform a number of twists and spins recently as a result of government policy changes. Further moves are afoot, including changes proposed to Fair Deal. For future outsourcing exercises, the proposals mean that transferred staff must be provided with continued access to the LGPS instead of a broadly comparable scheme, other than in exceptional circumstances. Those who are already in broadly comparable schemes but wish to transfer back are no longer skating on thin ice, as the proposals would allow a transfer back into the LGPS in a way that would preserve the value of previously accrued final salary benefits.

New Year's Resolutions

As Big Ben chimes midnight and fireworks light up the sky, trustees might join the chorus of Auld Lang Syne – but when the celebrations are over, will they be ready to face the challenges of 2026? Trustees' resolutions could include ensuring that trustee knowledge and understanding keeps pace with pensions developments, planning for the scheme's first Own Risk Assessment, monitoring case law and legislation on "Section 37" impacting formerly contracted-out defined benefit scheme amendments, and working with administrators to monitor and improve data accuracy.

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