SQUIRE PATTON BOGGS

Hot Topics in Pensions

Autumn 2025

This time of year evokes "back to school" feelings – even for those who finished school many years ago. Our Autumn Hot Topics in Pensions takes you on a nostalgic journey back to the schooldays of yesteryears as we also look at the current pensions issues impacting trustees and corporate sponsors. Time to sharpen your pencils and prepare to take a few notes.

Pension Schemes Bill – Playing Around With Legislation

Is playtime the best part of returning to school? The House of Commons and House of Lords look like they will play together nicely as the Pension Schemes Bill passes through Parliament. Hopefully the bill does not end in a round of ping pong between the two Houses. The bill reconnects with some familiar friends, such as defined benefit (DB) consolidation, release of surplus, value for money, defined contribution (DC) scale and asset allocation, DC decumulation and design, and small pots consolidation, along with measures to reform the Local Government Pension Scheme. Timing wise, the government's roadmap indicates that Royal Assent is likely during 2026.

Pay Attention to New Inheritance Tax (IHT) Rules

We are calling a special assembly to make sure that trustees are aware of an important development. Proposed changes to inheritance tax would see unused pension funds and death benefits included within a deceased member's estate for IHT purposes from 6 April 2027. The original proposals were revised and personal representatives (rather than pension schemes) will oversee the payment of IHT due. Not all death benefits will fall within a deceased member's estate, importantly most death-in-service lump sums are expected to be out of scope. Trustees will need to consider updates to processes, communications and documentation. If you have any questions, please raise your hand and ask for assistance from our pensions team.

Toeing The Line on Dashboards

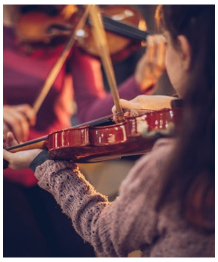
Millions of pensions records are now connected to the dashboards ecosystem and The Pensions Regulator (TPR) is keen to keep up the momentum. In its role as head prefect, TPR is planning to meet with the largest schemes to look at their dashboards preparations and is contacting schemes due to connect in 2026 to make sure they are on track. TPR also has its eye on schemes with non-digitalised or poor-quality data – these have extra homework to do. Separately, the Pensions Administration Standards Association (PASA) has updated its data matching convention guidance – this has an increased focus on unique identifiers, such as email addresses.

Lunchtime Clubs – Chess? Drama? Pension Schemes Act 1993?

Which lunchtime clubs will you join this year? Some trustees may pick the "section 37" club which is eagerly awaiting the outcome of recent litigation. The litigation includes consideration of the validity of amendments made to a scheme that was contracted out on the reference scheme test basis without corresponding written actuarial confirmation that the scheme would continue to satisfy the statutory standard. Meanwhile, in the debating society, this house believes that the government will "introduce legislation to give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards." Do you agree? Watch out for further developments on this motion.

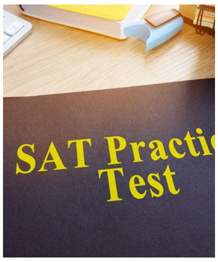
Companies House Sets a New Curriculum

Companies House has updated its timetable for implementing measures contained in the Economic Crime and Corporate Transparency Act 2023. From 18 November 2025, there will be a new subject on the curriculum – identity verification. Companies (including corporate trustees) will be required to submit a personal code for each director when they submit their annual confirmation statements. The code is obtained by each director undertaking an identity verification process. Persons with significant control will also have a similar process to follow. Something to do at break time? We recommend that trustee directors address this early to avoid last minute problems before the confirmation statement deadline.



No Levy? Music to the Ears of Sponsors!

Did you enjoy music lessons at school? The Pension Schemes Bill is changing the score for the Pension Protection Fund (PPF) levy. Current legislation prevents the PPF from increasing the PPF levy amount year on year by more than 25%. This means that the PPF has played it pianissimo when setting a low levy amount in case it needs to increase the levy amount significantly in subsequent years. The bill introduces more harmonious measures that fine tune existing legislation. The PPF has said that levy invoicing for 2025-2026 is on hold until the autumn. If the bill progresses as expected and strikes a chord, the PPF might even reduce the levy to zero.



The First Own Risk Assessment (ORA) – Examination Time!

Nobody likes examinations – but preparation is the key to success. If your scheme's first ORA is due in spring 2026, this autumn is a good time to plan how the assessment will be carried out and by whom. The purpose of the ORA is to test the Effective System of Governance (ESOG) by asking pertinent questions and gaining evidence on how the scheme operates in practice. Even if the outcome does not result in the ESOG achieving a Grade A, the ORA should be seen as a positive exercise, allowing weaknesses in the ESOG to be exposed and addressed, and providing comfort to trustees that other parts of the scheme's governance framework are robust.

Pensions Adequacy – Room for Improvement

Did you used to dread receiving your end of term report? The final report of the new Pensions Commission is expected during 2027, once it has concluded its pensions adequacy review. We expect comments to include "could do better" – especially for the self-employed. There will also be a review of the state pension age. Pensions Minister, Torsten Bell, has reportedly ruled out increases to minimum automatic enrolment contributions during this Parliament. Changes to the automatic enrolment system to help address inadequacies were recommended back in 2017 in the Maintaining the Momentum report. (Eight years later, the title feels somewhat ironic.)

New Data Requirements on the Timetable

Watching the clock is essential at the start of term, with a new class timetable, early nights and no more holiday lie-ins. We will also be monitoring the timings for bringing wide-ranging provisions of the new Data (Use and Access) Act 2025 into force, including the introduction of a new right to complain to controllers, such as pension scheme trustees, about non-compliance with data protection requirements. Trustees will be obliged to facilitate complaints – draft Information Commissioner's Office (ICO) guidance indicates this may include adopting and publishing a complaints procedure. The guidance also provides details on timeframes for investigating and responding to complaints. Updates to privacy notices are likely to be required.

Something for Afters? On the Horizon

Puddings were the highlight of the school dinner menu and these were often served with strange colours of custard. TPR will soon be dishing up its consultation on trusteeship and the broader regulatory framework. TPR expects the outcome of this consultation to result in a change to primary legislation and has made a bid for a Pension Reform Bill in the next parliamentary session, according to its 2024-2025 report and accounts. Also, HMRC is whisking up guidance on the change in policy relating to the deduction of VAT on the management of pension fund assets – look out for it this autumn.

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