

# Pension Schemes Act 2026

## What You Need to Know

[The Pension Schemes Act 2026 \(Act\)](#) received royal assent on 29 April 2026. It took less than a year from its first reading in the House of Commons, to becoming an act of Parliament. While the Act covers a diverse variety of topics, it mainly constitutes a framework that grants powers to make regulations. The detail of the measures included in the Act will be set out in those regulations.

We take a journey through the Act, and signpost you to the key provisions and what is next.



# Introduction

The Act implements measures in the following areas.

## Defined Benefit Pensions

1. Local Government Pension Scheme
2. Release of surplus

## Defined Contribution Pensions

3. Value for money
4. Consolidation of small dormant DC pension pots
5. Scale and asset allocation (mandation)
6. Default arrangements and Financial Conduct Authority contractual override
7. Guided retirement

## Superfunds

8. Superfunds

## Miscellaneous

9. *Virgin Media* remedy
10. Pension Protection Fund and Financial Assistance Scheme
11. The Pensions Ombudsman
12. AWE Pension Scheme and a new public sector scheme

In this communication, we look at the background to each of the key provisions, what the Act actually does and what is next, along with some commentary on expected timeframes.

# Defined Benefit (DB) Pensions

## 1. Local Government Pension Scheme (LGPS)

### Background

Following the general election in 2024, the government announced that it would launch a pensions investment review. Its [interim report](#) was published in November 2024, which put forward proposals to legislate to require the 86 LGPS administering authorities in England and Wales to consolidate their assets into fewer, larger pools of capital. Following further consultation on LGPS measures, the government [announced](#) that it would take forward measures in relation to pooling of assets, local investment and strengthening fund governance.

### What Does the Act Do?

The Act implements the following measures.

- The Act provides the framework for regulations to:
  - Make provision in relation to asset pools, including a requirement for asset pools to be Financial Conduct Authority (FCA) authorised. It also includes the power to make regulations to instruct a scheme manager to participate, or cease to participate, in a specific asset pool. This fits with the government’s policy to reduce the number of asset pools from eight to six.
  - Make provision in relation to a scheme manager’s investment strategy, including requirements in relation to cooperation with a local authority to identify and develop appropriate local investments.
  - Make provision in relation to scheme governance reviews and the publication of relevant guidance.
- The Act also facilitates the compulsory merger of LGPS funds.

**Relevant sections of the Act: Sections 1 to 8**

**Effective date: Most measures came into force on 29 April 2026.**

### What Is Next?

- The government is expected to publish its response to the technical consultation on “Fit for the Future”, and lay the regulations, in the next few weeks.
- All pools will have to be established as UK alternative investment fund managers by 30 September 2027.



## 2. Power to Pay Surplus to Employer

### Background

The Pensions Act 2004 (PA04) was brought into law at a time when many DB schemes were in deficit. The PA04 introduced a requirement for trustees of DB schemes to pass a resolution before April 2011 (which was subsequently extended to April 2016), if they wished to have the power to make payments from the scheme to the sponsoring employer. Since then, scheme funding positions have, on the whole, improved, with the government publishing a call for evidence in July 2023, followed by a consultation in February 2024 on options for DB schemes, both of which explored possibilities for surplus extraction. From 6 April 2024, the tax charge on release of surplus to the employer was reduced from 35% to 25%. By 31 December 2024, The Pensions Regulator's (TPR) annual funding statement found that 85% of DB schemes were in surplus on the technical provisions basis. A government press release in May 2025 said that "the funding position of schemes in deficit has improved significantly, from a collective deficit of £500 billion in 2019 to a deficit of just £140 billion in 2024. Schemes running at a surplus have seen their collective surplus now rise to more than £160 billion". By 2025, there was once again an appetite for relaxing the ability to release surplus to employers.

### What Does the Act Do?

The Act implements the following measures.

- A statutory power is introduced to allow trustees to modify scheme rules to permit surplus extraction, or to remove or relax any restrictions on the exercise of an existing trustee power. The use of the power is at the discretion of the trustees. There is no statutory override to make payments if the scheme rules do not allow this.
- Section 251 PA04, which included a requirement that trustees must have passed a resolution before 6 April 2016 to preserve any power in their rules allowing a refund of surplus to the employer, is repealed. However, the repeal of that section does not affect the validity of a resolution passed under it.
- Section 37 Pensions Act 1995 (PA95) is amended to set out new conditions for a refund of surplus. Old section 37 had included a provision that the power to refund surplus could only be exercised if the trustees were satisfied that it was in the interests of the members, which left a question mark over what this meant in the context of a refund of surplus to employers.
- The new power cannot be used if the scheme is already being wound up, nor can the trustees pass a resolution to confer such a power to be used during future scheme wind up.

**Relevant sections of the Act: Sections 9 to 10**

**Effective date: While the power to make regulations came into force on 29 April 2026, commencement regulations will specify when the remainder of these provisions will come into force.**

### What Is Next?

- Further detail will be set out in draft regulations that will be the subject of consultation expected by the end of 2026.
- Regulations are expected to be in place during the course of 2027.
- The government has said that it is minded to set the threshold at which surplus can be released by reference to the low dependency basis, rather than full buyout basis.
- The rate of taxation applicable to surplus extracted from DB schemes will remain at 25%.
- TPR is expected to develop guidance regarding surplus extraction by the end of 2027.



# Defined Contribution (DC) Pensions

## 3. Value for Money (VFM)

### Background

More than 11 million people have been automatically enrolled into a workplace pension since the introduction of automatic enrolment, with the majority becoming members of a DC scheme. Government and regulators have introduced measures to drive up quality standards and improve member outcomes in DC schemes over the last decade. The focus was originally on driving down member-borne costs and charges, but has now shifted to a broader assessment. Since 2021, the FCA and TPR have engaged with industry on a new framework and metrics to enable VFM to be assessed in a consistent way across the DC market. The latest VFM proposals (in a [consultation](#) issued 8 January 2026) cover how schemes would assess: investment performance (against forward and backward looking metrics), service quality, costs and charges. A central database would be maintained, and schemes would assess their VFM against a wide commercial comparator group. Schemes not meeting VFM would be unable to take on new business, and members would be transferred to another scheme (if in their best interests). It is proposed that VFM requirements would initially apply to the default arrangements of schemes used for auto-enrolment (and the quasi-default arrangements of schemes established before auto-enrolment). The Act sets out the framework for occupational pension schemes, and the FCA will introduce parallel rules for the schemes that it regulates. TPR's [overview of the VFM framework](#) issued in January 2026 offers more comment on the intended scope of VFM and is a useful short background read for trustees.

### What Does the Act Do?

- The Act gives wide regulation making powers to the secretary of state “for the purpose of evaluating and promoting best practice with regard to the provision of value for money”, but the Act itself is sparse on details.
- Regulations will include which schemes and arrangements are in scope, new duties for trustees to carry out VFM assessments, to assign a rating, to make certain information public and to give notifications to TPR and other prescribed persons.
- Regulations will contain more details on VFM data metrics, assessments, ratings and how comparisons should be made with other schemes or benchmarks.
- Scheme trustees or managers may be required to carry out member satisfaction surveys.
- Regulations will cover the consequences of a scheme not fully delivering VFM.
- Regulations will also determine how the amount of any penalty for failure or contravention is determined. The Act confirms the maximum penalty that can be imposed is £10,000 in the case of an individual and £100,000 in any other case.

### Relevant sections of the Act: Sections 11-21

**Effective date: VFM will come into force on a date specified in regulations.**

### What Is Next?

- We await the outcome of the January 2026 [consultation](#), VFM regulations and guidance.
- According to current government plans, regulations are expected in 2026/2027 with the first VFM assessments required in 2028.
- Once the regulations are in place, trustees will need to work with advisers to plan how to implement VFM and what decisions they need to take. This may be a substantial amount of work. VFM will result in further market consolidation and there will be commercial impacts for schemes where VFM is not being fully delivered.

## 4. Consolidation of Small Dormant DC Pension Pots

### Background

There are estimated to be over 13 million DC pension pots worth less than £1,000 that members are no longer paying into. These have largely arisen due to employees being automatically enrolled into a pension scheme and leaving employment before the pot has had chance to build. Small pension pots cause an administrative burden for pension schemes (particularly master trusts), and it is easy for members to lose track of these pensions. Automatic consolidation of small pots was first recommended by a cross sector working group in 2020. After exploring different solutions, the government decided to legislate for a multiple consolidator approach. More background information and links to documents that have informed the current position can be found in the [small pots delivery group report](#) published on 24 April 2025.

### What Does the Act Do?

- The Act establishes a framework for the automatic consolidation of DC pension pots with a value of up to £1,000 where a member has not made any contributions or investment decisions for at least 12 months. The legislation will apply to schemes used for automatic enrolment. Trustees will have new duties relating to eligible small pots, including issuing member notices and implementing solutions. A new central platform will match dormant pots with consolidator schemes. Members can elect that no action is taken to consolidate their small pot.
- Small pot transfers should be carried out within one year of a pot becoming dormant, but regulations may extend this period. A transferred individual will acquire rights in the receiving scheme or arrangement, and become subject to the obligations of membership. Where membership of the receiving scheme entails the member being party to a contract with the trustees or managers, a contract will be treated as entered into.

- Master trusts or contract-based arrangements can apply for regulatory authorisation to act as a small pot consolidator vehicle if the scheme meets criteria set out in regulations. The government anticipates that there will be several authorised consolidator schemes.
- Regulations will set out the details relating to small pot consolidation, including the ability to change the value of pots eligible for consolidation and the period of dormancy. Regulations will also allow exemptions where prescribed conditions are met, and the trustees decide it is not in a member's best interests to consolidate.
- Regulations will detail how the amount of any penalty for noncompliance is determined. The Act confirms the maximum penalty that can be imposed is £10,000 in the case of an individual and £100,000 in any other case.

**Relevant sections of the Act: Sections 22–39**

**Effective date: This part of the Act comes into force on 29 April 2026.**

### What Is Next?

- Regulations are expected in 2027/28.
- Trustees of schemes in scope will need to plan for action when the regulations are in final form. Trustees of master trusts and FCA regulated schemes will need to consider whether to apply for authorisation to act as a small pot consolidator.
- The small pots transfer duties are expected to come into force in 2030.

## 5. Scale and Asset Allocation (Mandation)

### Background

Following the general election in 2024, the government announced that it would launch a pensions investment review of the DC landscape. Its [interim report](#) on the pensions investment review was published in November 2024. This was accompanied by a [consultation](#), seeking views on two key proposals: that multiemployer DC schemes used for automatic enrolment should have a maximum number of defaults, and multiemployer DC schemes' defaults should operate at a minimum size.

Running alongside the pensions investment review and subsequent consultation was a commitment by pension providers to increase investment in productive finance, with the signing of The Mansion House Compact in July 2023 (a commitment by 11 of the UK's largest pension providers to allocate a minimum of 5% of DC funds to unlisted equities by 2030). This was followed by the [Mansion House Accord](#) in May 2025 (an expression of intention of 17 providers to achieve a minimum 10% allocation to private markets across all main default funds in their DC schemes by 2030, with at least 5% of the total going to UK private markets).

The [outcome](#) of consultation was published in May 2025, resulting in the minimum size measures in the Act. In addition, the government said that the Act would include a reserve power which would, if necessary, enable the government to set quantitative baseline targets for pension schemes to invest in a broader range of private assets, including in the UK, for the benefit of savers and for the economy. It also said that the government did not anticipate exercising the power unless it considers that the industry has not delivered the change on its own, following the Mansion House commitments.



### What Does the Act Do?

The Act implements the following measures.

#### Scaling up DC Funds

- The Act introduces a requirement for UK resident authorised master trusts, and group personal pension schemes (GPPs), to have at least £25 billion of assets under management (AUM) in their main scale default arrangements by 2030. The main scale default arrangement represents the default investment proposition for members who have not made an active investment choice.
- The scaling requirement is implemented by amendments to the Pensions Act 2008. Once in force, a relevant master trust (i.e. an authorised master trust with its main administration in the UK) and a GPP must obtain approval from TPR or the FCA respectively to satisfy the quality requirement to operate as an automatic enrolment scheme.
- Approval is conditional upon the scale requirement of a minimum of £25 billion AUM in the main scale default arrangement being met by 2030.
- Transitional arrangements may apply if a relevant master trust or GPP has AUM of £10 billion by 2030, with a credible plan to scale up to £25 billion. A government [policy paper](#) indicates the transitional period for meeting the scaling requirement will end in 2035.
- Likewise, transitional arrangements may apply for new entrants to the market provided they offer a genuinely innovative proposition. Regulations will provide the detail.
- Regulations may exempt certain types of master trust from the scaling requirement (for example hybrid schemes that are only available to a closed group of employers related through their industry or profession, or to default arrangements that serve protected characteristics, such as religion). Regulations will also be required to have regard to competition among providers and innovation of design and operation (such that certain small schemes may be effectively exempted from the scaling requirements). Additionally, the government has said that collective defined contribution (CDC) schemes will be exempt from the scaling requirement.
- Where schemes operated by the same provider use a common investment strategy and meet relevant legislative conditions, the Act permits them to hold a combined main scale default arrangement for meeting the scale requirements. Again, the detail will be contained in regulations.
- Regulations will make provision in relation to the penalties that may be imposed on schemes that both fail to meet the scale requirements and that continue to accept contributions. In the latter case, the Act confirms the maximum penalty that can be imposed is £100,000 per employer that contributions are accepted from.

## Asset Allocation (Also Referred to as Mandation)

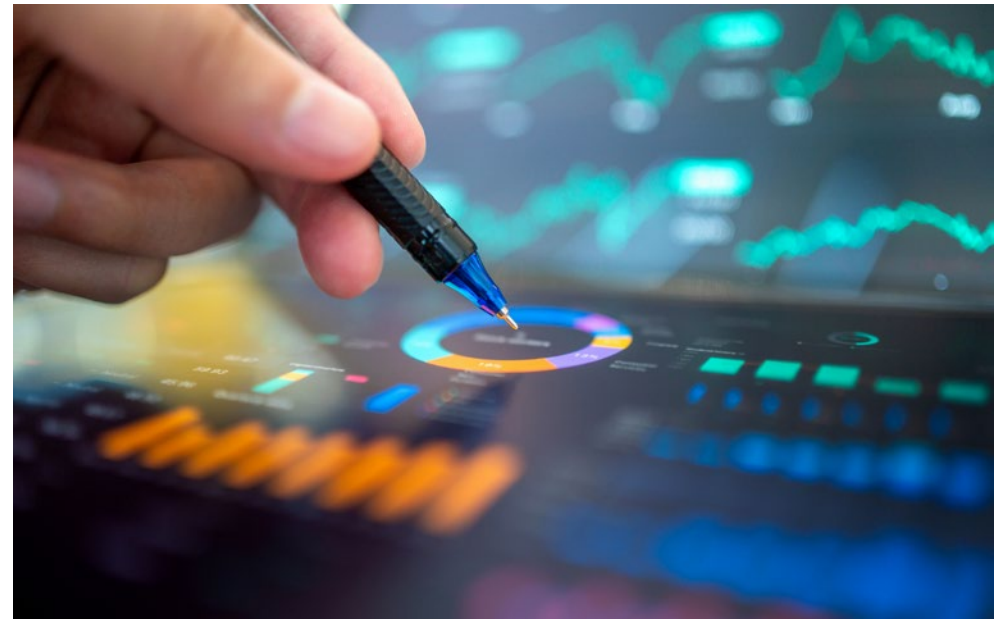
- The asset allocation provisions proved to be the most controversial measures of the Act. These are measures that grant the government power to mandate that a certain proportion of DC main default funds must be invested in certain types of assets.
- Assets that might qualify for the asset allocation requirement (whether held directly or indirectly) are what the government has been classifying as “productive finance”, i.e. private equity, private credit, venture capital, infrastructure, interests in land and other unlisted securities.
- If the power to mandate is used, it will give the government power to set the asset allocation of up to 10% of funds in a DC main default fund, with at least 5% of the total being allocated to UK productive finance.
- The power to mandate must be used before 2032, may only be used once by the government, and the entire regime (whether or not the power is used) will fall away at the end of 2035.
- While the government has said that the asset allocation provisions are intended to operate as a reserve power only, they are hardcoded into the Act and as soon as regulations bring them into force, they will operate as a further condition that must be met in order for a relevant master trust or GPP to be approved and meet the quality requirement for automatic enrolment purposes, or a scheme must apply for exemption on a scheme by scheme basis.
- The asset allocation provisions override any provision of the trust deed or rules of a scheme if there is a conflict. Note, however, that the asset allocation requirement does not override the fiduciary duties of trustees and providers, if there is a conflict between the two, trustees and providers will have to find a way to manage that conflict.
- In recognition of the fact that fiduciary duties prevail, an easement was incorporated into the Act at a very late stage. This allows trustees or managers of a relevant master trust or GPP to make an application to TPR or the FCA (as applicable) stating they have concluded that meeting the asset allocation requirement is likely not to be in the best interests of members of the scheme and setting out the basis on which they have reached that conclusion. If the application complies with the necessary requirements, and TPR/FCA (as applicable) is of the view that it is reasonable for the applicant to have reached that conclusion, TPR/FCA will be required to grant an exemption from the asset allocation provisions.
- All details will be set out in regulations, including the penalties that may be imposed on schemes failing to meet the asset allocation requirements.

## Relevant sections of the Act: Sections 40 and 41

**Effective date: While the power to make regulations came into force on 29 April 2026, commencement regulations will specify when the remainder of these provisions will come into force. The Act provides that the scaling provisions must not be brought into force before 1 January 2030, and regulations in relation to asset allocation must not be made before 1 January 2028.**

## What Is Next?

- Before making regulations in connection with asset allocation, the Act requires the secretary of state to have regard to a joint assessment by TPR and the FCA of the extent to which there is evidence of competitive conditions restricting relevant master trusts and GPPs from investing in qualifying assets, including in circumstances where such investments may be in the best interests of members of such schemes.
- A government [policy paper](#) says that “The Department for Work and Pensions (DWP) and regulators will continue to work closely with industry, including through formal consultation to support delivery of these reforms”.



## 6. Default Arrangements and FCA Contractual Override

### Background

The government has previously stated its desire for fewer, larger pension funds in the DC landscape. Back in August 2024, the chancellor [called on pension funds](#) to “learn lessons from the Canadian model and fire up the UK economy”. She said, “The size of Canadian pension schemes means they can invest far more in productive assets like vital infrastructure than ours do. I want British schemes to learn lessons from the Canadian model and fire up the UK economy, which would deliver better returns for savers and unlock billions of pounds of investment”.

In phase 1 of its [Pensions Investment Review](#), the government said it remained committed to addressing fragmentation within the DC workplace market so that the benefits of scale could be realised. Consistent with this, the government said that it would reduce the overall number of default arrangements in the marketplace by legislating to prevent new default arrangements from being created and operated, except in certain circumstances with regulatory approval.

It also considered the use of overrides for contract-based pension arrangements, subject to appropriate saver protections, to enable transfers without consent into either trust-based or contract-based arrangements to “aid the shift to fewer, larger schemes”. For pension providers, this would reduce the administration costs of smaller unprofitable schemes, while allowing the provider to transfer pension pots to their main scale default arrangement and assist it to scale up to assets under management of £25 billion by 2030.

### What Does the Act Do?

The Act implements the following measures.

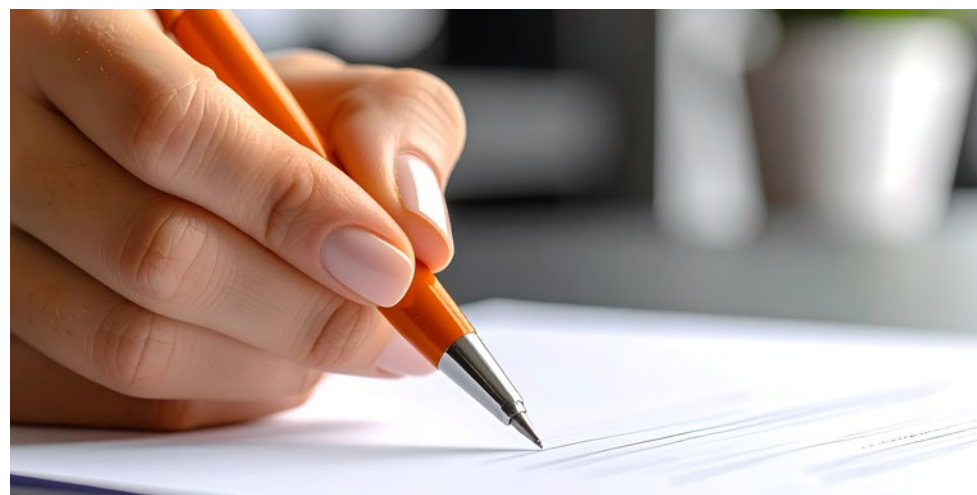
- The Act sets out the framework for regulations that will prevent providers from operating a new non-scale default arrangement unless certain criteria are met and will require the consolidation of existing non-scale default arrangements into an approved main scale default arrangement, subject to certain exemptions. Regulations may also make provision for civil penalties of up to £100,000 to be imposed to ensure compliance.
- Section 49 introduces a contractual override regime for FCA-regulated pension schemes in relation to underperforming and legacy arrangements. This allows the provider to amend the terms of a scheme or transfer a pension pot to a better performing arrangement, without member consent.

**Relevant sections of the Act: Sections 42 to 49**

**Effective date: While the power to make regulations came into force on 29 April 2026, commencement regulations will specify when the remainder of Sections 42 to 49 will come into force.**

### What Is Next?

- The detailed rules on the use of the contractual override regime will be developed by the FCA in consultation with the industry.
- In its [Pensions Investment Review](#), the government says that a ministerial led review, involving the FCA and TPR, will undertake an assessment commencing in 2029 of the market impact and operation of the contractual override measure and VFM framework, to examine the reasons why any default arrangements are continuing to operate outside main scale default arrangements. The government plans to have a legislative underpin to be able to tackle any remaining fragmentation as needed. The government says that the review will commence its work after the first tranche of VFM assessments have been completed, and the contractual override has had time to take effect.
- Regulations are expected to be in force in 2028.



## 7. Guided Retirement

### Background

Since pension freedoms were introduced in April 2015, pension members have had greater flexibility when accessing DC savings. Lack of member engagement, understanding and support has led to poor decision making. Government and regulators have been seeking to understand and address this issue for several years, alongside work to address the “advice gap”, and many trustees have introduced scheme specific solutions to assist members. Following a [call for evidence](#) in June 2022, the DWP has been engaging with industry to develop a “guided retirement” framework under which trustees and managers would offer default decumulation solutions, based on their knowledge of what is suitable for their members or cohorts of members, with members having the ability to choose a different solution. Guided retirement is designed to reduce the risk of members making unsupported, suboptimal decisions, but it presents challenges for DC schemes.

### What Does the Act Do?

- The Act sets out new duties for trustees or managers to design and make available one or more default pension benefit solutions (default solutions) for eligible members of DC schemes. The default solutions must be designed to provide regular retirement income (but other benefits may also be provided), and must take account of the needs and interests of members.
- Trustees can provide default solutions within their own scheme unless this is not reasonably practicable, or the trustees determine that a better member outcome can be achieved by transferring members to another scheme. In this case, trustees can partner with an occupational or personal pension scheme, and transfer members (with their consent) into the default solution of the partner scheme. Trustees must keep default solutions under review.

- Regulations and TPR guidance will add detail to the guided retirement framework, including which schemes and members are out of scope, trustee assessment of member needs and interests, transfer conditions and member communications. Regulations may also require master trusts or small pot consolidator schemes to agree to accept member transfers where trustees have been unable to partner with another scheme for a default solution.
- Trustees or managers will be required to prepare, publish and review a pension benefits strategy, which covers identifying and implementing steps to understand member requirements, designing or identifying default solutions and communicating effectively with members.
- The Act also requires the FCA to make corresponding rules for eligible FCA-regulated schemes.
- Regulations may make provision for ensuring compliance and how any penalties will be determined. The Act confirms the maximum penalty that can be imposed is £10,000 in the case of an individual and £100,000 in any other case.

### Relevant sections of the Act: Sections 50–58

**Effective date: The provisions will come into force on a date specified in regulations.**

### What Is Next?

- The government says that it intends to lay regulations in 2026–2027. Master trusts would be required to comply in 2027, and this would be extended to single employer trusts and GPPs in 2028.
- Trustees of schemes in scope will need to consider their options and plan for action, including how they will assess what solutions are appropriate for their members. Schemes that already provide decumulation solutions will need to make refinements to comply with the new requirements.
- The government intends that collective defined contribution (CDC) schemes will play an important part as a decumulation solution, but it is unlikely that CDC in retirement schemes will be sufficiently developed to play a major role at the outset unless the government’s timeframes are amended.

# Superfunds

## 8. Superfunds

### Background

Theresa May's government first consulted on legislation for superfunds (commercial consolidators of DB schemes) in 2018, but it was put on the back burner, with TPR having to introduce its own guidance for authorisation in the interim. Superfunds have since recaptured the attention of the government with the possibilities that they offer to drive the government's agenda for consolidation and investment in illiquid assets.

### What Does the Act Do?

- Part 3 of the Act sets out a framework for the authorisation and regulation of DB commercial consolidators, referred to as superfunds in the Act.
- TPR's approval will be required before a transfer may be made to a superfund. Regulations will set out the conditions for approval.
- Regulations will also contain details of the capital buffer that a superfund must maintain, along with details of the procedures that will apply if a superfund falls into financial difficulties or breaches regulatory requirements. This will include fixed penalty notices of up to £100,000 and daily escalating penalties of up to £20,000 for non-payment of a fixed penalty.

Note that breaches of the framework also fall in scope of TPR's 2021 powers, certain breaches will constitute a criminal offence, or may result in a financial penalty of up to £1 million.

**Relevant sections of the Act: Sections 59 to 100**

**Effective date: While the power to make regulations came into force on 29 April 2026, commencement regulations will specify when the remainder of Sections 59 to 100 will come into force.**

### What Is Next?

- The government is expected to consult on regulations during 2026, with the regulations laid before Parliament during 2027.
- It is expected that regulations, along with new TPR guidance, will be in force during 2028.
- TPR has [said](#) that the interim regime will continue to operate and will be reviewed as necessary in relation to market developments (for example, discount rate reviews) until such time as the longer-term regulatory regime for superfunds is in place.



# Miscellaneous

## 9. *Virgin Media* Remedy

### Background

Between 6 April 1997 and 5 April 2016, salary-related pension schemes could contract out of the state second pension if they met the conditions set out in the Pension Schemes Act 1993 (PSA 1993), and connected regulations. Schemes had to satisfy a reference scheme test standard, which was a quality test of scheme benefits, certified by the scheme actuary and subject to triennial recertification. Generally, the scheme had to provide benefits that were broadly at least as good as a hypothetical scheme providing a pension at age 65 of  $n/80$  of average earnings between the lower and upper earnings limit. Members' contracted-out rights accrued on this basis from 6 April 1997 are commonly referred to as "section 9(2B) rights". The PSA 1993 restricts the rule amendments that could be made to contracted-out schemes – broadly, to ensure that the amendment would not impact the scheme's ability to meet the reference scheme test. As part of the rule amendment process, trustees were required to inform the scheme actuary in writing of the proposed rule change, and the scheme actuary was required to confirm to the trustees in writing that the scheme would continue to satisfy the reference scheme test if the alteration were made.

In the case of *Virgin Media v NTL Pension Trustees* (the *Virgin Media* case), both the High Court and Court of Appeal ruled that amendments to benefits in schemes that were contracted out on the reference scheme test basis between 6 April 1997 and 5 April 2016, are void if they were made without written confirmation from the scheme actuary that the scheme would continue to meet the reference scheme test.

The *Virgin Media* decision has caused some uncertainty within the pensions industry. Many schemes, including potentially public sector schemes, have been unable to locate actuarial written confirmations in relation to past amendments that required it. The *Virgin Media* decision also has a knock-on effect for Pension Protection Fund (PPF) compensation. Additionally, some in the pensions industry had noted that dealing with the fallout from the *Virgin Media* decision left less time for pension trustees to address the government's drive to increase investment in productive finance.

### What Does the Act Do?

The Act implements the following measures.

- The Act introduces what has been colloquially referred to as the "*Virgin Media* remedy". The remedy applies to schemes in England, Wales, Scotland and Northern Ireland including "public service schemes".
- The Act provides that an alteration purporting to have been made to the rules of such a scheme is a "potentially remediable alteration" if:
  - The alteration could not be made unless the requirements of Section 37 of the [Pension Schemes Act 1993](#) and Regulation 42 of the [contracting-out regulations](#) had been met.
  - It was treated by the trustees of the scheme, after it was purportedly made, as a valid alteration.
  - No positive action has been taken by the trustees on the basis that they consider the alteration to be void (and so of no legal effect) by reason of noncompliance with the requirements of Regulation 42. Generally, this means that the trustees must not have notified members of the scheme in writing that they consider the alteration to be void, and/or that they are taking any other steps to administer the scheme as though the alteration is void.
- An alteration is excluded from the scope of remediation if a court has already given a decision on the matter before 29 April 2026, or if court proceedings were commenced in relation to it (even if settled) on or before 5 June 2025. Court proceedings do not include proceedings before The Pensions Ombudsman or a tribunal. Regulations may also specify other scenarios that are out of scope of the remedy.

- A potentially remediable alteration will be treated as always having been valid if (broadly) the following conditions are met:
  - The trustees have requested in writing to the scheme actuary to consider whether or not, on the assumption that it was validly made, the alteration would have prevented the scheme from continuing to satisfy the statutory standard, and
  - The scheme actuary has confirmed to the trustees in writing that in the actuary's opinion it is reasonable to conclude that, on the assumption that it was validly made, the alteration would not have prevented the scheme from continuing to satisfy the statutory standard.
- Helpfully, the Act also provides that any potentially remediable alteration to a scheme that has been wound up before 29 April 2026, or which has been accepted into the PPF or the Financial Assistance Scheme (FAS), is to be treated as having met the requirement of Regulation 42. i.e. is treated as having been validly made.
- The remedy is available for “public service schemes” i.e. schemes established under section 1 of the Public Service Pensions Act 2013 or statutory pension schemes connected to them, with references in the Act to “trustees” being replaced with “responsible authority”, where applicable.

**Relevant sections of the Act: Sections 101 to 108**

**Effective date: 29 April 2026.**

## What Is Next?

- The Financial Reporting Council has published [guidance for actuaries](#) and TPR has published [guidance for trustees](#) on the *Virgin Media* remedy contained in the Act. We understand that both sets of guidance will be updated and finalised as required.
- The validity of certain scheme amendments is also the subject of a further court case, *Verity Trustees Limited v Katherine Wood and Others*, in respect of which judgment is awaited and expected later this year. If the judgment covers the validity of certain amendments, this may provide additional clarity around factors that the *Virgin Media* remedy does not address.
- Legal and actuarial advice on next steps is recommended for those schemes that are affected by these issues.

## 10. PPF and FAS

### Background

When the PA04 and the PPF came into being in 2005, the majority of pension schemes were in deficit. While the PPF was dubbed a lifeboat, it was hard to see how it could float when it would be taking on the liabilities of underfunded schemes with insolvent employers. Fast forward 20 years, and the story is very different. As of 31 March 2025, the PPF had assets under management of £31 billion and liabilities of £17 billion, resulting in reserves of £14 billion. This has prompted the government and PPF to rethink the ways in which the PPF is funded, and the level of benefits paid by the PPF and FAS. For example, the PPF has [estimated](#) that around 165,000 PPF and 91,000 current FAS members have some pre-97 benefits where their former schemes provided mandatory indexation, while the PPF does not currently pay compensation in respect of that element of scheme indexation.

### What Does the Act Do?

The Act implements the following measures.

#### Indexation of Pre-1997 Accrual

- The Act introduces indexation of PPF and FAS compensation in relation to pre-1997 accrual where the scheme rules provided for indexation or where it is unclear whether the scheme rules provided for pre-1997 indexation.
- The indexation measures provide for CPI capped at 2.5% and are prospective only.

#### PPF Levy

- Current legislation prevents the PPF from increasing the levy amount year on year by more than 25%, which has restricted the amount by which the PPF has considered it prudent to reduce the levy in case of a need to significantly raise the levy in future years. In particular, the PPF could not set the levy at zero because it would mean that it could never again raise a levy.
- The Act introduces measures to address this limitation and facilitate a zero levy without preventing the PPF from raising a levy in the future.

#### PPF and PPF Ombudsman Funding

- The Act amends existing legislation to provide that administration and other costs of the PPF and PPF Ombudsman will be met out of PPF funds, instead of out of a general levy collected by TPR.

**Relevant sections of the Act: Sections 109 to 111, 123 and 126 to 127**

### Effective date:

- Commencement regulations will specify when the indexation provisions come into force, although we understand that it is the intention the measures will be in force from 1 January 2027.
- Commencement regulations will specify when the PPF levy measures come into force. This is expected to be during 2027, although note that the PPF has already set the 2026 to 2027 levy at zero.
- The measures relating to funding of the PPF came into force with retrospective effect on 1 April 2026, while the measures relating to the funding of the PPF Ombudsman came into force with retrospective effect on 1 April 2007 (to reflect what has happened in practice).

### What Is Next?

- The PPF has already set the 2026 to 2027 levy at zero.
- The PPF says that it will continue with its preparatory work to implement pre-1997 indexation for eligible members in order to be ready for 1 January 2027.

## 11. The Pensions Ombudsman (TPO)

### Background

Section 91(6) PA95 sets out a requirement that where there is any dispute as to the amount to be recouped from a beneficiary following the overpayment of pension, the trustees must obtain an enforcement order from a “competent court” before they can offset the overpayment against future pension payments. Case law has determined that TPO does not constitute a “competent court” for section 91 purposes, and a county court order for enforcement is required.

This has proved to be an additional and unnecessary administrative hurdle for trustees seeking to implement a valid TPO determination.

### What Does the Act Do?

The Act amends section 91(6) PA95, with the effect that if the trustees obtain a determination made by TPO in their favour, they will no longer need to also seek a county court enforcement order before offsetting future pension payments from a member’s pension.

### Relevant sections of the Act: Section 121

**Effective date: 29 June 2026.**

### What Is Next?

Implementing a TPO determination in relation to overpaid benefits should become a simpler process for trustees seeking to recoup overpaid benefits.

## 12. AWE Pension Scheme and a New Public Sector Scheme

### Background

AWE plc has a DB scheme, the AWE pension scheme, which was closed to future accrual for almost all members in 2017. The AWE pension scheme was established in April 1993 to provide benefits for employees who had transferred from public sector employment. It is a funded scheme, which also benefits from an unlimited crown guarantee, issued by the Ministry of Defence in July 2022.

In the budget on 26 November 2025, the chancellor confirmed that the liabilities held by the AWE pension scheme should no longer be prefunded.

### What Does the Act Do?

- The Act implements the following measures.
- The Act creates the framework for the establishment of a new unfunded public sector scheme to take a transfer of the AWE pension scheme's liabilities on a mirror image basis.
- The assets held by the scheme are to be sold and the proceeds transferred to the Treasury.
- Consequences for members are to be tax neutral.

**Relevant sections of the Act: Sections 112 to 120**

**Effective date: 29 April 2026.**

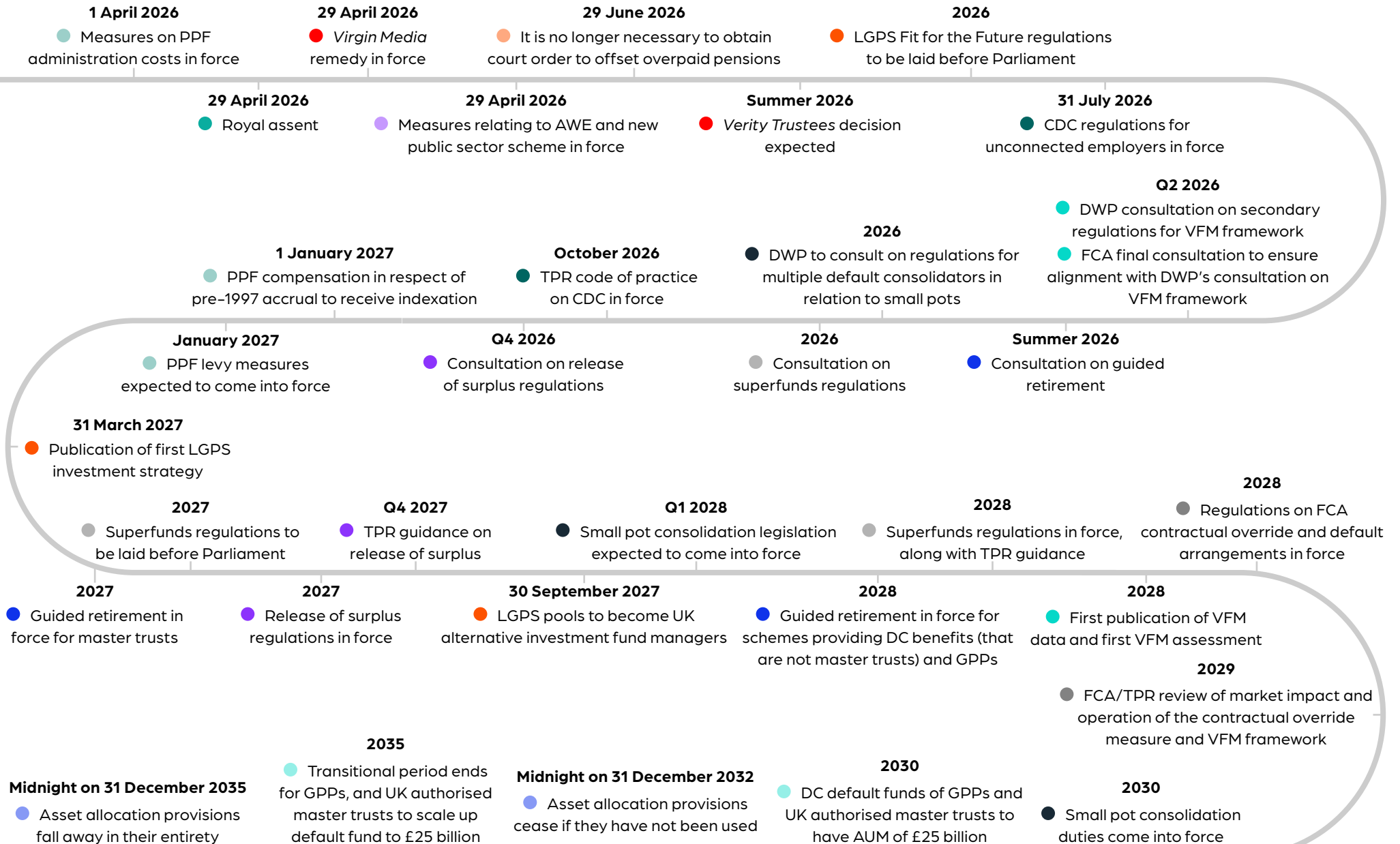
### What Is Next?

A [memo](#) prepared by the Ministry of Defence provides more detail on the measures in the Act.



# Journey Planner

This is an indicative timeline only and is subject to change.



SQUIRE   
PATTON BOGGS

Local Connections. Global Influence.