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Quarterly briefing

March 2026

Highlighting significant developments in pensions law, covering key areas such as pensions reform, regulatory developments, new legislation and cases

Q1
March 2026

On the front cover this quarter:
Emily Rowley (partner) and
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Abbreviations

CDC: Collective DC

DB: Defined benefit

DC: Defined contribution

DWP: Department for Work & Pensions

EEA: European Economic Area

ESG: Environmental, social and corporate governance

FCA: Financial Conduct Authority

FOS: Financial Ombudsman Service

FRC: Financial Reporting Council

HMRC: HM Revenue & Customs

HMT: HM Treasury

ICO: Information Commissioner's Office

IHT: Inheritance tax

LGPS: Local Government Pension Scheme

NICs: National insurance contributions

PASA: Pensions Administration Standards Association

PPF: Pension Protection Fund

PR: Personal representative

PSA: Pension scheme administrator for tax purposes

PSB: Pension Schemes Bill

RI: Responsible investment

TPO: The Pensions Ombudsman

TPR: The Pensions Regulator

VFM: Value for money

In this issue

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Environment

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Current legal agenda

Topic	Summary	Timing
Pension Schemes Bill[1]	PSB will introduce significant changes for DB and DC schemes	Royal Assent expected in early 2026 and all changes to be in force by 2030
Virgin Media[2]	Draft remedy has been included in PSB, including an exemption for schemes that have wound up before the provisions come into force A separate case has been heard considering various ancillary issues	Provisions, originally due to come into force two months after PSB receives Royal Assent, now set to take effect on Royal Assent. *Beware of the change in timing if in process of winding-up* Timing of judgment currently unknown
DB surplus[3]	DB trustees will be given greater flexibility over the use of DB surpluses	New powers not expected to be in force until the end of 2027
VFM	Joint consultation on detailed proposals for new VFM framework VFM framework for DC trust-based schemes included in PSB	Consultation closes on 8 March 2026 (see page 6) First assessments expected in 2028
CDC[4]	Consultation on TPR's revised CDC Code of Practice closed February 2026 Consultation on retirement CDC closed December 2025	CDC expansion to unconnected multi-employer schemes from 31 July 2026 (see page 9)
Pensions dashboards[5]	Schemes are connecting to the dashboards ecosystem	Connection deadline is 31 October 2026
IHT changes	Finance Bill includes provisions to bring most unused pension funds and death benefits in scope of IHT	Changes to take effect on and from 6 April 2027 (see page 4)
Salary sacrifice[6]	Pensions salary sacrifice contributions to be capped at £2,000	From 6 April 2029 (see page 9)

1 See our Alert: The Pension Schemes Bill begins its Parliamentary journey (5 June 2025)
2 See our Hot Topic: PSB DB – proposed Virgin Media remedy (October 2025)
3 See our Hot Topic: PSB DB – new surplus powers (October 2025)
4 See our Alert: Expanding the availability of CDC schemes (23 October 2025)
5 See our Hot Topic: Dashboards are here! Are you ready? (April 2025)
6 See our Alert: Autumn Budget 2025 (26 November 2025)

Inheritance tax

Changes affect deaths on and after 6 April 2027

Most unused pension funds and death benefits payable from a pension scheme will fall within a person's estate for IHT purposes in respect of deaths on or after 6 April 2027.[7] As part of these changes, PRs will be liable for reporting and paying any IHT due on unused pension funds and death benefits.

What is in scope?

Unused pension funds and death benefits will generally be in scope, other than:

- dependants' scheme pensions
- death in service benefits
- charity lump sum death benefits.

The existing IHT principles providing exemption for death benefits passing to a surviving spouse or civil partner, and registered charities, will be maintained.

Who is responsible for paying the IHT?

PRs will be responsible for paying any IHT

PRs will be primarily liable for reporting and paying IHT due on unused pension funds and death benefits. PRs already report and pay IHT on the deceased's estate, including for non-discretionary pension schemes.

Pension beneficiaries will become jointly and severally liable for any IHT due on unused pension fund and death benefits to which they are entitled, from the point they are confirmed as the beneficiary.

Options for paying IHT

- PRs can pay the IHT due on any pensions element directly from funds in the free estate.
- Pension beneficiaries can direct PSAs to pay the IHT on their behalf directly to HMRC.
- PRs can direct PSAs to withhold 50% of taxable benefits for up to 15 months. The PRs can then direct the PSA to pay the IHT due to HMRC from the benefits that have been withheld before releasing the rest of those benefits to the pension beneficiaries.
- Pension beneficiaries take their pension benefits in full and pay IHT directly.

What's still to come?

Draft legislation on the changes to the information sharing requirements needed to support the new processes will be published "in due course". HMRC will also provide further tools and guidance on the changes.

Trustee actions

- Liaise with your administrators to understand how they are preparing for the changes.
- Check your scheme rules to understand which benefits are in scope, and whether any amendments are needed.
- Inform members of the proposed changes, eg on the scheme website or in a member newsletter.

7 See our Alert: Government presses ahead with plans to apply inheritance tax to unused pension funds and death benefits (22 July 2025)

Trustee governance

New trustee governance consultation

The DWP published a consultation on trustees and governance in trust-based pension schemes in December 2025, building on its aim to drive up trustee standards.[8] It follows a 2023 call for evidence, which asked questions about trustee standards, accreditation, and a trustee register. According to the Government's response to that consultation, the majority of trustees were regarded as "well-supported, knowledgeable, and hard-working" but it believed there was "space for action", to ensure that all trustees were able to work effectively.

What does the consultation cover?

Consultation closes on 6 March 2026

The DWP invites views on what the upcoming changes in the forthcoming PSB mean for trustees and explores how trusteeship and governance can "evolve to deliver the best outcome for savers". Recognising that the issues facing trustees vary significantly depending on the size and type of scheme, the DWP acknowledges that different segments of the market may need different solutions.

It also considers what other requirements could help trustees deliver on their accountabilities and ensure trustees are able to hold service providers to account, as well as setting out options that could help drive up standards across all levels of trusteeship. The consultation closes on 6 March 2026.

Professional trustees

Professional trustees are becoming increasingly common, with more than half of DB and DC schemes having a professional trustee on their trustee board in 2025. The DWP:

- is considering whether higher standards should be set for professional trustees, including introducing statutory requirements for accredited trustees
- believes that professional corporate sole trustee arrangements can make a "valuable contribution" to scheme governance but wishes to consider whether restrictions are needed in some circumstances
- is exploring whether further rules are needed around the broader services offered by some professional trustee firms.

The consultation also looks at:

- **trustee directory** – work is underway with TPR to ensure that it has a complete directory of trustees
- **diversity** – how trustee boards can attract a wider range of skills, experience and backgrounds
- **lay (ie non-professional) trustees** – how best to support non professional trustees
- **administration** – following TPR's recent administration guidance (see box below), how to ensure appropriate standards for scheme administrators are in place and enforced.

TPR's revised administration guidance

Recognising that administration is a "critical driver of good outcomes" for members, TPR published revised administration guidance in December 2025.[9] The guidance applies to all schemes and consolidates TPR's expectations for trustees on key areas including member communications, data management, disaster recovery and business continuity planning. It also sets out practical steps that trustees can take to meet the expectations in the administration module of TPR's general code.

8 See our Alert: DWP publishes consultation on trustees and governance (15 December 2025)
9 See our Alert: TPR publishes new administration guidance (9 December 2025)

Value for money

Intended to "support a significant shift in the way the workplace pensions industry operates and competes", the FCA, the DWP and TPR published a joint consultation in January on detailed proposals for the new VFM framework for DC schemes (the "Framework").[10]

This consultation is the latest step in joint work by the FCA, the DWP and TPR towards the new market-wide Framework. Once implemented, all schemes in scope will be required to report on a range of metrics and to use this data to assess the value of their offering against comparators. If a scheme offers poor value, firms and trustees must drive improvements or transfer members to "a value rated arrangement".

Revised ratings system

The consultation sets out the proposed rules and guidance that will apply to default and "quasi-default" arrangements of FCA-regulated workplace DC schemes, but with metrics and concepts intended to be suitable for application across the whole DC pensions space. It builds on the FCA's 2024 consultation, with some changes made to the proposed rules as a result of feedback received as well as market and policy developments.

Key changes include:

- a revised rating system (see below)
- an online central database to disclose VFM data, and
- comparison against a commercial comparator group rather than just three other arrangements.

New rating system

The "traffic light" ratings have been expanded to highlight top performers:

- strong performance, where no or few improvements could be made
- value could be improved
- not offering value but could be improved to reach value
- not offering value and cannot be improved

How does this apply to trust-based schemes?

The Framework will be implemented for trust-based schemes through legislation under the PSB. Trustees have been encouraged to respond to the current consultation, as their input "will be particularly valuable and timely in developing the legislation" as well as TPR's regulatory approach.

Trustee encouraged to respond

TPR has published a guide to the VFM consultation for trust-based schemes to help trustees understand the proposals. It gives an overview of the Framework, highlighting the proposals which are most relevant to trustees of DC schemes, including the arrangements in scope, the metrics used to compare performance and determine if a scheme is providing value, the assessment process, and actions for arrangements not delivering value.

Timeline

8 March 2026
The joint consultation closes

Spring 2026
PSB expected to receive Royal Assent

2026/2027
- DWP regulations consultation process
- TPR will consult, as appropriate, on codes of practice and/or guidance
- The FCA is likely to carry out a further consultation to finalise its VFM rules

2028
The first VFM assessments expected

10 See our Alert: Joint consultation on detailed rules for new VFM Framework (9 January 2026)

Fiduciary duties: one step forward?

ESG factors have the potential to impact long-term financial returns and risk profiles

Fiduciary duties remain the cornerstone of trustees' responsibilities when it comes to making investment decisions. Trustees are required to act in the best financial interests of scheme beneficiaries, balancing investment returns with the need to manage risks. Historically, fiduciary duties were often interpreted narrowly, focusing primarily on generating "returns". However, evolving market standards and regulatory expectations now take a broader view of what factors may be relevant when considering beneficiaries best financial interests.

Recent developments

October 2025 – an amendment to the PSB was introduced which aimed to clarify and expand the scope of trustees' fiduciary duties by explicitly permitting consideration of "system-level" risks and opportunities, such as environmental and social factors that cannot be fully managed through diversification alone. The intention was to empower trustees to invest more responsibly without diluting the existing duty to act in members' best *financial* interests.

New statutory guidance promised

December 2025 – the Pensions Minister, Torsten Bell, in acknowledgement of the tabled amendment, confirmed that the Government will develop statutory guidance for pension schemes. To enable this, it will "bring forward legislation that will allow the government to develop statutory guidance for the trust-based private pensions sector".

January 2026 – the forthcoming guidance on fiduciary duties will support trustees in considering broader factors, such as climate change and ESG issues, within their existing duties. The guidance will include clarification and practical support on their ability to take account of system level risks and the impacts of investments where these affect members' long-term outcomes, including their standard of living. It will also explore how trustees may consider members' views, where appropriate in their investment decision making.

Fiduciary duties: a snapshot

- **Fiduciary duties** – require trustees to:
  - exercise investment powers for their "proper purposes", namely the provision of member pensions
  - take account of factors with are relevant to that purpose (financially material), and
  - act in accordance with the "prudent person test".
- **ESG** – trustees should already be considering ESG factors that are financially material as part of their duty to manage risks and act in beneficiaries' best financial interests.
- **Reporting and disclosure** – transparent reporting on ESG and climate-related risks is a legal requirement and now seen as standard practice by regulators and members alike.
- **Documentation and process** – investment policies and statements should reflect how ESG issues are identified, assessed, and incorporated into scheme decision-making.
- **Statutory guidance** – as explained above, the Government is working on statutory guidance for pension trustees.

What now?

At the time of writing, the PSB is in the committee stage passing through the House of Lords meaning that nothing is finalised. It is anticipated that proposed draft guidance will be issued for consultation in the coming months.

There is no doubt that the landscape is shifting. ESG and climate risks are now recognised as fundamental to sound pension scheme management. Whilst not as concrete as an amendment to the PSB, the guidance marks a significant step towards ensuring trustees have clear, authoritative direction on integrating wider ESG considerations into their decision-making processes.

Finance & investment update

LGPS

In December 2025, the LGPS Advisory Board responded to the LGPS “Fit for the Future – technical consultation”. Whilst the Board was generally supportive of the Government’s proposals it highlighted concerns relating to the pace of change, particularly in relation to the 2026 deadlines. The response also stressed the need for clearer guidance on pool fund governance, conflicts of interest and ensuring changes benefit members which the Board is concerned “cuts across their fiduciary responsibility”.

Changes might impact RI and ESG considerations

In addition, the Board has concerns with proposed changes that might impact RI and ESG considerations. The response states that the draft regulations refer to ESG considerations as “priorities and preferences” making reference to separate guidance under closed consultation that makes clear these “can be overridden by the pool on financial grounds”. This “means that it is ultimately pools and not funds who determine the acceptable balance between the financial and non-financial considerations on RI investments. This seems to directly usurp the fiduciary duty which sits, rightly due to the greater accountability, with funds”.

The consultation closed in January 2026, with the new rules expected to come into force in April 2026, subject to Parliamentary approval.

New Stewardship Code

The FRC has published a report titled ”Preparing for the UK Stewardship Code 2026: Applying insights from current reporting”, which provides practical insights and examples of effective reporting to the 2020 code to help signatories with the transition to the updated code’s “new streamlined reporting structure”. With the aim of supporting a smooth transition, 2026 will operate as a “transition year”, with existing signatories maintaining their status provided they submit their first report to the updated code during their usual application window in 2026.

Private market investments

TPR initiative on private market investments

TPR has launched an initiative to explore the approach of DB and DC schemes in investing in growth assets and better understand the barriers to doing so. TPR is focusing on DB and DC schemes with “material scale” which may be considering or have potential to make investments in this area. It planned to complete its engagement by the end of 2025 and share its findings with the Government, with the intention of publishing a market oversight report in 2026, so that trustees and expert advisers can “benefit from the insights” that TPR has gained.

Targeted support

HMT has published a response to its policy note on targeted support. Targeted support is aimed at the gap between existing guidance-based services and more bespoke advice and would enable authorised firms to make suggestions that have been developed for a group of consumers who share similar circumstances and characteristics.[11]

New targeted support rules expected to apply from April 2026

On the same day, the FCA published a policy statement on the near-final rules for a new regulatory framework for targeted support, as well as two joint statements with regulatory partners. The first with the FOS, which clarifies how the FCA and the FOS will work together in the event of future complaints relating to targeted support. The second with the ICO, on how firms can communicate with consumers in the context of existing direct marketing rules.

The FCA is on track to enable firms to begin applying for permission to provide targeted support from March 2026, subject to legislation. It expects the new rules to then take effect from 6 April 2026.

11 See our Hot Topic: FCA reforms – addressing the advice gap (February 2026)

In other news

CDC

TPR has recently consulted on its expanded and updated CDC code of practice, which is designed to replace the existing code, in order to cater for unconnected multi-employer CDC schemes.[12] The revised code is expected to apply from 31 July 2026, when the expanded regime comes into effect.

The draft code outlines the criteria, TPR's expectations, and the procedures which will need to be followed when seeking authorisation for unconnected multi-employer CDC schemes. While seen as a "significant extension" to the types of pension arrangements available to employers and pensions savers, TPR expects that many aspects of the draft code will be familiar, reflecting the existing approaches for CDC schemes and master trusts.

Salary sacrifice

Cap on salary sacrifice contributions from April 2029

From 6 April 2029, pensions salary sacrifice contributions will be capped at £2,000 a year. Any contributions exceeding that cap will be made subject to employee and employer NICs, in the same way as other employee workplace pension contributions. Contributions will remain "exempt from Income Tax (subject to the usual limits)", and presumably any other tax charges if they are within the applicable annual allowance.

Although it is currently unclear exactly how the changes will work in practice, initial guidance and enabling legislation suggests the administrative burden will be placed on employers. The detail will be set out in regulations and further guidance.

Automatic enrolment

No changes to automatic enrolment thresholds

The DWP has confirmed that for 2026/27:

- the existing threshold of £10,000 for the earnings trigger will be retained, and
- the current lower and upper earnings bands for qualifying earnings will be maintained (at £6,240 and £50,270 respectively).

PPF levy

No PPF levy expected for most schemes

The PPF is satisfied that it doesn't need to charge a material PPF levy for 2026/27.[13] However, its ability to retain a zero-levy for next year is dependent on the passage of the PSB through Parliament. The PPF must publish its determination confirming its levy estimate and rules for 2026/27 before the end of the current financial year (31 March 2026). If the legislative position is sufficiently certain in time, the PPF will confirm a zero conventional levy and schemes will not be invoiced. Otherwise, it will use last year's levy estimate and rules to preserve its independence on the levy.

The PPF intends to continue to charge an alternative covenant scheme levy. Alternative covenant schemes, including superfunds, pose different risks to conventional schemes as they do not have a substantive employer covenant but can be supported by a capital buffer.

Contingent assets

The deadline for certification / re-certification contingent assets on Exchange is midnight on 31 March 2026. Any documents that need to be submitted, such as a guarantor strength report, must be emailed to the PPF by 5pm on 3 April 2026.

12 See our Alert: TPR consults on revised CDC code of practice (19 December 2025)

13 See our Hot Topic: PPF levy 2026/27 (January 2026)

In other news cont.

Data protection

Further provisions in the Data (Use and Access) Act 2025 came into force on 5 February 2026, including in relation to:

- data subject access requests – amendments to the process for managing data subject access requests, including revised time limits for response to requests in some situations (see the ICO's updated guidance on subject access requests)
- overseas transfers – a simplified test for transferring personal data to third countries and international organisations (see the ICO's revised international transfers guidance)
- enhanced ICO powers – including a new power to require an individual to attend an interview and answer questions.[14]

The measures requiring data controllers to establish processes for handling complaints from data subjects will come into force on 19 June 2026. The ICO plans to issue guidance which explains what organisations must, should and could do to comply with the new complaint requirements, following its consultation on draft guidance in autumn 2025.

Separately, PASA has provided some useful guidance for pension scheme trustees in relation to these changes, including a "practical breakdown" of the legislation.

HMRC

Tax advisers to register with HMRC in May 2026

HMRC has introduced a new requirement for all tax advisers who interact with HMRC on behalf of clients to register and meet minimum standards. Providing information to scheme members is not caught by the requirement to register. Entities, such as pension scheme administrators, will be exempt where interactions with HMRC are carried out in response to requirements under legislation.

Overseas trustees

From 6 April 2026, HMRC requires that the individual(s) who are registered as the PSA for tax purposes are based in the UK. PSA refers to the individual(s) ultimately responsible for submitting tax information to HMRC on behalf of the scheme (as opposed to those responsible for carrying out day-to-day administration). This is generally the scheme trustees or someone they have delegated this task to. Schemes with overseas trustees should check who is currently registered as the PSA on HMRC's system in case this needs to be updated.

Overpayments

TPO has published a factsheet to help members and other beneficiaries of pension schemes understand overpayments. It hopes that the information will help both parties to work together to agree whether, how and over what period an overpayment should be recovered and so, in turn, "allow disputes to be resolved at the earliest possible stage". Schemes should share the factsheet with members when informing them of an overpayment or when a member queries or challenges the scheme's attempt to reclaim an overpayment.

14 See our Hot Topic: Data governance (November 2025)

Risk transfer – looking back on 2025

We're pleased to share highlights of our 2025 risk transfer activity. It was another busy year, which saw an increase in risk transfer transactions, particularly in relation to the smaller to mid-size deals, reflecting a broader trend in the market. We remain extremely active across all areas of the market, advising trustees, employers, and insurers on transactions of every type and size. Looking ahead, we anticipate 2026 will be another year of significant activity.

£5.8bn+

We advised on over £5.8bn total risk transfer transactions

We continue to work with all major insurers and consultants in the market, as well as new entrants. We have extensive experience of collaborating closely with professional trustees to achieve the best possible outcome for members.

36

We act for 36 of the top 200 pensions funds in the UK

21

We advised on 21 risk transfer transactions of all sizes, including:

- 3 using **L&G Flow**
- 2 over **£1bn+**
- a complex seller's due diligence report for a large scheme.

We have considerable experience in complex risk transfer transactions, including funding agreements, longevity swaps, back-to-back loans, collateral arrangements, sale of illiquids and vendor due diligence in relation to residual risk cover.

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As at February 2026, we are advising trustees on over 37 risk transfer transactions

£36bn+

Over the last three years we have advised on over 50 risk transfer transactions totalling over £36bn

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Upcoming webinars and seminars

We offer an extensive programme of client workshops and seminars. In addition to the quarterly legal updates, our seminars, which are led by our experts, offer clients the opportunity to ask questions and to share experiences on topics.

Pensions UK investment conference	10/03/2026 – 12/03/2026	In person – Edinburgh Sackers will be at the Pensions UK Investment Conference in Edinburgh. If you are attending, we would be delighted to see you at our stand. Don't miss partner **Andy Lewis** on **Wednesday 11 March** joining the discussion **"Is Fiduciary Duty Still Fit for Purpose?"**
Quarterly legal update	07/05/2026	Online webinar This session will provide an essential overview of significant developments affecting occupational pension provision in the UK for employers and trustees.

If you would like to attend any of our events, please contact our marketing team at marketing@sackers.com.

A selection of short videos, webinars and podcasts on topical pensions-related issues and aspects of our firm is available on our website: www.sackers.com/knowledge/multimedia

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These include our weekly round-up, 7 Days, Alerts where topical issues are covered in depth, and Briefings which give practical commentary and perspectives on essential issues.

Recent publications

The Pensions litigation briefing – December 2025 reviews recent case law and examines the practical lessons for trustees and employers.

The Master trust agenda – Q1 2026 reviews current and future developments affecting master trusts.

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