Sackers 60
A proud history and an exciting future Est. 1966

Quarterly briefing

December 2026

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



Q4
December 2026

On the front cover this quarter:
Vicky Carr (partner) and
Schuyler Hillbery (associate)

Abbreviations

AI: Artificial intelligence

AVCs: Additional voluntary contributions

CDC: Collective DC

DB: Defined benefit

DC: Defined contribution

DWP: Department for Work and Pensions

FCA: Financial Conduct Authority

FSCS: Financial Services Compensation Scheme

GMP: Guaranteed Minimum Pension

HMRC: HM Revenue & Customs

ICO: Information Commission's Office

IHT: Inheritance tax

MaPS: Money and Pensions Service

NMPA: Normal minimum pension age

PASA: Pensions Administration Standards Association

PDP: Pensions Dashboards Programme

PPF: Pension Protection Fund

PR: Personal representative

PRA: Prudential Regulation Authority

PSA: Pension scheme administrator for tax purposes

PSA26: Pension Schemes Act 2026

RCPS: Retirement collective pension scheme (previously referred to as retirement-CDC)

SSAS: Small self-administered scheme

TPR: The Pensions Regulator

VFM: Value for money

Electronic format

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Current legal agenda

Topic	Summary	Timing
IHT changes[1]	Most unused pension funds and death benefits to come within scope of IHT	Changes to take effect in respect of deaths on and from 6 April 2027 (see page 4)
DB surplus	DB trustees will be given greater flexibility over the use of DB surpluses	DWP aiming to bring the powers into force in April 2027
Pension transfers[2]	Response to consultation on regulations to change various flags published 3 November 2026	Regulations due to come into force in April 2027 (see page 11)
Pensions dashboards[3]	Statutory deadline for connecting to the dashboards ecosystem has now passed. Schemes are preparing for public launch	Dashboards expected to launch to the public in 2027/28 financial year (see page 11)
Guided retirement[4]	Schemes will be required to put default pension benefit solutions in place for DC members at retirement	Consultation on detailed policy proposals closes 22 December 2026 (see page 9)
VFM[5]	Joint consultation on "detailed proposed approach" for new VFM framework closed September 2026	Framework to be implemented in stages
CDC[6]	CDC expansion to unconnected multi-employer CDC regime now in force The DWP is consulting on draft regulations for RCPSs	Consultation closes 15 December 2026 (see page 10) Regulatory framework for RCPSs expected to be in place by late 2028
Virgin Media	Separate from the PSA26 remedy, a case was heard in early 2025 considering various ancillary issues	Timing of judgment currently unknown

1 See our Hot Topic: Inheritance tax changes – getting prepared for April 2027 (August 2026)
2 See our Alert: DWP consults on changes to the Conditions for Transfers Regulations (10 June 2026)
3 See our Hot Topic: Dashboards are here! Are you ready? (April 2025)
4 See our Hot Topic: Pension Schemes Act 2026 – DC measures (August 2026)
5 See our Hot Topic: Pension Schemes Act 2026 – DC measures (August 2026)
6 See our CDC guide (October 2026)

IHT – getting ready for April 2027

Applies to deaths on and after 6 April 2027

Most unused DC pots and death benefits payable from registered pension schemes will fall within a person's estate for IHT purposes in respect of deaths on or after 6 April 2027. The changes will also apply to qualifying non-UK pension schemes and section 615 schemes.

Check which scheme benefits are in scope

What's excluded?

Death benefits **excluded** from the scope of the IHT changes include:

- death in service benefits payable from registered pension schemes
- a dependant's scheme pension (eg a pension to a spouse or child), and
- a dependant's or nominee's annuity that was purchased together with a lifetime annuity payable to the member (commonly referred to as joint life annuities).

The existing exemptions for benefits passing to a surviving spouse or civil partner who is a long-term UK resident, and registered charities, will be maintained.

Reporting and paying IHT

PRs, who already report and pay IHT on the deceased's estate, will be primarily liable for reporting and paying IHT. IHT is due within six months of the end of the month in which the individual dies. After that point, interest starts to accrue. Beneficiaries will become jointly and severally liable for any IHT due on their benefits once they are confirmed as the beneficiary. There are also limited circumstances where the PSA may be liable, eg where it has failed to pay any IHT due after receiving a valid payment notice.

Put processes in place for "payment notices"

Paying the IHT

PRs can pay any IHT from the free estate, or a beneficiary can take their benefits in full and then pay the IHT. Alternatively, the PRs or any beneficiary can direct the PSA to pay IHT from the scheme by issuing a "payment notice". Certain conditions need to be met, including that the IHT is at least £1,000.

Withholding notices

PRs can also ask the PSA to withhold 50% of benefits payable to an individual for up to 15 months, by issuing a "withholding notice", where they have reason to believe IHT may be payable on those benefits.

What does this mean for registered pension schemes?

PSAs need to ensure there will be suitable processes in place for dealing with the new requirements, particularly in respect of payment withholding notices. There will also be new obligations on PSAs to share information with PRs, beneficiaries and HMRC.

What should trustees be doing now?

- Check whether they are the PSA, as the new IHT obligations fall on the PSA. The PSA is usually the trustees, but this is not always the case (eg if the trustees are non-UK resident).
- Ask their day-to-day administrators how they are preparing for the changes, and to check scheme rules to understand which benefits are in scope. If there are any complex benefits, ask for legal input.
- Update scheme documents as needed (eg removing references to death benefits falling outside of a member's estate for IHT purposes).
- Inform members of the proposed changes, eg in a member newsletter.

TPR publishes AI guidance

TPR's new guidance, which builds on its existing AI plan, is intended to help trustees understand how their existing duties and good governance requirements apply to using AI.[7] It has issued separate guidance for trustees on "hidden" AI investment exposure (see page 8).

Trustee duties

Trustees accountable for AI use

Trustees are responsible for making sure their scheme is governed and administered effectively and in line with legal and regulatory requirements, regardless of which technologies are being used. As part of that, trustees are ultimately accountable for AI use throughout the scheme. They will need to understand how their providers are using AI, check that providers' AI use is appropriately governed and controlled, and maintain appropriate oversight on an ongoing basis.

Key principles

When considering how AI use impacts their work, trustees should be guided by seven key principles.

1. **Start with the problem, not the technology** – use AI to solve real problems and support better member outcomes, efficiency and value for money.
2. **Human responsibility remains central** – trustees remain accountable, even where work is outsourced, and AI should support, not replace, trustee judgement and meaningful challenge.
3. **Governance is ongoing, not one-off** – keep AI risks and controls under review throughout its lifecycle. Oversight and human involvement should be proportionate to the risks.
4. **Plan for disruption** – understand AI dependencies and include them in business continuity planning, so the scheme can keep operating if AI fails or becomes unavailable.
5. **Good AI starts with good data** – use accurate and appropriate data. Trustees / scheme managers should understand its limitations and protect it through effective data handling and data protection arrangements.
6. **Transparency and explainability underpin trust** – consider what members need to understand where AI affects them and be able to explain AI-informed decisions.
7. **Support fair and accessible outcomes** – address bias, reflect vulnerable and digitally excluded members' needs, and ensure outcomes comply with scheme rules.

Importantly, trustees and managers also need to recognise members' own AI use. They should consider providing warnings about the risks of using AI tools and the enhanced risks of fraud, alongside signposting to trusted support and regulated advice.

Trustees should work with providers to understand AI use

Struggling with the lingo?

Discussions around AI can include a lot of technical language. TPR's data and digital industry working group has produced a Jargon Buster to help demystify some of the AI-related terminology. The group is also developing a new tool to provide trustees and others using AI in their roles with up-to-date, practical guidance on AI in pensions.

Trustee actions

Trustees should read the guidance alongside the AI plan and liaise with their administrators and other providers to understand how they are using AI. Our hot topic: AI in pensions – do you know how your scheme is using AI? sets out various steps that trustees should be taking.

7 See our Alert: TPR publishes new AI guidance (30 October 2026)

Spotlight: end game options

Comparing buy-ins and superfunds

Emergence of superfunds

Improved funding levels have enabled many DB schemes to revisit discussions around their long-term objectives. For a growing number of schemes, that means considering how and when risks can be managed outside the scheme. Over the last 15-plus years, the insurance market has been a popular de-risking solution. Buy-ins and buy-outs remain the most established routes for managing longevity, investment and funding risks. However, the emergence of commercial consolidators – **superfunds** – has broadened the options available to trustees. While both approaches are intended to improve benefit security and reduce risk, they operate in fundamentally different ways.

Two different models

How do the routes differ?

1

Insurance route

A buy-in is an insurance policy purchased by the trustees. The policy is held as an asset of the scheme and is designed to match some, or all, of the scheme's liabilities.

The existing trust structure remains in place with trustees responsible for paying members' benefits, and the employer covenant continues to support the scheme. The scheme therefore retains its existing governance framework whilst progressing towards buy-out. Importantly, unless the buy-in includes residual risks coverage, the insurer will only ever be responsible for paying the benefits which have been insured.

Buy-out represents the final stage of the insurance journey for trustees. At that point, responsibility for paying members' benefits transfers to the insurer and, in many cases, the scheme can progress to wind up.

2

Superfund route

A superfund transaction takes a different approach. Instead of transferring liabilities to an insurer, the scheme's assets and liabilities are transferred to a different occupational pension scheme operating as a superfund. TPR describes a superfund as "a vehicle that… allows for the severance or substantial alteration of an employer's liability to the DB scheme", with member benefits supported by scheme assets together with an additional capital buffer to replace the original employer covenant.

Following transfer, the original scheme's trustees are no longer responsible for the transferred liabilities and the connection between the sponsoring employer and those liabilities is generally severed. Instead, responsibility for funding and governance rests with the trustee of the superfund.

Who remains on risk?

Allocation of responsibility differs significantly

Under a buy-in, trustees remain responsible for members, the employer covenant remains relevant, and the scheme continues to operate. Trustees must still manage residual risks, including data and benefits issues and the eventual transition to buy-out.

By contrast, in a superfund transaction, governance transfers immediately to the superfund and, save for agreed contractual obligations, the original employer's obligations are generally replaced by the superfund's funding and capital framework.

Post-transaction data cleanse and true-ups

With the exception of a minority of "residual risks" deals, most buy-ins are followed by a period (typically 18-24 months) during which the scheme data is verified. At the end of this period a balancing premium may be due from the scheme trustees to the insurer. If this is not paid, the insurer will have contractual rights to scale back the insured benefits. As the scheme will still be paying benefits to its members, this creates a mismatch between the monthly pensions paid by the scheme to its members and the cashflows received by the scheme from the insurer.

A transfer to a superfund will also typically be followed by a similar data cleanse period. However, because the superfund will already have taken on the responsibility of paying members, any possibility of "mismatch" between pensions due to members and the liabilities assumed by the

Spotlight: end game options cont.

superfund could be more problematic. A superfund provider is therefore likely to insist on funds being set aside by the transferring employer for the purpose of meeting any "true-up" due at the end of a data cleanse period. The establishment of escrow accounts to accompany a superfund transaction is frequently a contractual requirement.

What is the gateway?

For insurance transactions, the principal considerations are typically commercial in nature and, aside from favourable market conditions, include scheme readiness to transact, data quality, a legally verified benefit specification and the ability to negotiate acceptable terms with insurers.

Entry to each route is different

Similar considerations will apply to superfund transactions. However, here trustees must also navigate TPR's gateway framework. TPR expects trustees and employers to demonstrate that:

- the scheme cannot access buy-out immediately
- there is no realistic prospect of buy-out in the foreseeable future, and
- transfer to the superfund improves the likelihood of members receiving their full benefits.

An alternative, not a substitute

As a result, a superfund transaction is currently positioned as an alternative in specific circumstances (ie where buy-out is not realistically achievable on affordability grounds within the next three to five years and/or due to concerns around the solvency of the employer) rather than a direct substitute for an available insurance solution.

Looking ahead

For many schemes, insurance will continue to represent the preferred end game destination. However, as consolidation structures evolve and the regulatory framework develops, trustees may increasingly find themselves comparing a wider range of options.

The choice is no longer simply about transferring risk. It is about understanding who assumes that risk, how members' benefits are supported, and which structure best aligns with the scheme's long-term funding and governance objectives.

The PSA26 places superfunds on a statutory footing, replacing TPR's interim regime with a formal authorisation, supervision and transfer approval framework. Pursuant to the updated roadmap, regulations are expected to be consulted on in 2027, ahead of implementation in 2028.

At a glance

	Buy-in / buy-out	Superfund
Gateway	Market, insurer and scheme readiness	TPR gateway principles in addition
Who remains on risk?	Trustee and employer until buy-out; then insurer (plus reliance on any negotiated trustee protections)	Superfund, backed by capital buffer; original employer may sign up to certain contractual payment obligations
Security for members	Insurer covenant supported by PRA capital regime and possible FSCS protection (subject to eligibility and legal advice)	Remains in an occupational scheme (with PPF coverage). Transferred assets plus additional capital buffer provide further security
Governance	Trustees retain responsibility for governance until wind-up	Transfers immediately to superfund's trustee board
Regulatory framework	PRA-regulated insurer	TPR interim regime; statutory regime under the PSA26

Finance & investment update

DWP consults on trustees' fiduciary duties

The DWP has published draft guidance on "Pension fund investment: fiduciary and related duties of trustees".[8] Aimed principally at trustees of occupational pension schemes, the guidance is intended to clarify how existing legal principles apply to contemporary investment questions. It "does not introduce new duties or alter existing legal obligations".

Further detail in our Alert

The guidance is intended to reflect the law as it stands and to give trustees greater clarity about what their existing duties require and permit. It emphasises proportionality and does not ask trustees to undertake a wholesale revision of existing work. Instead, it is intended to support future work on a timetable appropriate to each scheme. The guidance highlights that there is room for the industry to do complementary work to support its implementation.

The consultation runs until 28 January 2027 and we currently expect that finalised guidance will not come into force before spring 2027. Sackers will be responding to the consultation, and we will provide further briefings and updates based on the finalised guidance.

Mansion House Accord: first progress update

Pensions UK has published the first update on the Mansion House Accord. The update sets out how signatories to the Accord are progressing towards their ambitions to hold 10% of DC pension assets in private markets, including 5% in UK private markets by 2030 (subject to fiduciary and regulatory duties). It provides an "initial picture" of allocations, the action being taken to build capacity and agree new arrangements, and the practical challenges that remain in increasing investment in UK private markets.

Progress made but practical challenges remain

As of 31 December 2025, signatories held £22.1 billion of DC growth-phase assets in global private markets, with £11.1 billion in UK private markets. This equates to 6.6% of DC growth-phase assets invested in private markets, with 3.3% in the UK.

TPR guidance on AI investment concentration risks

TPR has published new guidance to help trustees identify and manage potential "hidden" AI-related investment exposure, as AI becomes "increasingly influential across global markets" and embedded across sectors.

The guide aims to help trustees better understand these newly emerging risks and give practical guidance on how to manage them. It asks trustees to look across their whole portfolio, rather than considering individual funds or asset classes in isolation.

TPR's expectations include that trustees should:

Identify and manage "hidden" AI exposure

- ✓ assess total portfolio exposure, including direct and indirect AI-related exposure across asset classes
- ✓ use scenario analysis to test portfolio resilience under severe but plausible stressed market conditions
- ✓ review whether diversification would remain effective if correlations changed during a downturn
- ✓ challenge investment advisers and managers on how market developments could affect the scheme's investments and objectives, and
- ✓ take proportionate action that reflects the scheme's circumstances.

8 See our Alert: DWP publishes draft guidance on trustees' fiduciary duties (5 November 2026)

DC update

Guided retirement

DWP consults on guided retirement proposals

The DWP has published a consultation on its guided retirement policy proposals for both contract-based and trust-based schemes, which closes on 22 December 2026.[9] It was published alongside a consultation on RCPS (see page 10) and respondents are encouraged to consider them together and reflect on "how each regime can support the other".

Subject to certain exceptions, guided retirement will apply to members of occupational pension schemes who are primarily DC savers (excluding those with DC AVCs only) and across the whole contract-based market. Building on the Government's key principles, default pensions will be required to include the following features:

- protection against longevity risk on pots above £10,000 (ie providers would not be required to deliver a regular income in retirement for pots under this threshold)
- a single point of consent
- cooling-off periods, and
- pre-designing parameters (such as how much flexibility an individual can have within a default pension).

The parameters will have to be clearly communicated to individuals and documented in "pension benefits strategy".

Subject to consultation feedback and Parliamentary agreement, the guided retirement duties are expected to apply to:

- master trusts and FCA-regulated schemes from summer 2029
- master trusts offering RCPS as a default pension from summer 2030 (subject to certain conditions being satisfied), and
- "non-commercial" master trusts and single employer trusts from summer 2030.

Consolidation of small deferred DC pots

The DWP has consulted on its proposals for the automatic consolidation of deferred small pots through the establishment of multiple consolidator schemes.[10] The proposals will apply to deferred DC pension pots held within default funds used for automatic enrolment that:

- have received no contributions for a period of at least the last 12 months
- have a value of £1,000 or less (but greater than zero).

Consultation on small pots proposals now closed

The consultation aimed to develop the core components of the automatic consolidation system, including:

✓ how consolidator schemes will be authorised	✓ the standards and governance arrangements they will need to meet	✓ the necessary digital infrastructure and ecosystem

A further consultation, planned for late 2027 / early 2028, will consider the detailed requirements for ceding schemes, the supervisory approach for those schemes, finalised data standards, and outstanding elements of the broader framework. The approach to implementation and delivery timelines will also be set out "in due course".

9 See our Alert: DWP consults on guided retirement policy and retirement collective pension schemes (4 November 2026)
10 See our Alert: DWP launches consultation on consolidation of small DC pots (16 September 2026)

In other news

Trusteeship and governance

The DWP has responded to its 2025 consultation on trustees and governance, announcing a package of "proportionate" measures to strengthen governance.[11] Key measures include:

- extending the master trust authorisation and supervision framework to include governance and conflict management arrangements across the wider commercial model
- setting clearer criteria around where it is appropriate to appoint professional corporate sole trustees
- new minimum standards for pensions administration providers for trust-based schemes
- a new "principle-based" requirement for trustee chairs to assess and monitor their board's collective skills.

Taking into account feedback received, the DWP is not pursuing mandatory accreditation requirements for trustees. No timing has been given for the implementation of these reforms. In areas that need legislation, changes will be taken forward "at the next opportunity".

Budget 2026

The Budget speech, together with supporting documents, included the following pensions changes:

"Two-year rule" for death benefit lump sums removed

- the "two-year rule" will be removed so that beneficiaries will no longer be taxable solely because tax-free pension and lump sum death benefits are paid more than two years after the pension scheme administrator first knew, or could reasonably have been expected to know, of the member's death. This change will apply to payments made on and from 28 October 2026
- confirmation that new authorised member surplus payments can only be paid once a member reaches NMPA (including any protected pension age) or earlier because of ill-health. The final legislation is in the Finance Bill 2026/27
- changes will be made to provide greater flexibility in the medical evidence requirements for serious ill-health lump sums. This will have effect from the date the Finance Bill 2026/27 receives Royal Assent.

CDC

DWP has published a consultation on draft regulations for retirement CDC schemes (now referred to as "retirement collective pension schemes" or "RCPS"), which closes on 15 December 2026.[12] Taking into account feedback received on its 2025 consultation, the draft regulations establish the framework under which RCPS can be authorised, supervised and operated. Key proposals include:

- initially, an RCPS will be accessible only through guided retirement
- RCPS will only be established within a master trust or a multi-employer CDC scheme
- the requirements for RCPS will mirror those for multi-employer CDC, subject to differences to reflect the schemes' different natures
- as RCPS will need to engage with the decision-makers responsible for selecting default pension solutions, including trustees and managers of occupational pension schemes and relevant FCA-regulated firms, statutory changes will be made to allow them to make appropriate communications, and
- a 0.75% annual charge cap on the collective fund, rather than individual pots.

11 See our Alert: DWP responds to consultation on trustees and governance (11 November 2026)
12 See our Alert: DWP consults on guided retirement policy and retirement collective pension schemes (4 November 2026)

In other news cont.

Pension transfers

Transfer conditions to be updated in April 2027

The DWP has published its response to its consultation on proposals to amend the statutory conditions for transfers. The changes include:

- removing the current amber flag in relation to overseas investments
- enabling trustees to make a transfer without engaging an additional level of due diligence where they are satisfied that the receiving scheme is "reputable"
- a new red flag where the evidence does not demonstrate an employment link between an individual and a receiving SSAS. However, as a result of feedback, the DWP intends to introduce a new amber flag for transfers into a SSAS where an employment or other relevant relationship has been demonstrated and the transfer is otherwise able to go ahead
- exempting members from the requirement to take MaPS guidance where they have done so in the previous 12 months (except when the transfer is to a SSAS).

The changes are due to come into force in April 2027.

Pensions dashboards

The connection deadline of 31 October 2026 has now passed. To help schemes prepare for the launch of the MoneyHelper dashboard in the 2027/28 financial year:

- PDP has launched its Dashboards Hub collating resources to support operational readiness, including an example user journey and research findings, as well as guidance explaining how to delete pension identifiers registered as definite matches following registration or matching errors
- PASA has published new guidance to help pension schemes, providers and administrators resolve possible matches.

TPR's enforcement approach

TPR has published a response to its consultation on its approach to enforcement, alongside its new enforcement approach. TPR's new high-level, principles-based framework is intended to allow TPR to "respond to risks faster and act earlier to prevent harm". Detailed requirements and scheme-specific expectations will sit in TPR's underlying enforcement policies and guidance.

PPF levy

No PPF levy for conventional DB schemes in 2027/28

The PPF has announced that it will not charge a levy for conventional DB schemes in 2027/28. The levy for Alternative Covenant Schemes (such as superfunds) will be paused for one year.

Data protection

From 30 September 2026 all of the functions and powers of the Information Commissioner were transferred to a new statutory body, the Information Commission. The regulator's office is now referred to as the Information Commission's Office, but it will still be known as the ICO.

GMP conversion

The DWP has consulted on draft regulations to make clarificatory changes to the GMP conversion process, which should help schemes planning to use conversion as part of a GMP equalisation exercise.

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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.

Quarterly legal update	11/02/2027	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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New digital content

A slice of Sackers is our podcast series, tackling four to five key questions – delivering accessible, bite-sized insights.

In episode 3 we explore the latest dashboards developments, and in episode 4 we discuss the IHT changes coming into force in April 2027.

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