

PENSION SCHEMES BILL

EXPLANATORY NOTES

What these notes do

These Explanatory Notes relate to the Pension Schemes Bill as brought from the House of Commons on 5 December 2025 (HL Bill 152).

- These Explanatory Notes have been prepared by the Department for Work and Pensions in order to assist the reader of the Bill and to help inform debate on it. They do not form part of the Bill and have not been endorsed by Parliament.
- These Explanatory Notes explain what each part of the Bill will mean in practice; provide background information on the development of policy; and provide additional information on how the Bill will affect existing legislation in this area.
- These Explanatory Notes might best be read alongside the Bill. They are not, and are not intended to be, a comprehensive description of the Bill.

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Overview of the Bill

1. The Pension Schemes Bill aims to strengthen pension investment by supporting around 20 million people who could benefit from the reforms through better outcomes and greater value in private-sector pension schemes, increasing the amount available to them. The Bill provides for consolidation in the pensions market and focuses on value and outcomes for members and enables pension schemes to invest in a wider range of assets.
2. The Bill will also enable reforms to investment management in the Local Government Pension Scheme (LGPS) in England and Wales. The aim of these reforms is to ensure that the management of LGPS investments delivers the full benefits of scale, including greater expertise, better value for money and improved resilience.

Policy background

3. Measures in the Bill make provision in the following areas:

Local Government Pension Scheme (LGPS)

4. The LGPS is a funded, defined benefit pension scheme for those working in local government or for other employers participating in the scheme. The Secretary of State is the responsible authority for making regulations for the scheme in England and Wales, and Scottish Ministers are the responsible authority for the scheme in Scotland. The scheme is administered locally by administering authorities, of which there are 86 in England and Wales and 11 in Scotland.
5. The measures in the Bill define asset pool companies in statute. They will enable the responsible authority to make regulations about asset pool companies, including setting conditions which must be met by those asset pool companies. Where the responsible authority makes such regulations, they must oblige LGPS administering authorities to participate in an asset pool company and require all LGPS investments to be managed by asset pool companies. The policy intention is for the scheme regulations to set out the division of responsibility between the administering authorities and the asset pool companies, such that administering authorities will remain responsible for setting an investment strategy for their fund, and the asset pool companies will be responsible for implementing that investment strategy.
6. The measures will also strengthen the role of the LGPS in growing their local economies by requiring scheme regulations for the LGPS for England and Wales to include a duty for LGPS administering authorities to work with strategic authorities in their local area to identify appropriate opportunities for pensions investment.
7. Most LGPS administering authorities are local authorities, but some are stand-alone pension authorities. The measures will allow regulations to be made granting standalone authorities the power to provide services and take part in joint committees in line with other pension authorities. The power can only be granted to administering authorities that do not already have local authority powers, and would allow those administering authorities to provide administrative, professional or technical services to other scheme managers for public service pension schemes.
8. The measures will also introduce requirements for LGPS administering authorities to carry out a governance review at intervals to be set by regulations, and to allow for the responsible authority to direct that a governance review is carried out of an administering authority at any time.

9. The Bill also amends the Procurement Act 2023 to introduce an LGPS specific exemption into the Act's existing vertical exemption in paragraph 2 of Schedule 2, to ensure that if an asset pool company carries out investment management activities for or on behalf of another asset pool company, or the administering authorities of another asset pool company, the relevant contracts will continue to be regarded as exempt from the requirements of the Procurement Act 2023.

Power to Pay Surplus to Employer

10. The Defined Benefit (DB) funding landscape has significantly improved in recent years. Schemes are well funded, with 3 in 4 schemes having surplus funds. At present, only DB schemes with an existing power to pay surplus, which passed a resolution prior to 2016, are permitted to share surplus funds with a sponsoring employer. This measure allows trustees of DB schemes to modify their scheme rules to share surplus funds with their sponsoring employer, and support business investment. Through this change, trustees will also be better placed to negotiate with sponsoring employers to get additional benefits from surplus for scheme members.
11. When making decisions about surplus, trustees are subject to their overarching duties, which require them to act in the interests of scheme beneficiaries. Section 37 of the Pensions Act 1995 will be amended to clarify this. Surplus sharing will also remain subject to strict funding safeguards. The relevant funding threshold will be set out in regulations, which will be consulted on.

Value for Money (VFM)

12. This measure is designed to increase comparability, transparency and competition across defined contribution (DC) schemes. It will enable occupational pension schemes to be compared based on the value they provide rather than just their cost. By focusing on long-term returns and investment performance, this measure aims to facilitate investments into higher value asset classes, such as private equity and infrastructure. This shift in focus will encourage pension schemes to prioritise investments that offer better long-term value and drive schemes to address poor value. The objective is to protect savers from remaining in underperforming arrangements and to improve member outcomes through improved investment returns on their pension savings.

Consolidation of Small Dormant Pension Pots

13. The creation of 'multiple default consolidators' will address the issue of small, fragmented pension pots. Consolidating these smaller pots into larger ones will reduce waste and ensure people's pots are at lower risk of being lost.

Scale and Asset Allocation

14. The Bill introduces a measure that will require DC multi-employer schemes operating in the Automatic Enrolment market to have £25 billion in assets under management in at least one main scale default arrangement (MSDA) by 2030.
15. The Bill also includes a measure that provides additional time for smaller schemes to reach scale. If a DC multi-employer scheme has at least £10 billion in assets under management in a main scale default arrangement by 2030 they will be able to apply for transition pathway relief, so long as they can satisfy regulators that they have a credible plan to increase that level to £25 billion by 2035.
16. To tackle existing fragmentation and prevent future fragmentation, the Bill will also allow the Government to make regulations to restrict the future operation of new non-scale default

arrangements and require the consolidation of non-scale default arrangements, linked to a review of existing non-scale default arrangements.

17. The Bill introduces a measure to allow the Government to set binding percentage targets for asset allocation in core defaults offered by DC providers. This is designed to be used if the industry fails adequately to diversify its investments into private markets, for example by failing to meet voluntary commitments.

FCA-Regulated Pension Schemes: Contractual Override

18. These measures will enable pension providers to override the terms of a pension scheme without the consent of members. They can then transfer members to a different arrangement or scheme, vary the terms of members' contracts or make a change which would otherwise require consent when doing so is in the best interest of the member. This will facilitate greater consolidation and improve members' investment outcomes. It will include a range of safeguards and procedures which must be followed before a contractual override can occur and will also support the effective operation of other measures contained within the Bill such as the VFM framework.

Guided Retirement

19. This measure will provide members of occupational pension schemes with solutions to manage their pension savings as they transition into retirement. By offering guided retirement products, members can keep their pension assets within the scheme for a longer period, enabling longer-term investment strategies that can lead to better returns for members. The measure also places a requirement on the FCA to make rules that make these solutions available to members of relevant FCA regulated pension schemes.

Superfunds

20. Defined benefit pension schemes play a key role in the UK economy, with around £1.2 trillion in assets and supporting around 9 million people. Many employers who support DB pension schemes that are closed to new members, and where buying out these schemes with insurers is not attainable, are looking for ways to secure these legacy defined benefit liabilities in order to focus on investing in their core businesses. The measures in the Bill will allow schemes in this position to transfer to commercial pension providers called "superfunds".
21. A superfund pension scheme is a DB occupational pension scheme that receives the transfer of assets and liabilities from closed DB occupational pension schemes. The liabilities of the superfund pension scheme are supported by a third-party capital buffer provided by investors. The responsible body of a superfund is a body corporate involved in the management and administration of the superfund pension scheme and in procuring investment for the capital buffer.
22. The Government consulted in 2018 on delivering superfunds to promote consolidation in the DB market. Following the consultation, the Government committed to legislate for a regulated superfund authorisation regime operating in the United Kingdom to replace the Pensions Regulator's interim supervisory regime which is currently operating.
23. Part 3 of the Bill sets out the key concepts and the legislative framework to allow superfunds to operate in the UK. It includes provisions for superfund pension schemes to be authorised and supervised by the Pensions Regulator including the regulatory interventions that will be available to the Regulator. Part 3 also includes provisions for monitoring the funding and investment thresholds for superfunds.

Validity of certain alterations to salary-related contracted-out pension schemes

24. Between 1997 and 2016 many defined benefit pension schemes were required to meet minimum standards on the level of benefits they provided to members. A legal judgment found that certain benefit changes may be void if the trustees or managers cannot produce a written actuarial confirmation that the scheme met the standards.
25. These new measures allow affected schemes to retrospectively obtain actuarial confirmations. The measures will not change the legal obligations that schemes had to provide good quality pensions to their members. The confirmations will confirm that historic changes to scheme benefits would not have prevented schemes from continuing to meet the minimum standards.
26. The issue affects private and public sector schemes, the Pension Protection Fund (PPF) and the Financial Assistance Scheme (FAS).

Alienation or forfeiture of occupational pension

27. This measure seeks to ensure that the Pensions Ombudsman (TPO) is regarded as a competent court for certain pension complaints. This will reduce the burden on county courts and ensure faster and more cost-effective resolution of pension disputes. Both pension schemes and their members will benefit from a more efficient and accessible means of resolving pension complaints.

Terminal Illness

28. This measure amends the definition of terminal illness in the Pension Protection Fund and Financial Assistance Scheme by extending the definition of life expectancy from less than six months to twelve months. Eligible individuals nearing the end of their life will be able to receive payments at an earlier stage in their illness. Amendments are made to the corresponding Northern Ireland legislation.

Pension protection levies

29. The Pension Protection Fund (PPF) has a reserve of more than £14bn as of 31 March 2025. In view of its strong financial position, the Board of the Pension Protection Fund has been continuing to reduce the pension protection levy that it collects from eligible schemes year on year. However, restrictions in the legislation prevent the Board from adjusting the levy it collects.
30. The Bill will remove the restrictions that prevent the Board of the PPF from significantly reducing the annual pension protection levy it collects to zero or a low amount, when it is not required, and raising it again within a reasonable timeframe. The Bill will also introduce a new safeguard that caps annual increases in the levy by no more than the sum of the previous financial year's levy and 25% of the previous financial year's levy ceiling.
31. The Bill will also abolish the Pension Protection Fund Administration Levy ("the admin levy").
32. The admin levy recovers the grant-in-aid paid to the Pension Protection Fund (PPF) by DWP to meet the administrative costs of the PPF Board and Fraud Compensation Fund (FCF). The FCF meets claims as a result of losses to schemes which are attributable to dishonesty. Instead, the PPF and FCF administration costs will be funded by the Pension Protection Levy and the Fraud Compensation Levy respectively.

Pensions dashboards

33. Currently, members of the Pension Protection Fund (PPF) and the Financial Assistance Scheme (FAS) will not be able to view information relating to the compensation and financial assistance to be paid to them on pensions dashboards. This measure will change that by making three amendments to the law. First, it grants the Secretary of State the power to require PPF to provide PPF and FAS information so that it can be displayed on pensions dashboard services. Second, it grants the Money and Pensions Service the power to display this information on the MoneyHelper Pensions Dashboard. Third, it grants the Secretary of State the power to require Qualifying Pensions Dashboard Services to display this information. The measure will allow members of the PPF and FAS to have a fuller picture of their expected income in retirement.

Information to be given to pension schemes by employers

34. This measure seeks to assist pension schemes in maintaining more accurate and up-to-date member information, supporting better engagement and informed decision-making. The measure amends Part 1 of the Pensions Act 2008 to give the Secretary of State a power to make regulations requiring employers to provide specified information about jobholders and workers to the trustees, managers, or provider of the pension scheme in which the individual is an active member. The Government considers that a lack of current information limits schemes' ability to communicate important updates to members — for example, providing guidance as they approach retirement or issuing a transfer notice explaining an automatic consolidation proposal for a small dormant pot. Under this power, regulations will provide for what information must be provided, how and in what format it should be provided, and the timing requirements for provision.

Pension Protection Fund and Financial Assistance Scheme pre-97 indexation

35. The Bill amends the relevant legislation to enable Pension Protection Fund (PPF) members and Financial Assistance Scheme (FAS) members to receive increases on payments based on pensions built up before 6 April 1997 (pre-97 indexation). Increases will be payable where the original scheme made provision in its rules over and above any statutory requirement or because the scheme made provision for increases in line with a statutory requirement and those provisions applied to the service in respect of which the payments are made.
36. Indexation within the PPF and the FAS for pensions that were built up after 6 April 1997 will be Consumer Price Index (CPI)-linked and capped at 2.5 per cent. The Board will have the ability to adjust this rate. Changes to indexation in the PPF and FAS mean that pensions that were built up before 6 April 1997 will be CPI-linked and capped at 2.5 per cent. The Board will have the ability to adjust this rate.
37. The PPF does not separately recognise Guaranteed Minimum Pensions (GMPs), once a scheme transfers to the PPF or qualifies for the FAS and so these pensions cannot be administratively identified by the PPF. As such the legislation will provide that PPF and FAS members, whose original schemes only provided for post-88 GMPs, will have increases paid on a standardised proportion of their pre-97 service.

Legal background

38. The following notes give a brief overview of significant existing legislation that is referenced by this Bill. Further explanation, if required, is given in the clause-by-clause commentary.
39. The County Courts Act 1984 provides a framework for county courts, including their jurisdiction, powers, and procedures.

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40. The Pension Schemes Act 1993 is a consolidation Act that sets out various provisions in relation to classification of pension schemes, contracting out of part of the state pension, early leavers (including preservation, revaluation and the right to take a transfer of accrued pension rights), the Pensions Ombudsman and other miscellaneous requirements.
41. The Pensions Act 1995 contains provisions relating to the Pensions Regulator, as well as provisions relating to the role and responsibilities of trustees, professionals and employers in relation to occupational pension schemes. It also provides requirements in respect of administration, indexation and winding up of occupational pension schemes.
42. The Financial Services and Markets Act 2000 makes provision for the Financial Conduct Authority and for a regulatory framework for financial services and markets. Amongst other things, the Financial Conduct Authority is responsible for authorising and regulating the operation of contract-based personal pension schemes.
43. The Finance Act 2004 makes tax provision for pension schemes.
44. The Pensions Act 2004 makes provision with regard to the Pensions Regulator and the Pension Protection Fund. It also makes provision in relation to scheme funding and contains other miscellaneous provisions applying to pension schemes.
45. The Pensions Act 2008 sets out the framework for automatic enrolment, under which employers are required to enrol qualifying employees into a suitable pension scheme and to make pension contributions on their behalf.
46. The Public Service Pensions Act 2013 makes provision for the reform of public sector pensions.
47. The Pensions Act 2014 makes provision for restricting charges and imposing requirements relating to administration or governance on pension schemes.
48. The Pension Schemes Act 2015 makes provision allowing members to access their pension savings flexibly on retirement.
49. The Pension Schemes Act 2017 sets out the authorisation and supervision regime for Master Trusts.
50. The Data Protection Act 2018 provides the framework for data protection law in the UK, implementing various pieces of EU law into UK law, including the General Data Protection Regulation.
51. The Money and Pensions Service was established by the Financial Guidance and Claims Act 2018. Its objectives include improving the ability of people to make informed financial decisions. One of its functions is to provide free and impartial information and guidance relating to occupational and personal pension schemes.
52. The Pension Schemes Act 2021 provides the legal framework for the establishment and operation of collective defined contribution schemes and pensions dashboards. It also confers new powers on the Pensions Regulator.
53. The Procurement Act 2023 sets out the United Kingdom's public procurement regime following its exit from the European Union and is relevant to the procurement of services by the Local Government Pension Scheme.
54. Northern Ireland has separate but corresponding legislation to the Acts listed in paragraphs 40 and 41, 44 and 45 and 47 to 49.

55. Provisions relating to the indexation of PPF compensation are set out in paragraphs 28 and 29 to Schedule 7 to the Pensions Act 2004, paragraphs 17 and 20 of Schedule 5 to the Pensions Act 2008, paragraphs 28 and 29 of Schedule 6 to the Pensions (Northern Ireland Order) (SI 2005/255 NI) and paragraphs 17 and 20 of Schedule 4 to the Pensions (No2) (Northern Ireland) 2008 Act . The equivalent provisions for the FAS are set out in the relevant Schedules to the Financial Assistance Scheme Regulations 2005 (SI 2005/1986).

Territorial extent and application

56. Clause 121 in Part 5 of the Bill sets out the territorial extent; that is the jurisdictions which the Bill forms part of the law of.
57. The provisions of the Bill will extend to England and Wales and Scotland only, subject to the following exceptions:
- In Part 2, clauses 38, 45, 48 and 57 extend to England and Wales, Scotland and Northern Ireland (but see paragraph 60 with regard to their application).
 - In Part 4, clauses 104 to 107 and clause 109 extend to Northern Ireland only.
 - In Part 4, clauses 110, 111, 112, 114(1) and 116(4) and (5) extend to England and Wales, Scotland and Northern Ireland.
58. There is a convention that Westminster will not normally legislate with regards to matters that are within the legislative competence of the Scottish Parliament, Senedd Cymru or the Northern Ireland Assembly without the consent of the legislature concerned. The matters to which the provisions of the Bill relate are not within the legislative competence of the Scottish Parliament, Senedd Cymru or the Northern Ireland Assembly, and no legislative consent motion is being sought in relation to the Bill, save for the following exceptions:
59. A legislative consent motion is being sought from:
- Scottish Parliament in relation to clauses 1, 2, and 5 because they alter the executive competence of the Scottish Ministers.
 - Senedd Cymru in relation to clauses 1, 2, 5 and 6 because they modify an existing function conferred on a Devolved Welsh Authority.
 - Northern Ireland Assembly in relation to clauses 104 to 107, 109, 111, 112, 114(1) and 116(4) and (5) because they relate to functions that have been transferred to the Northern Ireland Assembly.
60. The extent of a Bill can be different from its application. Application is about where a Bill produces a practical effect. See the Table at Annex A for a summary of the position regarding territorial extent and application of the Bill in the United Kingdom. Whilst clause 3 extends to Scotland, it does not have any application in Scotland. And whilst clauses 38 and 45 extend to Northern Ireland, they do not have any application in Northern Ireland.

Commentary on provisions of Bill

Part 1: Defined Benefit Pensions

Chapter 1: Local Government Pension Schemes

Clause 1: Asset pool companies

61. Clause 1 defines asset pool companies and contains provisions relating to the use of asset pool companies in pension schemes for local government workers. The Secretary of State is the responsible authority for making regulations for the Local Government Pension Scheme (LGPS) for England and Wales, Scottish Ministers are the responsible authority for the LGPS in Scotland.
62. Subsection (1) allows for scheme regulations for the LGPS to include provision about asset pool companies and the participation of LGPS administering authorities, who are scheme managers for the purpose of the LGPS, in asset pool companies.
63. Subsection (2) sets out what may be included in the regulations made under subsection 1. Regulations may:
 - Specify things that administering authorities must do or must not do;
 - Allow the responsible authority, in prescribed circumstances, to require an LGPS administering authority to participate in a particular asset pool or cease to participate in a particular asset pool;
 - Where an administering authority is directed to participate or cease to participate in an asset pool company, the responsible authority may also direct the relevant asset pool company(s) or their participating administering authorities to take the necessary steps to enable the administering authority to comply with that direction;
 - Specify things that asset pool companies must do or must not do;
 - Allow or require the responsible authority to issue guidance to asset pool companies;
 - Allow the responsible authority to direct an asset pool company to comply with guidance, in the event that the responsible authority is satisfied that it is failing to do so without good reason, and to direct the manner in which it exercises its investment management functions.
64. Subsection (3) sets out definitions of the terms ‘specified’ and ‘investment management activities’ used for the purposes of subsection (2).
65. Subsection (4) requires that prior to issuing a direction under section 1(2)(b) or (c) the responsible authority must consult the relevant administering authority, the relevant asset pool company and its participating administering authorities, and any other person the responsible authority considers should be consulted.
66. Subsection (5) requires that prior to issuing a direction under section 1(2)(e) the responsible authority must consult the relevant asset pool company, the administering authorities participating in the asset pool company, the Financial Conduct Authority (FCA), and any other person that the responsible authority considers should be consulted.

67. Subsection (6) sets out that regulations pertaining to section 1(2)(a) may, among other things:
- Require administering authorities to participate in an asset pool company and for the assets for which they are responsible to be managed by that asset pool company;
 - Prohibit administering authorities from participating in more than one asset pool company at any one time (subject to any transitional arrangements that may apply where an administering authority decides to stop participating in one asset pool company and begin participating in another);
 - Require administering authorities to take steps to ensure their asset pool company is authorised by the FCA.
68. Subsection (7) sets out that regulations pertaining to section 1(2)(d) may include a requirement for asset pool companies to take steps to be authorised by the FCA.
69. Subsection (8) clarifies that, in subsections (6)(c) and (7), the ‘activities’ those of a kind that an asset pool company could carry out and would also require FCA authorisation.
70. Subsection (9) clarifies that, for the purpose of Chapter 1, asset pool companies are defined as companies, limited by shares and registered in the United Kingdom, that are established for the purpose, whether exclusively or in part, of managing the funds and other assets of their participating administering authorities, and making and managing investments on behalf of those administering authorities either directly or through one or more collective investment vehicles. This subsection also clarifies that an asset pool company must be owned only by administering authority shareholders or be wholly owned by a company whose shareholders consist only of administering authorities. Administering authorities may participate in an asset pool company either by being a shareholder of the asset pool company or a company that owns the asset pool company, or by contracting with the asset pool company as a client.

Clause 2: Asset management

71. Clause 2 contains provisions relating to asset management in the LGPS, including setting out the respective roles of administering authorities and asset pool companies in setting and implementing an investment strategy for LGPS funds and assets.
72. Subsection (1) requires scheme regulations made under the Public Service Pensions Act 2013 that make provision about asset pool companies to include provision about the management of LGPS funds and assets.
73. Subsection (2) stipulates that these regulations must require (among other things):
- That that each administering authority sets, publishes and maintains an investment strategy;
 - That the funds and assets for which an administering authority is responsible (apart from where this is money needed for making payments under the scheme) are held by the asset pool company in which that administering authority participates, subject to any transitional arrangements permitted by regulations, and properly managed for the purposes of the asset pool company implementing the investment strategy set by the administering authority;
 - That administering authorities in England and Wales, with the exception of the Environment Agency, co-operate with strategic authorities (defined for these purposes

in subsection (5) as the Greater London Authority, Combined Authorities, Combined County Authorities, and (in areas where there are none of these authorities) prescribed authorities in England, and Corporate Joint Committees in Wales) in order to identify and develop investment opportunities.

- 74. Subsection (3) relates to the formulation of investment strategies by administering authorities and specifies that the regulations that may be made under subsection (1) include provision about where administering authorities must or may take advice from when developing their investment strategies, and the matters that must or may be covered by those investment strategies.
- 75. Subsection (4) further clarifies that the matters that must or may be covered by an investment strategy include the approach of the administering authority to responsible investment and to local investments, and a strategic asset allocation or a target range for growth and income.
- 76. Subsection (5) defines the terms investment strategy, local investments and strategic authorities for the purposes of this clause.

Clause 3: Additional powers for certain scheme managers

- 77. Clause 3 allows regulations to grant powers to those LGPS administering authorities in England and Wales that do not have the full suite of local authority powers (such as stand-alone pension authorities) in order to bring their powers into line with those that can be exercised by other administering authorities. The powers that may be granted are to provide services to other scheme managers and to take part in joint committees.
- 78. Subsection (2) makes provisions for administering authorities to be granted the same powers as a local authority under Part 6 of the Local Government Act 1972 when carrying out functions as a scheme manager. Part 6 relates to how local authorities discharge their functions, and in particular includes powers to form joint committees or to arrange for functions to be discharged by another authority.
- 79. Subsection (3) outlines that the powers to make provisions under subsection (2) cannot be used to the extent that the administering authority already has the powers of a local authority under Part 6 of the Local Government Act 1972.
- 80. Subsection (4) makes provision for administering authorities to be granted the power to provide any administrative, professional or technical service to other scheme managers for public service pension schemes.
- 81. Subsection (5) defines a “public service pension scheme” and a “scheme manager” in relation to subsection (4).
- 82. Subsection (6) outlines that the powers to make provisions under subsection (4) cannot be used to the extent that the administering authority already has the powers to provide such services to other scheme managers for public service pension schemes.
- 83. Subsection (7) provides that, in extending these powers to administering authorities, scheme regulations may amend or modify any Act passed before or in the same Session as this Act.

Clause 4: Exemption from public procurement rules

- 84. This clause amends the Procurement Act 2023, to ensure that contracts between LGPS administering authorities and their LGPS asset pools in England and Wales to conduct investment management activities fall within the scope of the Act’s vertical arrangements exemptions. The new LGPS specific paragraph 2A to Schedule 2 of the Act will:

- Be accessible to non-shareholder administering authorities to ensure that contracts with their asset pool company for investment management services are exempt; and
- Ensure that the “turnover test” in new paragraph 2A(2)(c) of Schedule 2 to the Act is satisfied as long as 80% of a pool’s activity is undertaken for the benefit of any LGPS administering authority, rather than solely their shareholder authorities.

Clause 5: Scheme manager governance reviews

85. Clause 5 relates to the carrying out of governance reviews of LGPS administering authorities.
86. Subsection (1) provides that scheme regulations for the LGPS may include provision for:
- Governance reviews to be carried out on individual administering authorities on a periodic or ad hoc basis;
 - The responsible authority to issue guidance relating to the carrying out of governance reviews;
 - How the responsible authority may respond to a report arising from a governance review.
87. Subsection (2) clarifies terms in subsection (1). A governance review is a review of an administering authority’s governance of the scheme and of their performance over a set period. A periodic governance review is required to take place within a period set by scheme regulations, either from the commencement of the provision or from the completion of a previous governance review. An ad hoc governance review is required by scheme regulations to take place at the direction of the responsible authority, if regulations have conferred the power to give such a direction to the responsible authority, and in prescribed circumstances.
88. Subsection (3) provides that the period of review for the first governance review of an administering authority may begin prior to the commencement of the regulations providing for governance reviews.
89. Subsection (4) requires that scheme regulations that provide for governance reviews must include provision for governance reviews to be carried out independently of the administering authority under review and of the responsible authority, but that the administering authority in question must arrange and pay for the review. The scheme regulations must also include provision requiring the person who carries out the review to prepare a report and send a copy to the responsible authority and the relevant administering authority as soon as possible after the review has taken place, and for the relevant administering authority to publish the report.

Clause 6: Mergers of funds

90. The Public Service Pensions Act 2013 (PSPA 2013) confers powers on the responsible authority to make regulations about the administration, management and winding-up of any pension funds. Clause 6 amends Schedule 3 of the PSPA 2013 to clarify that, in the case of the LGPS, the responsible authority’s powers also include the power to make regulations about the merger of two or more LGPS pension funds. This includes compulsory merger.

Clause 7: Amendments of 2013 Act relating to scheme regulations

91. The powers and duties to make regulations under this Chapter are exercisable as scheme regulations under the Public Service Pensions Act 2013. This clause sets out the amendments to the 2013 Act required to ensure these powers operate effectively. Subsection (2) clarifies

that the power to make scheme regulations under the Public Service Pensions Act 2013 is subject to the provisions in this Bill, and to ensure that scheme regulations can include any consequential, supplementary, incidental or transitional provision which is necessary as a result of this Bill.

92. Subsection (3) clarifies that the requirement to consult on scheme regulations made under provisions in this Bill, which must be satisfied before the regulations can be made under section 21 of the Public Service Pensions Act 2013, can be satisfied by consultation carried out before or after this Bill comes into force.

Clause 8: Interpretation of Chapter 1

93. This clause defines the terms used in this Chapter of the Bill for the purposes of interpreting the provisions.

Chapter 2: Powers to Pay Surplus to Employer

Clause 9: Power to modify scheme to allow for payment of surplus to employer

94. Clause 9 allows trustees of DB schemes to modify their schemes to provide for payment of surplus to the employer, both where the scheme has an existing power to pay surplus and where it does not. Subsection (1) of Clause 9 inserts a new section 36B in the Pensions Act 1995. Section 36B(1) enables trustees to pass a resolution to modify their scheme in accordance with sections 36B(2) and 36B(3). Section 36B(2) enables trustees to modify the scheme to include a power to make surplus payments to the employer, where no such power currently exists. Where schemes contain a power to make a surplus payment to the employer, but restrictions apply to this power, section 36B(3) enables trustees to remove or relax those restrictions.
95. Section 36B(4) stipulates that new section 36B does not apply to a scheme in windup. Section 36B(5) prevents trustees from using new section 36B to introduce or modify a power relating to surplus assets on winding up.
96. Section 251 of the Pensions Act 2004 required schemes to have passed a resolution before 2016 to retain a power to allow surplus sharing with an employer. Section 36B(6) clarifies that the power to modify a scheme extends to any restriction that was included in a resolution made under the now repealed section 251. Schemes which have a power to share surplus but were unable to exercise that power due to not having passed a resolution under the now repealed section 251, will not be required to pass a new resolution under new section 36B.
97. Section 36B(7) is a power to make regulations disapplying or modifying new section 36B in certain circumstances or with respect to certain types of pension schemes. For example, new section 36B may be modified in its application to sectionalised, multi-employer, and other atypical defined benefit schemes. This power will be subject to the negative procedure.
98. Section 36B(8) refers trustees to the conditions placed on surplus payments by section 37 of the Pensions Act 1995. This is to reduce the chance of trustees placing restrictions on their scheme's power under section 36B(2) which could contravene the conditions set out in section 37.
99. Subsection (2) of Clause 9 removes section 251 from the Pensions Act 2004, with the effect that trustees will no longer need to have passed this resolution before 2016 to make a surplus payment to the employer. Any resolutions previously passed under section 251 will not lose their effect under this change (subsection (3)).

Clause 10: Restrictions on exercise of power to pay surplus

100. Clause 10 provides for restrictions as to how trustees of trust-based occupational pension schemes can share surplus with employers, replacing some of the existing restrictions provided for in section 37 of the Pensions Act 1995.
101. Subsection (2) of Clause 10 inserts new subsections (2A) to (2D) into section 37 of the Pensions Act 1995. The existing requirements of sections 37(3) and 37(4) will be replaced by these new provisions.
102. New section 37(2A) enables the Secretary of State to set conditions for paying surplus in regulations. These regulations are subject to the affirmative parliamentary procedure on first use and the negative procedure thereafter.
103. New section 37(2B) details four requirements that must be set out in regulations for trustees to be able to make a surplus payment to an employer. These relate to the satisfaction of the scheme actuary that certain conditions are met, the relevant funding basis (or bases) for the actuary's analysis, the provision of a certificate by the scheme actuary before a surplus payment can be made, and the notification of scheme members before a surplus payment can be made.
104. New section 37(2C) covers further requirements that may be set out in regulations. These relate to other conditions that must be met, further detail regarding the certificates given by the actuary, the employer's consent to a payment, and the prohibition of surplus payments from superfunds in all circumstances.
105. In particular, new section 37(2C)(d) specifies that regulations may prevent payments from surplus in superfund schemes either in all circumstances or in the absence of consent from the Pensions Regulator. Regulations might prohibit surplus payments from superfunds, for example, if surplus regulations were to come into force at an earlier stage than superfunds regulations.
106. New section 37(2D) provides that where a scheme is subject to a freezing order (made by the Pensions Regulator, under section 23 of the Pensions Act 2004), a surplus payment cannot be made to an employer. This replaces the provision under existing legislation at section 37(3)(f) of the Pensions Act 1995, which is being repealed under this legislation.
107. Subsection (3) of Clause 10 repeals the existing subsections (3) and (4) of section 37 of the Pensions Act 1995. These sections will be replaced by the new sections detailed above (sections 37(2A) to 37(2D)).
108. Subsection (4) of Clause 10 makes a minor amendment to section 37(6)(a) of the Pensions Act 1995 as a result of the insertion of section 37(2A) and the removal of sections 37(3) and 37(4).
109. Subsection (5) of Clause 10 makes minor amendments to section 37(8) of the Pensions Act 1995 to provide that regulations may disapply or modify section 37 to certain schemes in all circumstances. These regulations remain subject to the negative parliamentary procedure.
110. Subsection (6) of Clause 10 makes a minor amendment to section 76 of the Pensions Act 1995 to ensure the power to disapply and modify that section is consistent with the equivalent power in section 37.

Part 2: Defined Contribution Pensions

Chapter 1: Value for Money

Clause 11: Relevant schemes: value for money

111. This clause grants the Secretary of State the power to make regulations setting out the details of the Value for Money (VFM) framework and specifying which pension schemes and pensions arrangements fall within scope of VFM.
112. Subsections (2) and (3) contains details about the framework that the VFM regulations are intended to create, and the actions regulations will require trustees and managers of the specified schemes and arrangements to undertake. This includes the requirement to produce, collate, publish and share certain data with prescribed persons about the performance of arrangements that the trustees or managers operate, conduct an assessment of this performance and notify the Pensions Regulator of any relevant publications.
113. Subsection (4) requires trustees and managers responsible for undertaking a VFM assessment to assign a VFM rating to each arrangement assessed and inform the regulator of that rating.
114. Subsection (5) provides for regulations to be made specifying how the VFM data metrics, assessments and ratings are to be calculated and the time frames by which they should be done.
115. Subsection (6) requires those responsible for complying with VFM regulations to take account of any guidance issued by the Secretary of State.
116. Subsection (7) requires the Secretary of State to consult with necessary persons before making VFM regulations or issuing guidance.
117. Subsection (8) defines those deemed responsible trustees or managers for VFM in the clauses.
118. Subsections (9), (10) and (11) specify that VFM regulations are subject to the affirmative parliamentary procedure, apart from regulations made relating to metric data under paragraph (2)(c) which are subject to the negative parliamentary procedure after the first use.
119. Subsection (12) provides a definition for “relevant pension scheme” within this Chapter.

Clause 12: Publication etc of metric data

120. This clause provides for regulations to mandate public disclosure of VFM data metrics. It enables regulations to set out the information trustees and managers will be required to publish or share. This will create consistent, transparent and comparable VFM data across those schemes and arrangements covered by the regulations.
121. Subsection (1) lists examples of the categories of information to be disclosed.
122. Subsection (2) allows regulations to specify the timeframes for, and the form in which, the VFM metric data is to be published and shared. It requires trustees or managers to inform the Pensions Regulator that the information has been published and where it has been published. Paragraph (2) (d) provides for an electronic data base to be made available for the publication or sharing of data.
123. Subsection (3) allows regulations to require the Pensions Regulator to determine the form in which the metric data must be disclosed and either publish or share, with the Secretary of State and responsible trustees and managers, full details of the form they have specified.

Clause 13: VFM assessments

124. This clause grants the Secretary of State the power to make regulations setting out the requirements on trustees or managers when undertaking a VFM assessment, the data metrics to be used, the comparisons to be made, the VFM ratings that are available to be assigned and the criteria for assigning a particular rating.
125. Paragraphs (1) (b) to (e) provide for regulations to set out the specific process required to undertake a VFM assessment, the schemes which the trustees or managers should select to compare their scheme or arrangement metrics against, and the factors which must be considered when selecting comparators. Additionally, paragraph 13(1)(a)(ii) provides that regulations may require trustees and managers to compare the performance of their scheme or arrangement against benchmarks, to be set either by the Secretary of State or by the Pensions Regulator.

Clause 14: Member satisfaction surveys

126. This clause makes provision for regulations to require the development, issuing and reporting of member satisfaction surveys and the inclusion of these as part of the VFM data metrics.
127. Subsection (2) provides definitions for key terms included in this clause.

Clause 15: VFM ratings

128. This clause requires trustees to assign VFM ratings and defines the rating structure and the conditions for when each rating should be assigned.
129. Subsection (1) provides that VFM ratings are to be of three types: a “fully delivering” rating, a “not delivering” rating and an “intermediate” rating (which VFM regulations may subdivide into further categories). If an arrangement scores a not delivering or intermediate rating then certain consequences will follow. These consequences are set out in the case of a not delivering rating in clause 17, and in the case of an intermediate rating, will be set out in VFM regulations, pursuant to clause 16.
130. Subsections (2) to (5) make provision for regulations to specify gradation within the ratings, how these are to be referred to and the conditions for assigning these.
131. Subsections (6) and (7) define an “action plan”, the preparation of which is intended to be a consequence of either a “not delivering” rating or some types of “intermediate” rating. Subsection (8) provides that regulations may make further provision about the meaning of and content within an action plan.

Clause 16: Consequences of an intermediate rating

132. Subsection (2) provides details of the various actions that regulations could define as consequences under an intermediate rating. These include preparation of a plan to be shared with the Pensions Regulator concerning how the scheme or arrangement will improve performance with regards to providing value for money, inform employers making active contributions into the scheme or arrangement of its VFM rating and the actions it will take to improve, and close the scheme or arrangement to new employers until relevant value is demonstrated.
133. Subsection (3) provides for regulations to determine what is to be included in the plan at subsection (2) and other functions required of the Pensions Regulator when schemes are assigned an intermediate rating.
134. Subsection (4) provides definitions for key terms included in this clause.

Clause 17: Consequences of a “not delivering” rating

135. This clause sets out consequences for arrangements rated as “not delivering” under the VFM regime, meaning that the arrangement has been assessed as not providing value for money.
136. Subsection (1) provides details of the various actions that trustees or managers of arrangements rated “not delivering” must undertake. These include: prepare and provide an action plan to the Regulator, inform participating employers of the VFM rating and the actions the trustees consider appropriate for the employer to consider, close the scheme or arrangement to new employers and take other steps prescribed in regulations as consequences of a “not delivering” rating.
137. Subsections (2), (3) and (4) provide for the Pensions Regulator to initiate a “transfer solution” process, which will permit it to require trustees and members to transfer the accrued rights and benefits to another scheme or arrangement.
138. Subsection (5) provides definitions of “employer” and “participating employer” in the context of the VFM clauses.

Clause 18: Compliance and oversight

139. This clause grants the Secretary of State the power to make regulations in relation to compliance with the VFM requirements as set out in regulations.
140. Subsection (2) defines what is meant by value for money provisions within this clause.
141. Subsection (3) provides for the Pensions Regulator to issue compliance and penalty notices to trustees and managers and third parties in breach of their VFM obligations.
142. Subsection (3)(d) provides for the Pensions Regulator to refer to the First-tier Tribunal or Upper Tribunal in respect of this issue of a penalty notice or the amount of a penalty.
143. Subsection (3)(e) provides for other functions to be required of the Pensions Regulator to ensure compliance with VFM obligations.
144. Subsections (4) and (5) provide for regulations to be made determining the amount of a penalty and specify the maximum amount of a penalty that can be imposed. This is £10,000 in the case where the recipient is an individual, and £100,000 in any other case.
145. Subsection (6) enables the Pensions Regulator to withdraw a penalty notice if it considers it appropriate to do so.
146. Subsections (7) through (9) provide for regulations to be made allowing the Pensions Regulator to challenge an incorrect VFM rating and provide a direction notice to determine the trustees next course of action, and their reasoning for that determination.
147. Subsections (10) to (12) make amendments to the Pensions Act 1995 and the Pensions Act 2004 in relation to the appointment of trustees, powers to wind up schemes and issuing improvement notices.

Clause 19: Sharing of database where FCA makes corresponding rules

148. Subsection (1) makes clear that this clause applies where the Financial Conduct Authority has made rules for contract-based schemes that correspond to VFM regulations.
149. Subsection (2) grants the Secretary of State the power to make regulations to permit the use of the electronic database at clause 12(2)(d) for the publication or sharing of information relating to contract-based schemes.

150. Subsection (3) specifies that regulations made using the power in subsection 2 are subject to the negative procedure.

Clause 20: Crown application

151. This clause sets out how the Chapter applies to pension schemes managed by or on behalf of the Crown and persons employed by or under the Crown.

Clause 21: Interpretation of Chapter

152. This sets out how wording used within the VFM clauses is to be interpreted.

Chapter 2: Consolidation of Small Dormant Pension Pots

Power to make small pots regulations

Clause 22: Small pots regulations

153. This clause creates an overarching power for the Secretary of State to make regulations to implement the small dormant pension pots and defines the pension pots that will be eligible for automatic consolidation under the measure.

154. Subsection (1) enables the Secretary of State to make regulations to ensure that small dormant pension pots are held by consolidator pension schemes. The word “held” acknowledges that, under the consolidation process an eligible pot may be transferred from an automatic-enrolment scheme to a consolidator, but it may also remain with the automatic-enrolment scheme if that scheme is also a consolidator. Subsection (1)(b) explains that small dormant pots must also be held in a consolidator arrangement under the consolidator scheme.

155. Subsection (2) defines a small dormant pension pot by value. A pension pot that is valued at £1,000 or less (but not nil) will be in scope for automatic consolidation.

156. Subsection (3) outlines two conditions for a pension pot to be considered a dormant pot. The first confirms that the length of time that a pension pot has not had contributions paid into it may be set at a period of at least 12 months. The second condition is that the individual for whom the pot is held has made no active investment decision in respect of the pension pot, other than such decisions as may be prescribed.

157. Subsection (4) explains that, for pension pots created before this clause comes into force, regulations can set the required period of dormancy to begin any time after this clause comes into force. As an example, if the period were to begin the day after this clause comes into force, any pension pot in existence at this time would first meet the dormancy requirement in subsection (3)(a) twelve (or more) months after this date; any lack of activity in respect of the pot before the clause comes into force would not be counted.

158. Subsection (5) confirms that small pots regulations will be made under the affirmative procedure the first time they are made, and then subsequently will be made under the negative procedure. This is unless such regulations are prescribing a person under clauses 23(1), 24(1), 26(1), or they amend or repeal provisions contained in an Act, in which case the affirmative procedure will always be used.

Transfers

Clause 23: Determination of destinations for small pots

159. This clause sets out that, under small pots regulations, a person (or persons) will make proposals for where small dormant pots must be held as part of automatic consolidation.

These Explanatory Notes relate to the Pension Schemes Bill as brought from the House of Commons on 5 December 2025 (HL Bill 152)

160. Subsection (1) sets out that regulations will require a prescribed person to make a main proposal, and at least one alternative proposal, for what to do with each small dormant pot held by auto-enrolment schemes. This requirement is subject to subsection (3).
161. Subsection (2) defines the term “proposal”. The concept of pots being “held” as described in this subsection is described further in the explanatory notes for clause 22 (1) above.
162. Subsection (3) refers to the situation in which a small dormant pot that contains money or assets that have (or derive from money or assets that have) already been through the consolidation process is already held by a consolidator scheme. If this consolidator scheme is also an automatic-enrolment scheme, to prevent pots that have already been consolidated from going through the process again, consolidation proposals are not required to be made in respect of these pots. The concept described in subsection (3)(b) is explained further in the explanatory notes for clause 29(7) below.
163. Subsection (4) provides that a person responsible for the proposals in subsection (1) may be a body corporate by or established under the regulations.
164. Subsection (5) provides that regulations can either prescribe one person to be responsible for making all proposals under subsection (1), or alternatively more than one person can be responsible for making proposals.
165. Subsection (6) provides that proposals made under subsection (1) must be notified to the relevant auto-enrolment scheme. This is unless the trustees or managers of that scheme are a prescribed person who made the proposal, in which case they would not need to be notified of their own decision.
166. Subsection (7) provides that a person responsible for making proposals under subsection (1) is known as a “destination proposer”.

Clause 24: Transfer notices

167. This clause sets out the duties on auto-enrolment schemes in relation to transfer notices, which are communications that inform individuals of the consolidation proposals in relation to their small dormant pots. It should be noted that a proposal will not always involve a transfer to a different scheme; if the pot is already held by an automatic-enrolment scheme that is also a consolidator, the proposal may be that it remains in the same scheme, either in its current arrangement or a different authorised one.
168. Subsection (1) confirms that regulations must place a requirement on the trustees and managers of auto-enrolment schemes to prepare transfer notices for each small dormant pot held by the schemes. These notices must then be sent to the member for whom the relevant pot is held.
169. Subsection (2) states that small pots regulations must require transfer notices to comply with the provisions in subsections (3) to (5).
170. Subsection (3)(a) states that the transfer notice must include the default proposal; subsection 3(b) states that the transfer notice must also include the alternative proposal(s). Subsection (3)(c) explains that the transfer notice must state that if the member does not respond to the transfer notice, the default proposal will be implemented.
171. Subsection (3)(d) explains that the transfer notice must invite members to respond to the transfer notice if they are not content with the default proposal and specify in their response either that they want to choose an alternative proposal, or that they wish to opt out of the process.

172.Subsection (4) explains that where the consolidator schemes or arrangements listed in the transfer notice require their members to be a party to a contract with the trustees or managers of the scheme, the terms of this contract must be communicated in the transfer notice. This is to alert the individual to the new contract to which they will be subject if the process goes ahead.

173.Subsection (5) explains that certain information, as prescribed by regulations, will be required to be included in transfer notices. This information will relate to the pension pot, the auto-enrolment scheme, and the relevant consolidator schemes and arrangements.

Clause 25: Exempt pots

174.This clause sets out the conditions under which a small dormant pension pot will be exempt from automatic consolidation.

175.Subsection (1) explains that a pot will be exempt from consolidation if conditions to be prescribed in regulations are met, and the trustees or managers of the relevant pension scheme determine that it would be in the member's best interests not to transfer their pot. For example, if a pot holds a protected pension age (PPA), other legacy benefit, or is held in a scheme that provides for a particular religious or other belief, and there are no consolidator schemes or arrangements that would be compliant with this protection or belief, the trustees or managers may determine that it would not be in a member's best interests to transfer their pot out of this scheme.

176.Subsection (2) enables the trustees or managers of a pension scheme to determine, for example, that consolidation would not be in the best interests of a class of individuals who hold a particular religious or other belief. To simplify trustee or manager decision-making, if required to decide whether consolidation is in the best interests of a particular individual, they may determine that it is not, based on the individual's membership of that class.

177.Subsection (3) confirms that regulations may include further provision on how a determination as to a member's best interests is to be made.

Clause 26: Transfer etc of small dormant pension pots

178.This clause sets out the duties on auto-enrolment schemes regarding implementing the proposals in the transfer notice. It should be noted that a proposal will not always involve a transfer. It may be that a pot is currently held by an auto-enrolment scheme which is also a consolidator scheme, in which case a proposal may be for the pot to remain in its current scheme or remain in its current scheme but be held in a different authorised arrangement.

179.Subsection (1) confirms that the regulations must require the trustees or managers of auto-enrolment schemes to implement the proposals contained in the transfer notices.

180.Subsection (2) provides that subsection (1) will not apply if the trustees or managers have received a response to the transfer notice confirming that the member wishes to opt out of the automatic consolidation process.

181.Subsection (3) provides that the regulations must ensure that if the trustees or managers have not received a response to the transfer notice, and the default proposal involves the transfer of the pot, the trustees or managers must transfer the pot to the proposed scheme.

182.Subsection (4) provides that the regulations must ensure that if the member responds to the transfer notice and selects an alternative proposal involving the transfer of the pot to a consolidator scheme, the pot must be transferred to that scheme.

183. Subsection (5) provides that the regulations must ensure that if the trustees or managers of the scheme do not receive a response to the transfer notice, and the default proposal involves the pot being held in a specific arrangement under a consolidator, the pot is held in that arrangement.
184. Subsection (6) provides that the regulations must ensure that if the member responds to the transfer notice and selects an alternative proposal involving the pot being held by a specific arrangement in a consolidator scheme, the pot is held in that arrangement.
185. Subsection (7) explains that the trustees or managers of a scheme may transfer a small dormant pot, or change the arrangement under which it is held, even if this would breach a term of the scheme.

Clause 27: Effect of transfer on membership of scheme etc

186. This clause outlines the consequences for members in relation to the transfer of small dormant pots under the small pots regulations, both between different pension schemes and different arrangements.
187. Subsection (1) explains that subsections (2) and (3) cover the consequences of transferring a pot to a different scheme.
188. Subsection (2) confirms that the individual will become a member of the receiving pension scheme and will acquire the rights, and become subject to the obligations, associated with membership of that scheme.
189. Subsection (3) explains that, if being a member of the receiving scheme requires the members to be party to a contract with the trustees or managers, a contract is deemed to have been entered into on transfer of the pot to the receiving scheme. The terms of this contract are those that were communicated in the transfer notice.
190. Subsection (4) explains that subsections (5) and (6) cover the consequences of transferring a pot to a different arrangement. This change of arrangement could be because of the pot being transferred to a different pension scheme, but it also could be that the pot is to remain in the same pension scheme but moved to a different arrangement.
191. Subsection (5) confirms that the individual will become a member of the receiving arrangement, and will acquire the rights, and become subject to the obligations, associated with membership of that arrangement.
192. Subsection (6) explains that, if being a member of the receiving arrangement requires the members to be party to a contract with the trustees or managers, a contract is deemed to have been entered into on transfer of the pot to the receiving arrangement. The terms of this contract are those that were communicated in the transfer notice.

Clause 28: Timing of transfers

193. This clause sets out the timelines associated with the transfer of small pots from their original schemes to consolidators, and/or the changing of the arrangement to which the pot is subject.
194. Subsection (1) requires small pots regulations to prohibit trustees or managers of auto-enrolment schemes from transferring a pension pot, or changing the arrangement to which it is subject, before the end of “the required notice period”.
195. Subsection (2) defines “the required notice period” as the period of 30 days, or such longer period as may be prescribed, beginning with the day the transfer notice is sent.

- 196.Subsection (3) explains that small pots regulations must require the trustees or managers of auto-enrolment schemes to transfer pension pots, or change the arrangements to which pots are subject, before the end of the required transfer period.
- 197.Subsection (4) defines “the required transfer period” as a one-year period beginning with whichever is later of the date on which the relevant provision of the regulations comes into force, or the date on which the pension pot first becomes small and dormant.
- 198.Subsection (5) provides for the scenario in which the trustees or managers of an auto-enrolment scheme have not been notified of the destination of the pot in sufficient time to comply with the required transfer period. This subsection enables regulations to be made to extend the required transfer period, with the further window beginning on the date the notification of the proposals is received.

Authorisation

Clause 29: Authorisation of consolidator schemes etc by the Pensions Regulator

- 199.This clause sets out how schemes regulated by the Pensions Regulator may be authorised as consolidators. This builds upon the Master Trust framework in the Pension Schemes Act 2017 to include extra criteria for Master Trusts to meet before they can become consolidators.
- 200.Subsection (1) provides that regulations will enable the trustees or managers of eligible Master Trust schemes to apply for authorisation of the scheme (or arrangements under the scheme).
- 201.Subsection (2) provides that regulations will require the Pensions Regulator to authorise any applicant arrangements / schemes if the application is made in accordance with the regulations, and prescribed conditions are met.
- 202.Subsection (3) contains a power to create a framework for the Pensions Regulator to regulate authorised consolidator schemes / arrangements, and ultimately deauthorise them if required.
- 203.Subsection (4) provides examples of the conditions that may be prescribed for the authorisation requirements in subsection (2)(b), and for the conditions relating to the Pensions Regulator’s regulatory actions in subsection (3).
- 204.Subsection (5) provides that regulations may permit or require the Pensions Regulator to require deauthorised schemes to take prescribed steps with respect to the pension pots received by such schemes under the small pots regulations.
- 205.Subsection (6) explains that the steps that may be prescribed under subsection (5) includes steps to limit the fees that may be charged in relation to relevant pension pots.
- 206.Subsection (7) explains when a pension pot is “relevant” for the purposes of subsection (5). This is where either:
- Any of the monies or assets that make up the pot were at one time contained in a small dormant pot that went through the consolidation process. This covers, for example, the assets in an initial pot transferred to a consolidator, as well as the assets in another small pot that also went through the consolidation process and was consolidated with the first pot; or
 - Any of the monies or assets that make up the pot were derived from monies or assets that were at one time in a small dormant pot that went through the consolidation process. This covers, for example, investment growth of the consolidated pot.

207. Subsection (8) sets out the definition of an eligible Master Trust scheme as a scheme that has been authorised by the Pensions Regulator under section 5 of the Pension Schemes Act 2017.

Clause 30: Consolidator schemes and consolidator arrangements

208. This clause defines the terms “consolidator scheme” and “consolidator arrangement”.

209. Subsection (1) defines “consolidator scheme” as either:

- An eligible Master Trust that is authorised by the Pensions Regulator under clause 29(1)(a), or a Master Trust for which any of its arrangements are authorised by the Pensions Regulator under clause 29(1)(b). Accordingly, a Master Trust scheme may be called a “consolidator scheme” if it has one or more of its arrangements authorised; or
- An FCA-regulated pension scheme that is included on a list published by the FCA under section 137FBC(2)(b) of the Financial Services and Markets Act 2000.

210. Subsection (2) defines “consolidator arrangement” as either:

- An arrangement under an eligible Master Trust where either the scheme is authorised by the Pensions Regulator under clause 29(1)(a), or that particular arrangement is authorised by the Pensions Regulator under clause 29(1)(b); or
- An arrangement under an FCA-regulated pension scheme where the scheme has been included on a list published by the FCA under section 137FBC(2)(b) of the Financial Services and Markets Act 2000.

Supplementary

Clause 31: Further provision about contents of small pots regulations

211. This clause provides further descriptions of the functions, data standards and duties that may be included in the small pots regulations.

212. Subsection (1) provides examples of the small pots regulations that may be made under the overarching power in clause 22. In particular:

- (1)(a) describes how the Pensions Regulator may be authorised to charge a fee in respect of a scheme’s application to become an authorised consolidator;
- (1)(b) describes how regulations may confer rights of appeal; for example, for a decision made by the Pensions Regulator.
- (1)(c) (1)(c) describes how regulations may set out requirements for schemes to improve the accuracy and completeness of information held by them;
- (1)(d) describes how information-sharing obligations may be placed on relevant persons (other than the FCA);
- (1)(e) describes how record-keeping obligations may be placed on schemes, such as of the small dormant pot transfers that have been made;
- (1)(f) describes how regulations may provide for further information-processing duties;

- (1)(g) describes how the fees that pension schemes may charge for the transfer of small dormant pots may be limited;
- (1)(h) describes how a liability framework may be established, under which compensation may be required to be paid to someone who has suffered a loss because of a breach of small pots regulations;
- (1)(i) describes how further functions in relation to the small pots measure may be conferred on a relevant person; and
- (1)(j) describes how regulations may provide for the delegation of functions given under the small pots regulations.

213.Subsection (2) confirms that the information that may be shared or processed, or the records that may be kept, under subsection (1)(c) to (f) could include personal data.

214.Subsection (3) provides that any processing of personal data under small pots regulations will not breach any duty of confidence owed by the processor, nor any other restriction on the processing of personal data. It should be noted that this is subject to the general data protection override in section 183A of the Data Protection Act 2018.

215.Subsection (4) sets out the data protection definitions relied upon in this clause. It also defines the phrases “relevant person” and “relevant pension scheme” as used in this clause.

216.Subsection (5) enables small pots regulations to amend, repeal or revoke any legislation as may be required to implement the small pots measure.

217.Using the power conferred under subsection (5), subsection (6) provides two examples of the amendments to legislation that the small pots regulations may make. These include amending section 146 of the Pension Schemes Act 1993 to extend the Pensions Ombudsman’s functions to enable it to investigate and determine complaints or disputes relating to the destination proposer, and amending section 175 of the Pension Schemes Act 1993 to allow levies to be raised against pension schemes to fund expenditure in relation to a destination proposer , or the Secretary of State in relation to any requirements to pay compensation under clause 31(1)(h). As these are non-exhaustive examples, small pots regulations may also make amendments to other relevant legislation.

Clause 32: Enforcement by the Pensions Regulator

218.This clause provides that a compliance framework relating to the multiple default consolidator process may be set out in regulations. This relates to the actions that may be taken by the Pensions Regulator against any person, who is not FCA-regulated, that acts outside of the provision of the regulations.

219.Subsection (1) creates the power for provision to be made to ensure compliance by any person (other than an FCA-regulated person) with any provision of the small pots in the regulations.

220.Subsection (2) provides examples of the compliance provisions that may be made under small pots regulations. These include the Pensions Regulator being able to issue:

- A compliance notice as a warning to a person that they must comply with a provision of the regulations;
- A compliance notice to a person with a view to them ensuring the compliance of another person;

- Penalty notices where a person has still failed to comply after receiving a compliance notice or has failed to comply with a provision of the small pots regulations generally.
221. Subsection (2) also explains that regulations may provide for the use of the First-tier Tribunal or Upper Tribunal in determining issues arising out of any penalties issued.
222. Subsection (3) enables provisions to be made in the regulations for determining the amount, or maximum amount, of a penalty issued by the Pensions Regulator.
223. Subsection (4) explains that the maximum amount of a penalty issued must not exceed £10,000 in the case of an individual, and £100,000 in any other case.
224. Subsection (5) sets out that penalties are recoverable by, and payable to, the Pensions Regulator.
225. Subsection (6) provides that any penalty is recoverable by the Pensions Regulator as if it were payable under a court order, if the county court orders as such. This means that penalties may be recovered by the Pensions Regulator by means of a simpler court procedure, rather than requiring ordinary court proceedings for the recovery of a civil debt.
226. Subsection (7) provides corresponding provisions for penalties payable under the laws of Scotland.
227. Subsection (8) sets out the duty on the Pensions Regulator to pay any money received through the penalty process into the Consolidated Fund.
228. Subsection (9) explains that references in this section to compliance with “a provision of small pots regulations” also includes requirements or restrictions imposed by the Pensions Regulator under the regulations.

Clause 33: Enforcement by the FCA

229. This clause provides that a compliance framework relating to the multiple default consolidator process as it applies to FCA-regulated persons may be set out in regulations made by the Treasury.
230. Subsection (1) allows for the Treasury to make regulations to enable the FCA to monitor and enforce the compliance of FCA-regulated persons with any provision of small pots regulations.
231. Subsection (2) states that these regulations may (with or without modification) apply, or correspond with, the compliance-related provisions made by virtue of clause 32, or any provision of the Financial Services and Markets Act 2000.
232. Subsection (3) confirms that any regulations made under this section are subject to the affirmative procedure.
233. Subsection (4) defines the term “FCA-regulated person” as an authorised person (within the meaning of the Financial Services and Markets Act 2000) in relation to the operation of a pension scheme.

Interpretation etc

Clause 34: Power to alter definition of “small”

234. This clause gives the Secretary of State the power to amend the definition of “small” in clause 22(2) in relation to small dormant pension pots.

- 235.Subsection (1) enables the Secretary of State by regulations to increase or decrease the amount that constitutes “small” as defined in clause 22(2) in relation to small dormant pots.
- 236.Subsection (2) ensures that, before changing the definition of “small”, the Secretary of State must consult with persons they consider appropriate such as industry representatives, publish details of proposed amendments and the reasons for making them, and consider any representations made.
- 237.Subsection (3) ensures that any regulations made using this section are subject to the affirmative procedure.

Clause 35: Crown application

- 238.This clause sets out the application of this Chapter to pension schemes managed by or on behalf of the Crown.
- 239.Subsection (1) confirms that pension schemes managed by or on behalf of the Crown will be within the scope of the small dormant pot consolidation measure, and that this Chapter applies to such schemes as it applies to other pension schemes.
- 240.Subsection (2) confirms that references in this Chapter to trustees or managers include the Crown, or a person acting on behalf of the Crown.
- 241.Subsection (3) confirms that the small pots measure applies to employees of the Crown in the same way as it applies to employees of private persons.

Clause 36: Interpretation of Chapter

- 242.This clause defines the key terminology used across this Chapter.
- 243.Subsection (1) defines various terms used in this Chapter.
- 244.Subsection (2) explains that a pension scheme is “FCA-regulated” if the operation of the scheme meets the criteria set out in (a) and (b).
- 245.Subsection (3) defines references in this Chapter to the terms of a pension scheme. These include the terms in any legal document that make up the scheme (such as trust deeds and rules for occupational pension schemes, or the contracts in contract-based schemes), as well as the terms in any legal document to which the provider of the scheme and any individual member is a party to. The latter is to cover contractual relationships between schemes and members that are different from those applying to other members; for example, one member’s contract may have different (or no) conditions for a transfer than another.
- 246.Subsection (4) confirms that in this Chapter, in the context of an FCA-regulated scheme, a reference to trustees or managers means the provider of the scheme.
- 247.Subsection (5) explains that a pension scheme is an “auto-enrolment scheme” if any individual is, or ever was, an active member of the scheme following certain arrangements made under Part 1 of the Pensions Act 2008. This covers, for example, an individual who was automatically enrolled by their employer under section 3(2) of that Act.
- 248.Subsection (6) defines the term “active member” as used in subsection (5).

Clause 37: Meaning of “pension pot”

- 249.This clause defines the term “pension pot” for the purposes of this Chapter.
- 250.Subsection (1) defines “pension pot” as any assets held for the purpose of providing money purchase benefits in respect of a member of a pension scheme. It also explains that when this

Chapter references the pension scheme holding the pot, it means that pension scheme, and when it refers to the person for whom the pot is held, it means that member.

251. Subsection (2) addresses, for example, the situation where a member has been automatically enrolled into the same pension scheme by two or more employers. If the member's pension assets in respect of these employments are accounted for separately by the scheme, then they are each to be regarded as separate pension pots, each with the potential to meet the small and dormant criteria and go through the automatic consolidation process separately.

252. Subsection (3) defines the term "employment" as used in subsection (2).

Amendments of other Acts

Clause 38: Amendments of the Financial Services and Markets Act 2000

253. This clause describes the amendments made by this Act to the Financial Services and Markets Act 2000.

254. Subsection (1) confirms that the Financial Services and Markets Act 2000 is amended as described in this clause.

255. Subsection (2) amends section 1A of the Financial Services and Markets Act 2000 to include in 1A (6) the functions conferred on the FCA under this Chapter.

256. Subsection (3) inserts a new section 137FBC into the Financial Services and Markets Act 2000 relating to the general rules that the FCA may make for the purposes of creating a regulatory framework for FCA-regulated consolidator schemes:

- 137FBC (1) explains that the FCA may create general rules requiring providers of FCA-regulated pension schemes to inform the FCA if they intend for their scheme to act as a consolidator scheme, or for an arrangement to act as a consolidator arrangement.
- 137FBC (2) explains that if the FCA makes rules under subsection (1), it must then make general rules for the purpose of regulating FCA-regulated consolidator schemes and maintain a list of such FCA-regulated consolidator schemes in accordance with the requirements in subsections (3) and (4).
- 137FBC (3) explains that the list must, subject to subsection (4), include all schemes and arrangements for which the FCA has received a notice.
- 137FBC (4) explains that a scheme or arrangement must not be included in the list if either the provider has withdrawn the notice relating to it, or the FCA has determined that the scheme is unlikely to follow the rules made under subsection (1) or (2) (a) within a time the FCA considers reasonable.
- 137FBC (5) explains that, when making the general rules described in (2) (a), the FCA must have regard to the corresponding authorisation and regulatory framework for occupational pension schemes created under section 29 of the Pension Schemes Act 2025.
- 137FBC (6) defines various terms used in this clause.
- 137FBC (7) explains when a pension scheme is "FCA-regulated".

257.Subsection (4) amends section 204A of the Financial Services and Markets Act 2000 to extend the FCA's supervisory jurisdiction to FCA-regulated consolidator schemes.

Clause 39: Repeal of existing powers

258.This clause outlines areas of existing legislation that are to be repealed using this Act.

259.Subsection (1) repeals provisions of the Pensions Act 2014 that have not been brought into force and are to be superseded by this Act.

260.Subsection (2) makes an additional and non-substantive amendment to paragraph 4(1) of Schedule 18 to the Pensions Act 2014. Paragraph 4(1) stated previously that expressions used in both Schedules 18 and 17 to that Act are defined in Schedule 17. As clause 39(1) of this Act repeals Schedule 17 save for its interpretive provisions, subsection (2) amends paragraph 4(1) to reflect this, clarifying that the definitions in Schedule 17 apply to Schedule 18.

261.Subsection (3) makes a non-substantive amend to section 256 of the Pensions Act 2004 in consequence of the repeal of Schedule 17 to the Pensions Act 2014 by clause 37(1)(b), as the reference in that section to "that Act" would otherwise be unclear.

Chapter 3: Scale and Asset Allocation

Clause 40: Certain schemes providing money purchase benefits: scale and asset allocation

262.This clause makes changes to the Pensions Act 2008 in respect of UK money purchase schemes.

263.Subsection (4) will insert a new subsection 20(1A) of the Pensions Act 2008 to add two new conditions that relevant Master Trusts must comply with to be qualifying schemes and accordingly be capable of being used by an employer to discharge their duties under the automatic enrolment regime.

264.Condition 1 is that the Master Trust must either: be approved under section 28A in respect of a main scale default arrangement; exempted by regulations; have previously been approved under section 28E (transition pathway relief) and is to be treated as though it has approval under section 28A (approved in respect of a main scale default arrangement) or qualify for relief under the "transition pathway" or the "new entrant pathway".

265.Condition 2 is that the Master Trust must either be approved under section 28C in respect of the asset allocation requirement or be exempted by regulations from the requirement for approval.

266.Subsection (4) also inserts a new subsection 20(1B) which concerns the Secretary of State's power to exempt a relevant Master Trust from conditions 1 and 2 via regulations. Such exemptions are intended to cover schemes that are designed to meet the needs of persons with a protected characteristic, such as religious beliefs within the meaning of the Equality Act 2010 and hybrid schemes with closed employer groups.

267.Subsection (4) also inserts a new subsection 1C into section 20, which concerns the Secretary of State's power to make regulations which may permit the appropriate regulator to temporarily treat a scheme, for a period, as meeting condition 1 or condition 2 – referred to as "the protected period".

268.This facility is expected to be used to allow the regulator to take temporary steps to minimise disruption for employers if a scheme is unlikely to reach the scale threshold or meet the asset allocation requirements at the relevant time. Furthermore, regulations may be made under

this subsection that will enable the appropriate regulator to require trustees or managers to share a plan showing how they propose to meet or continue to meet the scale requirement under section 28A or the conditions for approval under section 28C.

269. Subsection (5) sets out the interpretation and meaning of certain key terms used in the amendments to section 20.
270. Subsection (6) makes a consequential amendment to section 25 of the Pensions Act 2008 to remove references to section 18(b), which was repealed by the Occupational and Personal Pension Schemes (Amendment etc.) (EU Exit) Regulations 2019.
271. Subsection (8) inserts new subsections into section 26 (quality requirement: UK personal pension schemes) to add two new conditions (fifth and sixth conditions) that group personal pensions must comply with to be a qualifying scheme and accordingly be capable of being used by an employer to discharge their duties under the automatic enrolment regime. These new sections broadly mirror the amendments made under subsection (4) which relate to Master Trusts.
272. Subsection (9) sets out the interpretation and meaning of certain key terms used in the amendments to section 26.
273. Subsection (10) makes a consequential amendment to section 28 to remove references to section 18(b), which was repealed by the Occupational and Personal Pension Schemes (Amendment etc.) (EU Exit) Regulations 2019.
274. Subsection (11) makes further consequential amendments to section 28 to provide that the relevant quality requirements applicable to the certification process outlined in that section are amended so that they take account of the new conditions.
275. Subsection (12) inserts a new section 28A (MSDA approval: relevant Master Trusts). This section provides for the approval that a relevant Master Trust must obtain under Condition 1(a) in the new subsection 20(1A). This approval may be given by the appropriate regulator and will be dependent on the Master Trust meeting the “scale requirement” under paragraph 28A(1)(a) and any other conditions to be prescribed under paragraph 28A(1)(b). Other significant parts of new section 28A include:
- To meet the scale requirement, the relevant Master Trust must ensure that the total value of assets held by the relevant Master Trust, a connected Master Trust, or any connected group personal pension scheme exceeds the “minimum amount”, and that these assets are managed under a common investment strategy. This sum of assets will be known as the ‘main scale default arrangement’. Subsection 28A(3) provides that “the minimum amount” means £25 billion.
 - 28A(4) provides for which assets from the relevant Master Trust, any connected group personal pension scheme and any connected Master Trusts may be counted towards the total value of assets held in the main scale default arrangement.
 - Subsections (5) and (5A) permit the Secretary of State to make regulations about the nature of the connection that must exist between the relevant Master Trust and other schemes in order count assets held in them towards the total value of assets held in the main scale default arrangement. Regulations under this subsection may provide, for example, that a relevant Master Trust is connected with the relevant Master Trust (RMT) only if it has the same scheme funder or scheme strategist as the RMT, or, that a

group personal pension scheme is connected with the RMT only if its provider is also the scheme funder or scheme strategist of the RMT.

- Subsections 28A (6) and (8) permit the Secretary of State to make regulations about how the total value of the assets is to be determined, and whether any assets are to be excluded from the calculation of this total value.
- Subsection 28A (7) permits the Secretary of State to make regulations about how relevant Master Trusts must evidence they meet the scale requirement, and the meaning of a “common investment strategy”.
- The conditions that are anticipated to be prescribed under subsection 28A (1)(b) will include, among other matters, traits relevant to the governance and investment capabilities of a Master Trust.
- Subsections 28A (9) and (10) provide that the Secretary of State may make regulations about the time limits and procedures relevant to approvals under subsection 28A (1) and matters relevant to enforcement and compliance.
- Subsection 28A (11) provides that before making regulations under section 28A, the Secretary of State must consult with such persons they consider appropriate.
- Subsection 28A (12) concerns the interpretation of a “main scale default arrangement”.

276. Subsection (12) also inserts a new section 28B (MSDA approval: group personal pension scheme). This section provides for the approval that a group personal pension scheme must obtain under the fifth condition in the new subsection 26(7A). This approval may be given by the appropriate regulator and will be dependent on the group personal pension scheme meeting the “scale requirement” under paragraph 28B(1)(a) and any other conditions to be prescribed under paragraph 28B(1)(b). Other significant parts of section 28B include:

- To meet the scale requirement, the group personal pension scheme must ensure that the total value of assets held by the group personal pension scheme, other group personal pension schemes or any qualifying relevant Master Trust exceeds “the minimum amount”, and that these assets are managed under a common investment strategy. This sum of assets will be known as the ‘main scale default arrangement’. Subsection 28B (3) provides that “the minimum amount” means £25 billion. Regulations will set out how a group personal pension scheme must evidence the scale requirement; define the meaning of “common investment strategy” and determine what assets that can count to meet the scale requirement.
- The other conditions that are anticipated to be prescribed under paragraph 28B(1)(b) will include, among other matters, traits relevant to the governance and investment capabilities of a group personal pension scheme.
- Subsection 28B (4) provides for which assets from the group personal pension scheme, any connected group personal pension schemes and any connected Master Trusts may be counted towards the total value of assets held in the main scale default arrangement.

- Subsections 28B (5) and (7) permit the Secretary of State to make regulations about how the total value of assets is to be determined, and whether any assets are to be excluded from the calculation of this total value.
- Subsections 28B (6) permits the Secretary of State to make regulations about how a relevant group personal pension scheme must evidence they meet the scale requirement, and the meaning of a “common investment strategy”.
- Subsections 28B (8) and (8A) require the Secretary of State to make regulations about the nature of the connection that must exist between the group personal pension and other schemes in order to count assets held in them towards the total value of assets held in the main scale default arrangement. Regulations under this subsection may provide, for example, that a group personal pension scheme is connected with the group personal pension only if it has the same provider as the group personal pension scheme, or, that a relevant Master Trust is connected with the group personal pension scheme only if its scheme funder or scheme strategist is also the provider of the group personal pension scheme.
- Subsections 28B (9) and (10) provide that the Secretary of State may make regulations about the time limits and procedures relevant to approvals under subsection 28B(1) and matters relevant to enforcement and compliance.
- Subsection 28B (11) provides that before making regulations under section 28B, the Secretary of State must consult with such persons they consider appropriate.
- Subsection 28B (12) concerns the interpretation of a “main scale default arrangement”.

277. Subsection (12) also inserts a new section 28C (Approvals in respect of asset allocation). This section provides for the approval relating to the asset allocation requirement that relevant Master Trusts, and group personal pension schemes must obtain under condition 2(a) in the new subsection 20(1A) and the sixth condition in subsection 26(7B). Subsection 28C(1) provides that the appropriate regulator may approve a relevant Master Trust or group personal pension scheme only where it determines that at least a percentage of assets held in default funds in the scheme are qualifying assets. The Secretary of State may prescribe this percentage in regulations. Other significant parts of new section 28C include:

- Subsection 28C (3) provides that the Secretary of State cannot increase the prescribed percentage after 31 December 2035.
- Subsection 28C (4) provides that “qualifying asset” means an asset of a prescribed description. Subsection 28C (5) provides that regulations made under subsection 28C(4) may include assets of various private asset classes that fall under the headings prescribed at 28C(5)(a)-(d). This excludes listed securities, with an exception for SME growth markets such as AIM and Aquis.
- Subsection 28C (6) provides that assets may be defined as qualifying assets on the basis of their presence in the UK or other factors linking the asset to economic activity within the UK.
- Subsection 28C (7) defines a “default fund” for the purpose of section 28C.

- Subsection 28C (8) grants the Secretary of State the power to make regulations which provide that different fractions of the percentage of the relevant fund should be met by different descriptions of asset (notably geographical descriptions prescribed under 28C (6)).
- Subsection 28C (9) provides that the Secretary of State may make regulations about how relevant Master Trusts and group personal pension schemes must evidence the asset allocation requirement and have regard for any guidance under this section.
- Subsection 28C (10) provides that the Secretary of State may make regulations that address various aspects of the application process under subsection 28C(1), and matters relating to enforcement and compliance and the provision of information to the regulators and Secretary of State.
- Subsection 28C (11) specifies that regulations made under subsection (10)(d) - about the withdrawal of approvals - may make provision regarding communications and notices that may be issued by the appropriate regulator and permits the regulator to issue fines on a person who fails to comply with regulations made under section 28C (11) (c) (where notice has been given that approval is likely to be withdrawn).
- Subsection 28C (12) provides that before making the first set of regulations under section 28C, the Secretary of State must first prepare and publish a report about: the financial interests of members of affected schemes; the economic impact of the proposed measures; and any other matters the Secretary of State considers relevant.
- Subsection 28C (13) provides that the Secretary of State must consult the Treasury before making regulations under section 28C.
- Subsection 28C (14) provides that the Secretary of State must also consult with whoever they consider appropriate before publishing the report under subsection 28C(12).
- Subsection 28C (15) provides that section 28C will override any conflict with provision of a trust deed or rules.

278. Subsection (12) also inserts a new section 28D which provides that regulations may be made in relation to the asset allocation information trustees or managers of a relevant Master Trust or group personal pension must give to the appropriate regulator.

279. Subsection (12) also inserts a new section 28E (Transition pathway relief). This section provides for the relief that relevant Master Trusts may qualify for under condition 1(d) of new subsection 20(1A) and group personal pension schemes may qualify for under new paragraph 26(7C)(b). If the appropriate regulator gives its approval to a scheme under subsections 28E(1) (for Master Trusts) or (3) (for group personal pension schemes), that scheme will be considered to have complied with the relevant condition.

280. This relief will permit schemes that have not met the scale threshold set out in section 28A or 28B by 2030 to continue to be a qualifying scheme for the purposes of the automatic enrolment framework if they meet certain criteria, including having a minimum total value of assets of £10bn, as specified in 28E(2) and (4). Schemes must also have a credible plan to grow their MSDA, so it reaches “the minimum amount” in subsection 28A(3) or 28B(3) by 2035 (or five

years from commencement of scale requirements), as well as meeting appropriate governance and investment capability requirements to be determined in regulations.

281. Subsections (5), (6) and (7) of section 28E provide that the Secretary of State may make regulations about: steps that the trustees or managers of schemes that are authorised under section 28E must take (including the production of plans for increasing scale); criteria by which the appropriate regulator is making determinations under subsections (1) and (3); and matters relevant to the approval process and appeal. Subsection (8) provides that the Secretary of State must consult before making any regulations under section 28E.
282. Subsection (12) also inserts section 28F (New entrant pathway relief). This section provides for the relief that relevant Master Trusts may qualify for under Condition 1(e) of new subsection 20(1A) and group personal pension schemes may qualify for under new paragraph 26(7C)(c). If the appropriate regulator gives its approval to a scheme under section 28F, that scheme will be considered to have complied with the relevant condition.
283. The relief will only be approved where the scheme does not yet have any members and where it has a strong potential to grow (to meet the scale requirement under s. 28A); an “innovative product design”; and complies with any further conditions to be prescribed in regulations.
284. Subsection (3) of section 28F grants the Secretary of State the power to make regulations about the application process and rights of appeal. Subsection (4) of 28F permits the Secretary of State to make regulations about the meaning of “strong potential to grow” and “innovative product design” (including how a scheme can demonstrate both). Subsection (5) of 28F requires that the Secretary of State must consult such persons he considers appropriate, before making regulations.
285. Subsection (12) also inserts section 28G (Suspension of asset allocation requirement: savers’ interest test).
286. Under this section the Secretary of State must make regulations that have effect at the same time as regulations made under section 28C (approvals in respect of asset allocation) that provide for a savers’ interest test under which a regulator may, upon application and for a specified time period, exempt a relevant master trust or group personal pension scheme from the requirements under section 28C.
287. Subsection 28G (3) provides that this exemption can only be granted if the appropriate regulator is of the view that meeting the asset allocation requirement would cause material financial detriment to members of the scheme and provides that regulations may set out how the regulators should form such a view.
288. Subsection (12) also inserts new section 28H (Risk notices). This section will allow the Pensions Regulator to issue risk notices to the trustees or managers of a relevant Master Trust, if the Pensions Regulator considers that there is a concern in relation to the relevant Master Trust and that the scheme is likely to cease to meet the scale or asset allocation requirements. The risk notice will require the trustees or managers of the relevant Master Trust to produce a resolution plan to address that concern.
289. Risk notices are already used by the Pensions Regulator to require trustees to deliver certain corrective actions under other supervisory frameworks. The Financial Conduct Authority operates an equivalent system of ‘warning notices’ which they can apply to scale requirements with regard to group personal pension schemes.
290. Subsection (12) also inserts new Section 28I (Penalties). This section allows the Secretary of State to make regulations that provide for financial penalties to be imposed where a relevant Master Trust or group personal pension scheme fails to meet either the scale or asset

These Explanatory Notes relate to the Pension Schemes Bill as brought from the House of Commons on 5 December 2025 (HL Bill 152)

allocation conditions (as set out in section 20(1A) by reason of not being approved under section 28A or 28C), and nevertheless continues to accept contributions from an employer in relation to a jobholder on the basis that it is an automatic enrolment scheme in relation to that jobholder. Regulators may impose penalties of up to £100,000 per employer upon the relevant Master Trust or group personal pension scheme, who will have the right of appeal against such penalties to the First Tier Tribunal.

291. Subsection (12) inserts section 28J (Enforcement by the Financial Conduct Authority). This new section allows the Treasury to make regulations that provide for monitoring and enforcement functions to be conferred on the Financial Conduct Authority (FCA) in relation to the compliance of FCA-regulated persons with the provisions of or under Chapter 1 of the Pensions Act 2008, including for the new provisions set out in clause 40.
292. Subsection (13) inserts section 30A (Review of exercise of powers under section 28C). Section 30A provides that the Secretary of State must prepare, publish and lay before Parliament a report into the effect of any regulations made under section 28C no later than 5 years after the making of those regulations. This report must take into account their effect on members of pension schemes, economic growth in the UK and any other matters the Secretary of State considers appropriate.
293. Subsection (14) concerns the meaning of terms used in clause 40.
294. Subsection (15) provides that specified regulations made under clause 40 will be subject to the affirmative parliamentary process.
295. Subsection (16) provides that the transition pathway will expire five years after it comes into force.
296. Subsection (17) confers a power on the Secretary of State to make amendments to clause 40 in order to ensure that the statute books do not contain repealed legislation in the event that the asset allocation provisions are not commenced by 2035 and are repealed as a result of clause 117(6).

Clause 41: Amendments related to section 40

297. Subsections (1) to (5) of this clause amend the Financial Services and Markets Act 2000 so that the amendments made to the Pensions Act 2008 by clause 40 may be taken into account for the purposes of interpreting the functions of the Financial Conduct Authority.
298. Subsections (6) to (7) insert two new authorisation criteria into Section 5 (decision on application) of the Pension Schemes Act 2017. The first of these requires that a Master Trust will need to satisfy the Pensions Regulator that it has sufficient investment capability. The second criterion is that a Master Trust, where the main administration is in the UK, meets Condition 1 of section 20(1A) of the Pensions Act 2008.
299. Subsection (8) inserts section 12A (Investment capability) into the Pension Schemes Act 2017. This section sets out matters that the Pensions Regulator must take account of in deciding if it is satisfied the Master Trust has sufficient investment capability. These matters include the need for appropriate systems to manage the investment strategy and monitor outcomes, deliver effective governance, as well as strategies to recruit and retain expert staff. Furthermore, this subsection permits the Secretary of State to make regulations about the meaning of the terms used in this section and further factors the Pensions Regulator must take into account when deciding whether it is satisfied a scheme has sufficient investment capability. Subsection (5) determines that first regulations made under this section are subject to the affirmative resolution procedure, whilst other regulations under this section are subject to the negative resolution procedure.

300. Subsection (8) also inserts section 12B (Scale requirement) into the Pension Schemes Act 2017. This section permits the Secretary of State to make regulations about how the Pensions Regulator is to decide whether it is satisfied that a scheme meets the scale requirement and specify matters which it must take into account when making its assessment. Subsection (3) determines that first regulations made under this section are subject to the affirmative resolution procedure, whilst other regulations under this section are subject to the negative resolution procedure.

Chapter 4: Default Arrangements

Clause 42: Regulations restricting creation of new non-scale default arrangements

301. This clause jointly grants the Treasury and Secretary of State the power to make regulations to restrict a provider's ability to begin operating a non-scale default arrangement without appropriate regulatory approval.
302. Subsection (2) provides that regulations may set out the criteria the FCA or TPR must apply in determining whether to approve a non-scale default arrangement and any discretion that can be applied, as well as conditions for approval and ongoing requirements that providers must meet. This subsection also sets out that if assets are held in breach of the regulations, that regulations may require the assets to be moved.
303. Subsection (3) sets out the regulations in subsection (2) are subject to the affirmative procedure.

Clause 43: Review in relation to non-scale default arrangements

304. This clause requires the Secretary of State and Treasury to jointly carry out a review of non-scale default arrangements operated by pension scheme providers.
305. Subsection (2) requires that the review must consider (in addition to other relevant matters) the number of arrangements being operated, the extent to which they have or will be consolidated or the rationale for why they remain and the circumstances where this may be appropriate.
306. Subsection (3) requires that the Secretary of State and Treasury publish a report on the review as soon as is practicable once the review has been concluded.
307. Subsection (4) requires that the Pensions Regulator and FCA provide information and assistance as the Secretary of State and Treasury may require for the review.
308. Subsection (5) provides that neither the Secretary of State, Treasury, the Pensions Regulator or FCA will be prohibited from disclosing information for the purposes of the review by section 348 of the Financial Services and Markets Act (2000) or by section 82 of the Pension Act 2004.

Clause 44: Regulations about consolidation of non-scale default arrangements

309. This clause grants the Secretary of State and Treasury the power to make regulations to require, in certain circumstances, non-scale default arrangements to be consolidated into an approved main scale default arrangement.
310. Subsection (2) provides that regulations may require arrangements to be consolidated unless they meet an exemption to continue or the regulators exercise their discretion, for a provider to prepare a plan for consolidation to regulators and functions for regulators including the imposition of civil penalties. Regulations in this subsection may also set out the provision for a reference to be made to the First-tier Tribunal or Upper Tribunal.

- 311.Subsection (3)(a) prevents regulations in subsection (2) from being made until the review in clause 43 has been completed and its findings published.
- 312.Subsection (3)(b) requires that regulations made under subsection (2) must take account of the review's conclusions.
- 313.Subsection (4) sets out the regulations in subsection (2) are subject to the affirmative procedure.

Clause 45: Amendments of the Financial Services and Markets Act 2000

- 314.This clause describes the amendments made by this Chapter to the Financial Services and Markets Act 2000.
- 315.Subsection (1) confirms that the Financial Services and Markets Act 2000 is amended as described in this clause.
- 316.Subsection (2) amends section 1A of the Financial Services and Markets Act 2000 to include in 1A (6) the functions conferred on the FCA under this Chapter.
- 317.Subsection (4) amends section 204A of the Financial Services and Markets Act 2000 to extend the FCA's supervisory jurisdiction to default arrangements under this Chapter.

Clause 46: Crown application

- 318.This clause sets out how the Chapter applies to pension schemes managed by or on behalf of the Crown and persons employed by or under the Crown.

Clause 47: Interpretation of Chapter

- 319.This clause defines the key terminology used across this Chapter.

Chapter 5: FCA-Regulated Pension Schemes: Contractual Override

Clause 48: FCA-regulated pension schemes: contractual override

- 320.This clause inserts the contractual override mechanism, referred to as unilateral changes, into the Financial Services and Markets Act 2000 (FSMA) as Part 7A.
- 321.It also amends FSMA to exclude a unilateral change from the meaning of an insurance business transfer scheme in section 105, enable the appointment of an investigator under section 168 and ensure that appropriate parliamentary procedures apply to regulations made under this Part.
- 322.Subsection (2) inserts Part 7A into FSMA which includes new section - 117A Pension schemes to which this Part applies. This new section sets out the types of pension scheme in scope of the unilateral change mechanism (also known as contractual override), which is Financial Conduct Authority (FCA) regulated defined contribution (DC) workplace pension schemes or other pension schemes which may be prescribed by the Treasury.
- 323.Subsection (2) inserts Part 7A into FSMA which also includes new section - 117B Unilateral Changes which enables providers to override the terms of a pension scheme without the consent of individual members. Providers can then either vary the terms of members' contracts or make a change which would otherwise require consent. They can also transfer members to a different pension arrangement which can either be to a new scheme or arrangement within the same provider, or to a new provider or trust-based pension scheme.

324. A unilateral change applies to “a description of pension pot”. This means that a provider describes the pension pots (defined in section 117I) to which the change applies. A change could apply to a whole arrangement or scheme, or a subset of an arrangement or scheme.
325. Subsection (2) inserts Part 7A into FSMA. Part 7A includes a number of new sections.
326. New section - 117C Effect of transfer of pension pot on membership of scheme etc. This new section makes further provision about the legal effect of transfers, such as making members a party to the new scheme or arrangement they are moved to.
327. New section – 117D Best interests test. This new section sets out the best interests test, which must be met before a unilateral change can occur. This test requires a provider to reasonably conclude that the unilateral change is reasonably likely to lead to a better outcome for directly affected members (taken as a whole) and no worse an outcome for the other members of the scheme (taken as a whole). “Directly affected” is defined in subsection (3).
328. New section – 117 E Certification by independent person. This new section sets out the requirement for providers to receive certification from an independent person that the best interests test has been met, and other requirements complied with, before a unilateral change can occur. The person appointed must be independent of the provider and meet expertise requirements set out in FCA rules.
329. The FCA must make further rules about the independent person, including certification requirements, terms of appointment and, independence requirements as per the regulations made by the Treasury under subsection (2) of Part 7 of FSMA – 117H.
330. New section – 117F Unilateral change notice. This new section sets out the requirement for notice to be given before a unilateral change. Notice must be given to members affected by the change. The provision requires the FCA to make rules specifying information to be included in a notice (subsection (2)) and specifies certain details about what those rules must include (subsection (3)).
331. New section – 117G Further duties to make FCA general rules. This new section requires the FCA to make rules relating to fees, information disclosures and record keeping.
332. Subsection (2) inserts Part 7A into FSMA which also includes new section – 117H Powers to make regulations. This new section allows the Treasury to make regulations relating to the scope of the power, modify the best interests test, disapply legislation (or require the FCA to disapply rules) which restricts or affects the making of unilateral changes, make consequential amendments and prescribe further preconditions to the making of a unilateral change.
333. It also requires the Treasury to make regulations that require the FCA to include certain provisions in their general rules. Specifically, the Treasury must make regulations that (i) set out the requirements which need to be met by an independent person in order for that person to be appointed and (ii) ensure that an independent person does not have a conflict of interest.
334. It also allows the Treasury to direct the FCA to make rules requiring the inclusion, in the terms of the independent person’s appointment, of a term providing that members of a pension scheme may enforce the terms of the independent person’s appointment under the Contracts (Rights of Third Parties) Act 1999.
335. New section – 117I Interpretation of Part - defines various terms for the purposes of this Part.

Chapter 6: Guided Retirement

Clause 49: Default pension benefit solutions

336. When pension scheme members seek to access their defined contribution pension pots, they face complex decisions about how they should access their pension benefits to meet their financial needs for perhaps two decades or more in retirement. This is because there are multiple ways of taking pension payments, and individuals also need to assess how much they need to withdraw each year without over or under spending, as well as considering the tax implications of making withdrawals.
337. Clause 49 requires trustees or managers of relevant pension schemes to develop ways for relevant scheme members with money purchase benefits (i.e. defined contribution benefits) to receive their pension without the member having to make complex choices about how they want to receive those benefits (referred to as the “default pension benefit solutions”). The default pension benefit solutions are intended to help most individuals otherwise exposed to engaging with and navigating the system themselves in order to put in place a retirement income plan, with a method of payment that means the recipient will receive an income for the remainder of their life. In this context, relevant pension schemes are occupational pension schemes which provide money purchase benefits and meet certain other definitions.
338. Subsection (1) requires trustees or managers of relevant schemes to design one or more default pension benefit solutions, with the intention that the trustees use their expertise to remove the need for members to consider how their pension is invested, or how long they expect to live. The default pension benefit solution(s) must be reviewed at least when prescribed by regulations.
339. Subsection (2) defines the term “pension benefit solution”. This is then used as a general term to describe any arrangement for making pension payments to a member.
340. Subsection (3) defines the term “default pension benefit solution” and provides that they must be designed to be appropriate for the generality of scheme members, or for cohorts of those members, and that they should provide a regular income for the whole of retirement, (either as part of or separately to other benefits). The subsection explains that the default pension benefit solution is the designated pension benefit solution under which members or a subset of these will receive their pension payments unless they choose an alternative. It is in this sense that it is a “default”. The subsection also provides a power to set further conditions in regulations.
341. Subsection (4) provides details of the factors trustees or managers need to take into consideration when designing and developing the default pension benefit solutions for their members. Trustees or managers will need to consider the needs and interests of the generality of members for their later life income and consider the possibility that members may wish to take a lump sum payment before entering a default arrangement. The subsection also provides for further factors to be prescribed in regulations.
342. Subsection (5) provides a power to prescribe how trustees or managers assess the needs and interests of their members.
343. Subsection (6) enables regulations to remove the requirement for default pension benefit solutions to provide a regular income in retirement from certain categories of pension scheme members where this might be unsuitable, such as in the case of small pots. This subsection also provides for regulations to define “designed to provide a regular income” and “retirement”.

344.Subsection (7) provides definitions of certain relevant terms.

345.Subsection (8) indicates that regulations made in this section are subject to the affirmative parliamentary procedure, except those made under subsections (1)(b) or (6)(a).

Clause 50: Transferable members

346.Clause 50 makes provision for trustees or managers to be able to transfer members to another scheme. The member will then instead receive what is termed a “qualifying pension benefit solution” under the receiving scheme designed on the same principles as a default pension benefit solution. Trustees or managers will be able to transfer members if they have determined it is not reasonably practicable for their scheme to provide default pension benefit solutions, or if they have determined that another scheme could provide a better outcome for members.

347.Subsection (1) introduces the term “transferable member” and specifies that schemes that meet specific conditions do not need to provide a default pension benefit solution to these members.

348.Subsections (2) and (3) specify the conditions that need to be met in order for the requirement to provide a default pension benefit solution to be disappplied. These conditions are that the trustees or managers have determined it is not reasonably practicable for their scheme to design and make available a default pension benefit solution, or that another scheme could provide a better outcome for members.

349.Subsections (4) and (5) set out that where a scheme does not need to provide a default pension benefit solution, they must instead identify another scheme which will be able to and agrees to receive a transfer and enter into an arrangement (“a transfer arrangement”) with that scheme to effect a transfer of relevant members so as to make a qualifying pension benefit solution available to them. A discretionary power is granted to prescribe when a scheme must effect a transfer. There is also a regulation making power which may set out further required steps.

350.Subsection (6) specifies that when trustees or managers are looking to identify a scheme to move transferable members to, they must ensure that they take into account the same factors as if they were providing default pension benefit solutions within the scheme (i.e. the factors set out in clause 49(4)). This includes taking into account the needs and interests of scheme members.

351.Subsection (7) indicates that any regulations made under clause 49(5) also applies to schemes with transferable members.

352.Subsection (8) requires trustees or managers to keep the suitability of any qualifying pension benefit solution under review, and provides for regulations to set out the circumstances, times, or intervals that those reviews must take place.

353.Subsection (9) defines the term “qualifying pension benefit solution” in reference to solutions which have been identified to be suitable and provide a regular income in retirement for transferrable members. There is also a regulation making power which enables other conditions to be set in relation to qualifying pension benefit solutions.

354.Subsection (10) specifies that pension scheme members must consent to the transfer of their pension assets to another scheme.

355.Subsection (11) specifies that transfers can be made to another registered occupational pension scheme, or a personal pension scheme (which are separately regulated by the FCA). There is a

regulation making power which can be used to set additional conditions that need to be met to be considered a “qualifying scheme”.

356.Subsection (12) provides that a scheme must propose a transfer to a member. If the member accepts, the scheme must communicate this to the receiving scheme, which must in turn use the cash equivalent it receives to provide rights for the member. This puts in place a process for the member’s consent to be obtained and for the receiving scheme to be obliged to provide the member with rights under the scheme on receipt of the cash equivalent of their benefits.

357.Subsection (13) enables regulations to prescribe how trustees or managers should make determinations under subsections (2) and (3).

358.Subsection (14) enables regulations to be made which could require specified schemes to accept transfers from pension schemes with transferable members for the purposes of providing members with a qualifying pension benefit solution where the principal scheme has been unable to find a suitable receiving scheme to accept the members.

359.Subsection (15) specifies that the only types of pension scheme which could be required by regulations to accept transfers are Master Trust schemes and default small pots consolidator schemes.

360.Subsection (16) provides a regulation making power to prohibit or limit any charges that may be made to facilitate a transfer made under this section.

361.Subsection (17) specifies that regulations made determine the way cash equivalents are calculated and verified.

362.Subsection (18) specifies that regulations made under this section are subject to the affirmative parliamentary procedure, except regulations made under subsections (8), (16), or (17).

Clause 51: Provision and gathering of information

363.Clause 51 sets out requirements (and powers to make further requirements in regulations) to provide communications to members which will inform them about the payment arrangements available to them, in particular about the default pension benefit solutions. The clause looks to ensure members are provided with information about their options to support them making informed decisions about how to take their pension payments.

364.Subsections (1) and (2) set out requirements for trustees or managers of occupational pension schemes to communicate descriptions of the default/qualifying pension benefit solution to pension scheme members and explanations of the circumstances of a person for whom they would be suitable.

365.Subsection (3) enables regulations to be made which determine how a pension benefit solution is to be presented to members when they want to start receiving their benefits. This power allows the Secretary of State to ensure that the default/qualifying pension benefit solution is presented to members as the default method for members to take their pension benefits.

366.Subsection (4) makes provision for members to be informed about the basic features of their pension, including that it has both an accumulation (paying in) and decumulation (paying out) phase, and that the default/qualifying pension solutions are designed to provide a regular income during retirement.

367.Subsection (5) provides a collection of powers that allows the Secretary of State to require schemes to send communications to ensure members are aware of the options available to them when they reach retirement. For instance, the subsection enables regulations to be made which could require pension scheme members to be provided with information about other

ways they could receive their pension benefits besides the default pension benefit solution and any general information to enable members to decide how to receive their pension benefits. This might, for instance, include general information about combining pension pots.

368. Subsection (6) specifies that communications sent by schemes should be in clear and plain language.

369. Subsection (7) permits trustees or managers to request information from members to enable them to design, review, or (in the case of transferable members) identify the pension benefit solutions, and (in cases where there is more than one default pension solution) as well as to determine what pension benefit solution may be appropriate for the member.

370. Subsection (8) allows for regulations to obligate schemes to request information for the purposes set out in subsection (7).

371. Subsection (9) enables regulations to set out further requirements with respect to requesting information (under subsection (7)) from pension scheme members.

372. Subsection (10) enables regulations to set requirements for the format of any communications sent to members under the provisions in this section.

373. Subsection (11) requires the Secretary of State to carry out a consultation before introducing regulations under this section.

374. Subsection (12) specifies that regulations made under this section are subject to the negative parliamentary procedure.

Clause 52: Information etc in connection with selection of benefit solution

375. Clause 52 enables regulations to be made which could require trustees or managers of relevant occupational pension schemes to provide (or make available) information to pension scheme members for the purpose of helping them decide how to take their pension benefits.

376. Subsection (1) provides a power for regulations to be made, which could require trustees or managers to provide information at specified times to assist members decide how to take their pension benefits. The subsection also specifies that any information provided should be in clear and plain language.

377. Subsection (2) specifies that regulations could require information provided by virtue of subsection (1) to be based on the member's particular circumstances. This would require information provided to be tailored to the member's needs as understood by the scheme.

378. Subsection (3) provides a regulation making power which could require trustees or managers to monitor rates of decumulation and notify members if they consider that it should be reviewed (such as where funds are being drawn too quickly).

379. Subsection (4) specifies that regulations under this section are subject to the affirmative parliamentary procedure.

Clause 53: Pension benefits strategy

380. Clause 53 provides that trustees or managers must design a "pension benefits strategy" which explains the rationale for the pension benefit solution(s) it decides to provide its membership, and from time to time review the strategy or revise if necessary.

381. Subsection (1) sets out the requirement to determine the pension benefits strategy. The strategy is to detail how the scheme will understand the needs of its membership and design or identify one or more pension benefit solutions that take these requirements into account.

The strategy will also need to include information about how the scheme will communicate effectively with members.

382.Subsection (2) requires trustees or managers to publish the strategy and to share this on request with the Pensions Regulator and any member of the scheme.

383.Subsection (3) grants a power to prescribe in regulations certain matters that must be taken into consideration when determining the pensions benefit strategy and that trustees or managers must consider guidance issued by the Pensions Regulator. This subsection also enables regulations to specify the level of details required in the pension benefits strategy, when the strategy must have been developed by, and how often it must be reviewed.

384.Subsection (4) enables regulations to require trustees or managers to publish prescribed information or evidence to demonstrate compliance with any obligation imposed under Chapter 6.

385.Subsection (5) specifies that regulations made under this subsection are subject to the negative parliamentary procedure, except regulations made under subsection (3)(a), which are subject to the affirmative parliamentary procedure.

386.Subsection (6) specifies that the term “transferable member” should be interpreted in accordance with section 50(1).

Clause 54: Enforcement and compliance

387.Clause 54 provides regulation making powers which could provide for the Pensions Regulator to issue enforcement notices for non-compliance with the Guided Retirement provisions. It also provides for the Pensions Regulator to be able to appoint new trustees to a non-compliant scheme.

388.Subsection (1) provides a regulation making power which may be used to ensure compliance with any of the Guided Retirement provisions (including requirements which may be made under secondary legislation).

389.Subsection (2) specifies that the regulations may include provisions for the Pensions Regulator to issue compliance notices, third party compliance notices, and penalty notices. This subsection also allows for the regulations to specify the route of appeal for penalty notices, and for regulations to confer other functions on the Pensions Regulator.

390.Subsection (3) enables provisions to be made in the regulations for determining the amount, or maximum amount, of a penalty issued by the Pensions Regulator.

391.Subsection (4) sets out penalty notices can be up to £10,000 in the case of an individual and up to £100,000 in any other case (such as a corporate trustee).

392.Subsection (5) sets out that penalties are recoverable by, and payable to, the Pensions Regulator.

393.Subsection (6) provides that any penalty is recoverable by the Pensions Regulator as if it were payable under a court order, if the County Court orders as such. This means that penalties may be recovered by the Pensions Regulator by means of a simpler court procedure, rather than requiring ordinary court proceedings for the recovery of a civil debt.

394.Subsection (7) provides corresponding provisions for penalties payable under the laws of Scotland.

395.Subsection (8) specifies that any penalties recovered by the Pensions Regulator must be paid into the Consolidated Fund.

396.Subsections (9) and (10) provide for the Pensions Act 1995 to be amended to enable the Pensions Regulator to appoint a new trustee to a non-compliant scheme.

397.Subsection (11) specifies that the affirmative parliamentary procedure applies to regulations made under this section.

Clause 55: Crown application

398.Clause 55 provides that requirements in this chapter apply to a pension scheme managed by or on behalf of the Crown, in the same manner as other schemes.

Clause 56: Interpretation of Chapter

399.Clause 56 provides definitions for key terms included in the clauses.

Clause 57: Corresponding provision in relation to FCA-regulated schemes

400.Clause 57 inserts a new section into FSMA 2000, 137FBD FCA general rules: guided retirement.

401.Specifically, this new section requires that the FCA must make rules for the purpose of ensuring default or qualifying pension benefit solutions are made available to members of relevant FCA regulated schemes. Further, when making these rules, the FCA must have regard to provisions made by or under the remainder of Chapter 6 of Part 2 of the Pension Schemes Bill. The FCA must also aim to ensure as far as possible that the outcome achieved by its rules are the same outcomes provided for by the rest of Chapter 6. However, the FCA will retain the flexibility in its rulemaking to account for the differences in FCA-regulated schemes compared to schemes captured by the rest of Chapter 6.

Part 3: Superfunds

Chapter 1: Introductory

Clause 58: Overview

402.This clause provides a general overview of Part 3 of this Bill, which provides a regulatory framework for superfunds, and this overview includes a brief introduction to the six Chapters of Part 3.

Clause 59: Key concepts

403.Clause 59 defines the key concepts used in the regulatory framework for superfunds.

404.Subsection (1) defines a “superfund scheme” as a trust-based occupational pension scheme that meets the stated conditions. These conditions are what differentiate superfund schemes from other trust-based occupational pension schemes.

405.Subsection (1)(a) requires that the superfund scheme has received a transfer of defined-benefit liabilities from another trust-based occupational pension scheme. A superfund scheme will not be able to accept a transfer from either a public service pension scheme or a personal pension scheme.

406.Subsection (1)(b) requires the superfund scheme to be supported by a capital buffer, the meaning of which term is defined in subsection (2).

407.Subsection (1)(c) further provides that the superfund scheme is not to be supported by a substantive employer covenant, the meaning of which term is defined in subsection (4). Subsection (1) also includes in the definition of a superfund scheme a trust-based occupational

pension scheme that is managed or administered with a view to becoming a superfund scheme.

408. Subsection (2) clarifies that a trust-based occupational pension scheme is “supported by a capital buffer” provided that a contract or other legally binding arrangement has been entered into governing the assets of the capital buffer, which are not assets of the superfund scheme. Subsection (2)(a) requires that the assets of the capital buffer are held by a person in connection with the scheme. This subsection allows for a range of ownership options to be recognised. For example, a capital buffer supporting a superfund could be structured as a company, underpinned by contractual arrangements, or with buffer assets held within a trust. Subsection (2)(b) requires that the assets of the capital buffer must, when required under the regulatory scheme for superfunds, be made available to the trustees for the purpose of satisfying the liabilities of the scheme.
409. Subsection (3) defines the term “capital buffer” in relation to a trust-based occupational pension scheme as assets that meet the contractual or other arrangements set out in subsection (2).
410. Subsection (4) sets out that a trust-based occupational pension scheme is “not supported by a substantive employer covenant” if there is no realistic prospect of the employer being able to provide material financial support, ignoring the capital buffer and financial support to which the employer is not entitled.
411. Subsection (5) defines the term “superfund” in the context of a superfund scheme as including at subsection (5)(a) any capital buffer and subsection (5)(b) any arrangements for the management and administration of the scheme and any capital buffer.
412. Subsection (6) defines a “superfund transfer” as the transfer of defined-benefit liabilities from a trust-based occupational pension scheme to a superfund scheme, which can include from one superfund scheme to another.

Clause 60: Schemes divided into sections

413. Clause 60 applies to superfund schemes that are divided into sections. Subsection (2) requires that when a scheme is sectionalised each section is treated as a separate superfund scheme in terms of members, scheme assets and liabilities and the capital buffer. This means that if one section fails, that failure is contained and does not affect other sections.
414. Subsection (3) requires that any change to the number of sections of a superfund scheme be treated as a superfund transfer.
415. Subsection (4) defines a “section” of a trust-based occupational pension scheme, which includes a superfund scheme, as arrangements (a) which apply under the scheme rules or the capital buffer arrangement, and (b) under which the scheme assets and buffer may only be used to satisfy scheme liabilities of particular scheme members.

Chapter 2: Authorisation of Superfunds

Clause 61: Prohibition of unauthorised superfund activity

416. This clause prohibits unauthorised superfund activities. Subsection (1) prohibits a person from promoting a scheme for the purpose of receiving a superfund transfer or entering into arrangements for receiving a superfund transfer before receiving superfund authorisation from the Pensions Regulator.
417. Subsection (2) provides an exemption from subsection (1) where it is made clear to the involved parties that the scheme is not yet part of an authorised superfund.

These Explanatory Notes relate to the Pension Schemes Bill as brought from the House of Commons on 5 December 2025 (HL Bill 152)

418. Subsections (3) to (5) set out the penalties and criminal offences that may apply to a person who breaches subsection (1). Under subsection (5) such a person may be subject to a penalty under section 88A of the Pensions Act 2004 unless that person has been convicted of an offence, or is being prosecuted, for the same act.

Clause 62: Authorisation of superfunds

419. Clause 62 allows the Pensions Regulator to authorise a superfund. Subsection (1) requires that for a superfund to be authorised the Regulator must be satisfied the superfund's organisation, staff, plans and procedures indicate that the superfund is likely to meet the ongoing requirements for superfunds as specified in Chapters 4 and 5.

420. Subsection (2) specifies that an application must be made jointly by (a) the superfund scheme trustees and (b) a UK body corporate that is involved in managing or administering the superfund scheme.

421. Subsection (3) allows the Pensions Regulator to specify the manner and form of the superfund application. This enables the Regulator to set out the application process in an appropriate manner, subject to the requirements of the legislation.

422. Subsection (4) gives the Secretary of State the power to make regulations, using the negative procedure per subsection (7), about (a) the documents and information required and (b) the fee for applications. The fee applies only to superfund applications for authorisation, not individual onboarding transactions of pension schemes.

423. Subsection (5) requires the Regulator to publish a list of authorised superfunds. This is to ensure trustees can easily assess whether a superfund is legitimate and a good destination for prospective scheme transfers.

424. Subsection (6) allows the Regulator to withdraw authorisation where no transfers have occurred if the Regulator is no longer satisfied as required under subsection (1).

Clause 63: Timings of decisions about authorisation

425. Subsection (1) sets out that where an application is made for authorisation, the Pensions Regulator must make a decision and notify the applicants regarding authorisation within 6 months after receiving the application.

426. Subsection (2) allows the Regulator to extend the decision period up to, but no longer than, 9 months. Where an application received by the Regulator does not initially meet the requirements for authorisation, subsection (3) allows the day on which the failure is remedied to be treated as the day of receipt of the application, from which the 6-month decision period begins.

Chapter 3: Approval of Superfund Transfers

Clause 64: Prohibition of unapproved superfund transfers

427. Under subsection (1), transfers to a superfund can only be made where approved under this Chapter. If a person breaches subsection (1), an offence is committed which can lead to a fine, imprisonment of up to 2 years or both. The Pensions Regulator may, as an alternative, choose to apply a penalty under section 88A of the Pensions Act 2004 (financial penalties) where a person breaches subsection (1).

Clause 65: Approval of superfund transfers

428. Clause 65 sets out the criteria for approval by the Pensions Regulator of a superfund transfer. Subsection (1) allows the Regulator to approve a superfund transfer if the receiving superfund

is authorised, the ceding scheme (from which liabilities are transferred) does not have any active members (active member is defined by section 124 of the Pensions Act 1995 as a person who is in pensionable service under the scheme) and the onboarding conditions (as set out in subsection (2)) are met.

429. The onboarding conditions are set out in subsection (2)(a) to (e) and require an assessment by the trustees that an insurance buyout cannot be arranged at the time of application; that the superfund transfer will increase the likelihood that transferred liabilities will be met in full in the future; that it is reasonable to expect that immediately following the superfund transfer the capital adequacy threshold will be met, meaning that the value of the assets of the scheme and the capital buffer is such that there is a very high likelihood of the scheme liabilities being satisfied in full; that it is reasonable to expect that the technical provisions threshold will be met at the end of a period specified in regulations made by the Secretary of State using the negative procedure (see subsection 9); and that the receiving superfund, after the transfer takes place, is likely to be able to comply with the ongoing requirements of superfunds as set out in Chapters 4 and 5.

430. Subsection (3)(a), (b) and (c) sets out that the approval of a superfund transfer by the Regulator may be subject to specific terms and time periods, and to the onboarding conditions being met for a specified period after approval but before the transfer is made.

431. The powers in subsections (4) and (5) allow the Secretary of State to make regulations under the affirmative procedure per subsection (8) about the onboarding conditions. Subsection (4) enables regulations to modify the assessment of the ability of the ceding scheme to arrange insurance buyout under the onboarding condition at subsection (2)(a) by changing the assessment to a specified period.

432. Subsection (5) provides for regulations to specify (a) the information and evidence that must be provided by the trustees of the ceding scheme and the receiving superfund to satisfy the Regulator that an onboarding condition is met, (b) how the Regulator assesses that the condition is met and (c) the conditions that may or should be imposed under subsection (3).

433. Subsection (6) allows the Secretary of State to make regulations under the negative procedure (see subsection 11) to modify subsection (2) and how it applies to superfund transfers as defined in section 60(3), in cases where, for example, there are mergers of sections within a superfund.

434. Subsection (7) defines specified terms that apply in relation to a superfund transfer.

Clause 66: Special provision for certain schemes coming out of assessment period

435. Clause 66 amends the onboarding conditions in clause 65(2) to allow for schemes that are coming out of a Pension Protection Fund assessment period to be transferred to a superfund, provided the transfer increases the proportion of transferred liabilities likely to be satisfied and will not lead to any member being worse off. The other onboarding conditions in clause 65(2) will apply.

Clause 67: Applications for approval

436. Clause 67 sets out that an application for approval of a pension scheme transfer must be made jointly by the trustees of the ceding scheme and the responsible body of the receiving superfund. An application must be made in the manner and form specified by the Pensions Regulator.

437. Subsection (3) requires the Pensions Regulator to decide whether or not to approve a superfund transfer and to notify the applicants of the decision as soon as reasonably

practicable. Subsection (4) gives a power to the Secretary of State to make regulations, using the negative procedure (see subsection (5)), detailing the documents and information that must be included in an application.

Chapter 4: Ongoing Requirements of Operating Superfunds

Governance and organisation

Clause 68: Governance and structure

438. Clause 68 sets out the policies and practices the responsible body must put in place that will allow the superfund to be managed and administered in the interests of scheme members, and in compliance with the requirements of this Part 3 and any other relevant pensions legislation.
439. Subsection (2) requires the policies and procedures to address how the responsible body, the superfund entities and the trustees of the superfund scheme should work together, how investment decisions will be made, and how conflicts should be resolved and risks managed.
440. Subsection (3) sets out that the responsible body must make certain that the superfund complies with any regulations made by the Secretary of State as to (a) corporate form and jurisdiction of tax residence and of incorporation of superfund group members, (b) the structure of the superfund group, (c) terms of the capital buffer arrangement and (d) compliance with tax legislation.
441. Subsection (4) applies civil penalties under section 10 of the Pensions Act 1995 in the event of breaches of subsection (1) or (3) of this clause.
442. Subsections (5) and (6) allow the Secretary of State to make regulations, using the affirmative procedure, to amend this section to add, remove or vary matters which the policies and procedures mentioned in subsection (1) must address.

Clause 69: Management documents

443. This clause sets out the requirements for the management documents of the superfund and provides that the responsible body of the superfund is responsible for them. The form and content of the management documents may be specified in regulations, to be made under the negative procedure (see subsection (7)).
444. These documents are listed and defined in subsections (3) and (4). They include a business plan, a governance manual (setting out how and by whom a superfund is administered), a continuity strategy for protecting the interests of members of the scheme if an event of concern occurs, and a fees and expenses policy (document setting out how superfund fees and expenses incurred will be funded). Section 10 of the Pensions Act 1995 (civil penalties) applies to the responsible body if it breaches this section. Subsection (6) allows the Secretary of State to make regulations adding, removing or varying a management document in subsection (3), using the affirmative procedure (see subsection (8)).

Funding and investment

Clause 70: Duty to monitor financial thresholds

445. Subsection (1) of this clause requires superfunds to have effective policies and procedures in place to be able to monitor the financial thresholds, which are set out in clause 71. Subsection (2) provides that section 10 of the Pensions Act 1995 (civil penalties) applies to the responsible body for a breach of subsection (1).

Clause 71: "Financial thresholds"

446. Subsections (1) to (6) define the financial thresholds that apply to superfunds. These financial thresholds are an important tool in the superfund regulatory framework. When a threshold is breached it will trigger an event of concern under Chapter 5.
447. Subsection (7) allows the Secretary of State by regulations to make provision about how to determine whether any of the financial thresholds are met. This includes how the value of the scheme assets and of the capital buffer is determined for each of the financial thresholds; the likelihood of the scheme's liabilities being satisfied for the purposes of the capital adequacy threshold; what constitutes a "very high" likelihood in terms of a particular percentage or criteria; how the amount of the scheme's protected liabilities is to be determined for the purposes of the protected liabilities threshold; how the risk of a scheme's failing to satisfy its liabilities is to be determined for the purposes of the scheme solvency threshold; and what constitutes a "material" likelihood for the purposes of the scheme solvency threshold, including provision defining that expression by reference to a particular percentage or particular criteria.
448. Subsection (8) allows the Secretary of State, when making regulations under subsection (7), to confer a discretion on the Pensions Regulator as to how it approaches these requirements, and subsection (9) requires the use of the affirmative procedure for these regulations or regulations under subsection (4).

Clause 72: Capital buffer: compulsory release to trustees

449. Clause 72 sets out the responsibilities of parties to the capital buffer arrangement in relation to an operating superfund. Subsection (1) sets out specific requirements for the capital buffer arrangement relating to the circumstances when assets should be released to the trustees. These circumstances would be either (a) as part of an approved response plan, or (b) at the direction of the Pensions Regulator.
450. Subsection (2) specifies that the capital buffer is "released" when it is transferred or made available to another person, but not when it is transferred or made available (a) in the ordinary use of investments for the capital buffer, or (b) in the payment of fees, expenses, taxes or any other charges connected to the administration of the capital buffer.
451. Under subsection (3), section 88A of the Pensions Act 2004 (civil penalties) applies to a person who breaches subsection (1).

Clause 73: Capital buffer: permitted release to other persons

452. Clause 73 sets out the responsibilities of a person that is a party to the capital buffer arrangement to ensure that the capital buffer is not released to anyone other than scheme trustees (for example to investors) except as expressly permitted.
453. Subsection (2) permits the release of the capital buffer in full (a) if all liabilities to scheme members have been satisfied or (b) where insurance buyout has taken effect to cover all liabilities to scheme members.
454. The extraction of profit is an important facet of the superfunds regime, allowing investors to get a return on their investments. Subsections (3) and (4) provide for the release of an amount of the capital buffer to a person other than the trustees where it is done as a permitted profit extraction. Subsection (4) sets out what is meant by 'permitted profit extraction'. This means a release of an amount from the capital buffer where the appropriate threshold is exceeded in a manner to be specified in regulations, to a person as described in regulations, and which

satisfies any other requirements in regulations. Subsection (9) specifies that the affirmative procedure must be used in relation to these regulations.

455. Subsection (5) makes it an offence to release any amount of the buffer to (a) anyone other than the scheme trustees and (b) otherwise than in accordance with the capital buffer arrangements. Subsection (6) sets out the consequences of committing an offence under subsection (5).

456. Subsection (7) applies the penalties under section 88A of the Pensions Act 2004 (financial penalties) to a person who causes or permits any amount of the capital buffer to be improperly released. Subsection (8) applies penalties under section 10 of the Pensions Act 1995 (civil penalties) to a person who breaches subsection (1).

Clause 74: Capital buffer: investment

457. Clause 74(1) to (5) requires the responsible body of a superfund to implement an investment strategy for the capital buffer, and this strategy must comply with the requirements set out by the Secretary of State in regulations made under the affirmative procedure (see subsection (8)). These requirements may include investment principles and the form and content of the investment strategy. The investment strategy may not be materially altered without agreement from the trustees.

458. Subsection (6) provides a power for the Secretary of State to make regulations for what counts as a "material" alteration in subsection (5) using the negative procedure (see subsection (9)). Subsection (7) applies civil penalties under section 10 of the Pensions Act 1995 to the responsible body of the superfund if it fails to comply with subsection (1).

Clause 75: Capital buffer: verification of valuations

459. Clause 75(1) requires the responsible body of an operating superfund to appoint a person to verify the valuation of the capital buffer. Subsection (2) requires periodic verification of the value of the capital buffer and subsection (3) requires the value to be verified where requested by the trustees of the superfund scheme or otherwise required by this Part.

460. Subsection (4) requires the appointed person to (a) be independent of the superfund group and (b) have the appropriate qualifications and experience to conduct the valuation. Subsection (5) requires the consent of the trustees for the appointment.

461. Subsection (6) applies penalties under section 10 of the Pensions Act 1995 (civil penalties) to the responsible body if it breaches any provisions under this section.

Approval and certification of key personnel

Clause 76: Key functions

462. The responsible body of an operating superfund must, at all times, ensure that there is one or more individuals responsible for each key function.

463. Subsection (2) lists the key functions, which include management decisions, financial decisions, investment decisions, risk management, internal audit, and marketing and promotion.

464. Subsection (3) sets out that an activity is not a key function if it only relates to the superfund scheme and not to another part of the superfund.

465. Subsection (4) applies the penalties under section 10 of the Pensions Act 1995 for breaches of the section by the responsible body, and subsection (5) gives the Secretary of State the power

to add, remove or vary a “key function” through regulations, which under subsection (6) are subject to the affirmative procedure.

Clause 77: Approval of individuals responsible for key functions

- 466.Clause 77 sets out the approval processes to be used by the Pensions Regulator in deciding whether or not an individual responsible for a key function in relation to operating a superfund, such as risk management and investment, is a fit and proper person for the role.
- 467.Subsection (3) provides for the Secretary of State to make regulations under the negative procedure (see subsection (11)), specifying matters that the Regulator must take into account in deciding whether an individual is a fit and proper person to take a responsible part in operating a superfund.
- 468.To avoid a conflict of interest, an individual cannot be approved as responsible for risk management if they are already responsible for investment decisions, and vice versa. Section 10 of the Pensions Act 1995 (civil penalties) applies to an individual and the responsible body for breaches of subsection (1).

Clause 78: Certification of staff supporting individuals responsible for key functions

- 469.Subsection (1) of this clause requires the responsible body of a superfund to certify that it believes individuals carrying out key functions are fit and proper persons to carry out these activities. Certificates must be issued to the individuals, and the responsible body must keep a register of these certificates.
- 470.Subsection (3) requires that the responsible body must consider any matters specified in regulations in order to meet its obligations under subsection (1)(a). Under subsection (4), the Secretary of State can make regulations about these certificates using the negative procedure (subsection (6)), including how long a certificate is valid. Subsection (5) applies section 10 of the Pensions Act 1995 (civil penalties) to the responsible body if it breaches subsection (1).

Clause 79: Approval of superfund scheme trustees

- 471.Clause 79 sets out the approval process for a trustee of an operating superfund scheme by the Pensions Regulator. Approval may be granted for a specified time or subject to specified conditions. Subsection (3) provides that regulations under the negative procedure may further specify matters that the Pensions Regulator must take into account. The Regulator may suspend or revoke its approval for an individual to be a trustee.
- 472.Subsection (10) applies civil penalties using section 10 of the Pensions Act 1995 where a person breaches subsection (1), and these penalties would apply to the trustee and the person who appointed them.

Information and reporting

Clause 80: Events to be notified to the Regulator

- 473.Clause 80 sets out the responsibilities and process for notifying the Pensions Regulator of certain events. Subsection (1) lists the events that the responsible body of an operating superfund must notify the Regulator about: for example, a material deterioration in the investment performance of the capital buffer.
- 474.Subsection (2) lists the events the trustees of a superfund scheme must notify the Regulator about: for example, a material deterioration in the investment performance of the superfund scheme. Subsection (3) specifies when such notification must be made.

475.Subsection (5) applies penalties using section 10 of the Pensions Act 1995 (civil penalties) where a person breaches this section. The regulation making power in subsection (6) allows the Secretary of State, using the affirmative procedure (see subsection (7)), to amend the list of events that must be notified, and to amend the circumstances in which they must be reported in terms of whether they are "material", to the Pensions Regulator.

Clause 81: Regular reporting

476.The trustees of an operating superfund scheme are required to provide the Pensions Regulator with regular reports on the financial position of the superfund.

477.Subsection (2) requires the reports to comply with any regulations made by the Secretary of State including regarding (a) their form and content and (b) when they must be submitted. Subsection (4) requires the use of the negative procedure for any regulations. Subsection (3) applies civil penalties under section 10 of the Pensions Act 1995 where a trustee breaches this section.

Clause 82: Returns

478.The Pensions Regulator may require the responsible body of an operating superfund to provide information to enable the Regulator to monitor the financial position of the superfund or compliance with the ongoing requirements of Chapter 4.

479.Penalties under section 10 of the Pensions Act 1995 (civil penalties) apply where a responsible body fails to submit the required return in a timely manner.

Clause 83: Reports in relation to alleged compliance breaches

480.Clause 83 allows the Pensions Regulator to appoint a person to prepare a report about a suspected breach of the requirements of Chapter 4. Subsection (2) provides that the responsible body of the superfund must provide assistance to the person appointed to prepare the report and cover the reasonable costs of the Regulator in relation to the report.

481.Penalties under section 10 of the Pensions Act 1995 (civil penalties) apply to the responsible body if it fails to do either.

Clause 84: Provision of information by responsible body to trustees

482.This clause requires the responsible body of an operating superfund to provide the trustees with any information they might reasonably request to enable the trustees to comply with relevant legislation. Subsection (2) applies penalties under section 10 of the Pensions Act 1995 (civil penalties) to the responsible body if it fails to do so.

Chapter 5: Events of concern

Clause 85: "Event of concern" and "period of concern"

483.Subsection (1) sets out a list of the circumstances in relation to a superfund that give rise to an event of concern, which will require action to be taken as set out in Chapter 5.

484.Subsection (2) provides that a period of concern begins immediately after one of the events listed in subsection (1) takes place and ends when the Pensions Regulator is satisfied that corrective action has been taken where appropriate and issues a notice to that effect, or the superfund scheme is wound up.

485.Subsection (3) defines a "material transaction" in subsection (1)(g) as a transaction where either (a) there is a change in person(s) who control the responsible body or (b) a member of the superfund group sells all or substantially all of its assets.

486.Subsection (4) enables the Secretary of State to make regulations, using the affirmative procedure as required in subsection (7), to provide that an event of concern does not take place unless the Regulator is satisfied that the financial threshold in question is not met, and to detail the period and circumstances in which a threshold is not met before being treated as an event of concern. The regulations may also provide for the exercise of discretion by the Pensions Regulator in relation to the period or particular circumstances.

487.Subsection (5) further allows the Secretary of State to add, remove or vary an event of concern in subsection (1) or a "material transaction" in subsection (3).

Clause 86: Notification of Regulator in respect of events of concern

488.Clause 86 requires a relevant person involved in an operating superfund to inform the Pensions Regulator as soon as reasonably practical about an event of concern either that has taken place or will or is likely to take place. Subsection (2) specifies that this action is not required if the person knows that the Regulator is already aware of the event of concern. Subsection (3) specifies the relevant persons who have an obligation to notify the Regulator under this section.

Clause 87: Responding to events of concern

489.Clause 87 sets out the actions that the relevant parties are required to take in response to an event of concern. Under subsection (1) the Pensions Regulator must require the responsible body or scheme trustees (or both jointly) to propose a plan for responding to the event of concern within a period specified by the Regulator.

490.If the Regulator is satisfied with a proposed response plan, subsection (2) requires the plan's approval. If the Regulator is not satisfied, subsection (3) requires the Regulator to explain why not, and the relevant person must revise the plan and resubmit it to the Regulator. Subsection (4) allows an approved response plan to be amended or replaced, provided the Regulator and the person that proposed the plan agree.

491.Subsection (5) requires the Regulator to give notice to the person that proposed the plan once the Regulator is satisfied that an approved response plan has been carried out, and the event that plan relates to has been adequately resolved.

Clause 88: Content of response plan

492.Clause 88 sets out the requirements of a response plan. These requirements are (a) the plan outcome, (b) key steps to achieve the outcome, (c) when and by whom the steps are to be taken and (d) how members of the superfund scheme are to be kept informed about the plan's progress.

493.Subsections (3) to (8) set out certain requirements - for example, the capital buffer being released to the trustees or the winding up the scheme - that the superfund response plan must account for in relation to certain events of concern.

494.Subsection (9) allows the Secretary of State to make regulations to specify further contents of a response plan. In subsection (10), the negative procedure is required for these regulations.

Clause 89: Regulator's direction-making powers during period of concern

495.During a period of concern, the Pensions Regulator may direct a member of the superfund group or the trustees of the superfund scheme to take specified steps in an "approved response plan".

496.If a person has failed to comply with section 87(1) or (3)(b), subsection (1)(c) allows the Pensions Regulator to direct a member of the superfund group or the trustees to take steps to address the event of concern.

497.Subsection (2) confirms that a direction under (1)(c) cannot require the provision of financial support to the superfund scheme. A person may be subject to penalties under sections 91 and 92 for a failure to comply with the Regulator's directions in a timely manner.

Clause 90: Directions to pause payments or transfers of liabilities: supplementary provision

498.This clause sets out the requirements around directions issued by the Pensions Regulator under section 89(1)(d) to pause either payments or transfers of liabilities from the superfund pension scheme. Subsection (2) sets out that pause directions may only be used if the Regulator is satisfied that they are reasonably necessary to protect the interests of scheme members. Subsections (3) to (7) set out how pause directions are to operate, when they are to cease operating in specific circumstances and how payments affected by pause directions are to be handled.

499.Subsection (8) allows the Secretary of State to make regulations to modify Part 4ZA of the Pension Schemes Act 1993 (transfer rights etc.) to account for pause directions affecting the transfer of liabilities from a superfund scheme. Under subsection (9), any such regulations would be made via the affirmative procedure.

Clause 91: Fixed penalty notices

500.This clause allows the Pensions Regulator to issue a fixed penalty notice to any person who has failed to comply with clauses 86, 87 and 89, and requires payment of the penalty to be made within a specific time period.

501.Subsection (3) allows the Secretary of State to make regulations to set the amount of the penalties, which must not exceed £100,000. These regulations may be made under the negative procedure, as set out in subsection (6).

502.Subsection (4) sets out the details to be included in a fixed penalty notice.

503.Subsection (5) sets out the sections of the Pensions Act 2008 that apply to a penalty notice issued under this section.

Clause 92: Escalating penalty notices

504.Clause 92 allows the Pensions Regulator to issue escalating penalty notices if a person has failed to comply with clauses 86, 87 and 89. Subsection (3) allows the Secretary of State to make regulations setting out the daily rate of an escalating penalty notice, which must not exceed £20,000. These regulations may be made under the negative procedure as per subsection (7).

505.Subsection (4) sets out the circumstances where the Pensions Regulator may not issue an escalating penalty notice. Subsection (5) sets out the information an escalating penalty notice must contain. Subsection (6) sets out the sections of the Pensions Act 2008 that apply to an escalating penalty notice issued under this section.

Clause 93: Withdrawal of authorisation

506.Clause 93 allows the Pensions Regulator to withdraw authorisation from a superfund if satisfied that the superfund has failed to comply with the provisions of Chapter 4 or Chapter 5.

Clause 94: Release of capital buffer treated as reducing employer debt

507. This clause makes it clear that where some or all of the capital buffer is released in consequence of a debt falling due to the trustees under section 75 of the Pensions Act 1995, then the debt is reduced by the value of the assets released.

Chapter 6: General Provision and Interpretation

Clause 95: Power to extend superfunds legislation to similar structures

508. This clause allows the Secretary of State to make regulations to extend the provisions applicable to superfunds in Part 3 to similar structures that might not otherwise squarely fall within the scope of the superfund regime, where these similar structures involve a trust-based occupational pension scheme with defined-benefit liabilities and without the support of a substantive employer covenant. Subsection (4) sets out that the power in subsection (1) to make regulations can be used to amend an Act of Parliament. Under subsection (5) these regulations would need to use the affirmative procedure.

Clause 96: Construction of “occupational pension scheme” and “employer” in relation to superfund schemes

509. This clause is designed to ensure that superfund schemes, despite their special characteristics, fit within the legislative framework applicable to occupational pension schemes.

510. The definition of “occupational pension scheme” in section 1 of the Pension Schemes Act 1993 provides (broadly speaking) that to be an occupational pension scheme, a scheme must be established by a person for the purpose of providing benefits to that person’s employees. The legislation applicable to occupational pension schemes pre-supposes that there will be at least one “employer” in relation to a scheme.

511. Superfund schemes present particular issues here, since there is no traditional “employer” and it will not necessarily be obvious when a scheme is established who its eventual members will be. The intention, however, is for them to be regulated as occupational pension schemes, and for them to be structured in a way that works within the relevant legislative framework.

512. The expectation is that prospective superfund schemes will structure themselves so as to fall within subsection (1). That means that on a scheme’s establishment, there will need to be an employee of some description who may receive benefits from the scheme. This may, for instance, involve an employee of the commercial entity that establishes the superfund being admitted to the scheme.

513. Subsection (2) ensures that, where a scheme structures itself in that way, it is assumed to pass the purpose test in the definition of “occupational pension scheme” in section 1 of the 1993 Act (even if, in reality, the scheme is established for the purpose of consolidating DB liabilities from other schemes, rather than for the purpose of providing benefits to the person or people admitted to it on day one).

514. Subsection (3) clarifies how the key definitions of “the employer” in the 1995 and 2004 Pensions Acts, as well as in this Part, work in relation to a superfund scheme. Those Acts define “the employer” by reference to the description of employment to which the scheme relates. Subsection (3) makes it clear that, for a superfund scheme, that includes the description of employment relevant to its “day one” member or members.

515. Subsection (4) makes provision about sectionalised schemes and ensures that these can be structured in such a way as to ensure that each section has its own “employer”.

Clause 97: Consequential amendments

516. This clause makes specified amendments to legislation in consequence of the provisions of this Part.

Clause 98: Transitional provision

517. This clause references the transitional arrangements that may be made by regulations under section 117(11)(a). This enables the Secretary of State to make regulations in respect of superfunds that are already operating when the provisions of this Part come into force. These regulations may include a grace period to be set to allow such operating superfunds to continue to operate legally in the interests of their members while they go through the authorisation procedure.

Clause 99: Interpretation of Part

518. The clause defines various terms used in Part 3.

Part 4: Miscellaneous

Chapter 1: Validity of Certain Alterations to Salary-Related Contracted-Out Pension Schemes

Schemes in Great Britain

Clause 100: Sections 101 to 103: interpretation and scope

519. Clause 100 sets out definitions and rules for interpreting the clauses that deal with the validity of certain historic changes made to defined benefit contracted-out pension schemes in Great Britain. It defines terms including “GB scheme”, “scheme actuary”, “section 37(1)” and “regulation 42”.

520. Subsection 100(6) explains what constitutes a “potentially remediable alteration”. These are alterations which:

- were within the scope of regulation 42(2);
- were treated as valid by the trustees or managers of the scheme;
- are not subject to “positive action” by the trustees or the managers of the scheme; and
- are not specifically excluded.

521. Subsection 100(7) defines “positive action” as circumstances where the scheme has informed members in writing that it considers the alteration to be void due to non-compliance with Regulation 42(2) and that the scheme will be administered on that basis; or where the scheme has notified members in writing that it is taking or has taken steps to alter payments to members, as a result of considering the alteration to be void.

522. Subsection 100(8) sets out the circumstances in which the remedy will not be available. This applies where:

- a court has determined on the issue in qualifying legal proceedings before the clause comes into force;
- the issue was raised in qualifying legal proceedings before 6 June 2025, and those proceedings have been settled before the clause comes into force; or

These Explanatory Notes relate to the Pension Schemes Bill as brought from the House of Commons on 5 December 2025 (HL Bill 152)

- the issue was raised in qualifying legal proceedings before 6 June 2025, and those proceedings are ongoing when the clause comes into force.

523. Subsection 100 (9) defines “qualifying legal proceedings” as concerning a dispute before a UK court about the scheme rules, involving the trustees or managers and one or more members or beneficiaries (or their representative).

Clause 101: Validity of certain alterations to GB salary-related contracted-out pension schemes: subsisting schemes

524. Clause 101 sets out the process by which schemes can validate alterations. If certain conditions are met, the alteration is treated as if it always met the legal requirements and is considered valid. The conditions are:

- the trustees or the managers must make a written request to the scheme actuary, asking them to consider whether the alteration would have prevented the scheme from continuing to meet the statutory standard under section 12A of the Pension Schemes Act 1993, as it had effect when the alteration was made; and
- the actuary must provide written confirmation that, in their opinion, it is reasonable to conclude that the alteration would not have prevented the scheme from continuing to satisfy the statutory standard.

525. Under subsection 101(4), in reaching this conclusion, the actuary may act on the basis of the information available, provided they consider the information sufficient, and can adopt any professional approach open to them in the circumstances, including making assumptions and relying on presumptions.

526. These conditions can be met by actions taken before or after the clauses become law.

527. Under subsection 101(6) and (7) if a scheme is in a Pension Protection Fund (PPF) assessment period or is operating as a closed scheme having exited an assessment period, the PPF can direct the trustees or managers to:

- request an actuary’s opinion on a potentially remediable alteration; and
- take action that helps the actuary make a decision about whether to give a confirmation.

528. Subsection (8) provides for clarity that for certain public service schemes the references to trustees and managers in subsections (3) and (7) are to a responsible authority. Subsection (9) provides definitions of “public service schemes” and a “responsible authority”.

Clause 102: Validity of certain alterations to GB salary-related contracted-out pension schemes: wound up schemes and other special cases

529. Clause 102 provides that, in specific cases where it is no longer possible to obtain an actuarial confirmation, certain alterations to scheme rules will be treated as having complied with regulation 42(2)(a) and (b) and were therefore always valid.

530. This applies where a scheme or a part of a scheme has wound up before the clauses come into force or where the PPF or the Financial Assistance Scheme (FAS) have assumed responsibility for the scheme or a part of a scheme. Schemes in these situations will not be able to obtain a confirmation now as the scheme no longer exists, there is no scheme actuary to provide the

confirmation and there would be insufficient information to enable an actuary to provide a confirmation.

Clause 103: Power to amend provisions of Chapter 1 etc: Great Britain

531. Clause 103 gives the Secretary of State the power to make regulations that provide for further circumstances in which the remedy is not available or to make minor changes to the legislation. The regulations can define which alterations cannot use the remedy based on either the features of the alterations or of the schemes affected, or both.

532. These regulations will usually follow the negative procedure, unless they amend other Acts, in which case the affirmative procedure applies. These powers are intended to help future-proof the legislation.

Schemes in Northern Ireland

Clause 104: Sections 105 to 107: interpretation and scope

533. Clause 104 contains the same provisions as clause 100 above, but in relation to Northern Ireland. It defines a “NI scheme” and makes amendments to the relevant Northern Ireland legislation.

Clause 105: Validity of certain alterations to NI salary-related contracted-out pension schemes: subsisting schemes

534. Clause 105 makes the same amendments as clause 101, but in relation to Northern Ireland. The amendments are to the relevant Northern Ireland legislation.

Clause 106: Validity of certain alterations to NI salary-related contracted-out pension schemes: wound up schemes and other special cases

535. Clause 106 contains the same provisions as clause 102, but in relation to Northern Ireland. The legislative references are those relevant to Northern Ireland.

Clause 107: Power to amend provisions of Chapter 1 etc: Northern Ireland

536. Clause 107 makes the same amendments as clause 103, but in relation to Northern Ireland. The regulation making power is for the Department of Communities in Northern Ireland.

Chapter 2: Pension Compensation: Indexation

Clause 108: Indexation of periodic compensation for pre-1997 service: Great Britain

537. Paragraph 28 of Schedule 7 to the Pensions Act 2004 (“the 2004 Act”) provides for annual increases in periodic compensation payable to members of the Pension Protection Fund in sub-paragraph (3)(b) of paragraphs 3, 5, 8, 11, 15 and 22 to be increased. This clause makes consequential amendments to paragraph 28 to enable periodic compensation payments based on pre-1997 service to be increased. Sub-paragraphs (2A)-(2E) are inserted into paragraph 28 setting out what increases a person will be entitled to.

538. Subsection (2)(a) substitutes new provisions into paragraph 28(2) of Schedule 7 so that where provides that where a person is entitled to periodic compensation, under the relevant provisions in that Schedule, the person is entitled to an increase as set out in the inserted provisions:

- a. Sub-paragraph (2A) applies where the admissible rules of the original scheme made provision requiring increase on all or part of the person’s pension built up before 6 April 1997 (excluding any provision only applying to a guaranteed minimum pension

("GMP")) and that requirement applied to the pre-1997 service in respect of which compensation is payable. Where sub-paragraph (2A) applies, periodic compensation based on a person's pre-1997 service and their post-1997 service is increased, in accordance with subparagraphs (2C) and (2E).

- b. Sub-paragraph (2B) applies where the scheme only provided for increases on the person's post-1988 GMP. The person's periodic compensation, based on a notional amount of post-1988 GMP is increased, and their compensation based on their post-1997 service is increased, in accordance with subparagraph (2D) and (2E).
- c. In a case where neither sub-paragraph (2A) nor (2B) apply because the scheme did not provide for the increases referred to in those sub-paragraphs, only periodic compensation based on post-1997 service is increased, in accordance with subparagraph (2E).

539. In Subsection (2) sub-paragraphs (2F) to (2I) enable the PPF Board to make certain presumptions in relation to a scheme's admissible rules, particular pre-1997 service or post-1988 GMP where the position is unclear.

540. Subsection (2) (b) amends sub-paragraph (3) of paragraph 28 of Schedule 7 to insert relevant definitions setting out how the increase on compensation is calculated. Subsection(2)(c) and (d) make consequential amendments and insert further definitions.

541. Paragraph 29 of Schedule 7 to the 2004 Act gives the PPF Board the power to adjust the revaluation and indexation rates. Before exercising this power, the PPF Board is required to consult and publish its findings. Subsection (3) amends paragraph 29 to give the Board of the PPF the ability to vary the rate of the percentage increase for pre-1997 service for PPF compensation. The Board is able to adjust the rate of the percentage increase applied to pre-1997 service and post-1997 service, independently.

542. Paragraph 17 of Schedule 5 to the Pensions Act 2008 ("2008 Act") relates to the determination of the periodic compensation of a transferee. A transferee is a person who has received a share of PPF compensation (a compensation credit) from a member (the transferor) as part of a financial settlement, following a divorce, dissolution or an annulment. Paragraph 17 provides for annual increases on the transferee's periodic compensation. To enable the transferee to receive the same increases that apply to the transferor's pre-1997 service, amendments have been made to paragraph 17 of Schedule 5 to the Pensions Act 2008.

543. Subsection (4) provides for Schedule 5 to the Pensions Act 2008 to be amended by subsections (5) and (6).

544. Subsection (5) amends paragraph 17 of Schedule 5 so that the transferee is entitled to an increase, where subparagraph (2A), (2B), (2C) or (2D) applies.

- a. Sub-paragraph (2A) applies where the transferor's compensation is paid under the relevant provisions in Schedule 7 to the 2004 Act and the admissible rules of the original scheme made provisions requiring increases on all or part of the transferor's pension built up before 6 April 1997 (excluding any provision only applying to a GMP) and that requirement applied to the pre-1997 service in respect of which compensation is payable. Where sub-paragraph (2A) applies, the transferee's pre-97 service and their post-1997 service is increased, in accordance with subparagraphs (2E).
- b. Sub-paragraph (2B) applies where the scheme only pays increases on post-1988 GMPs. In such cases, a transferee's periodic compensation, based on a notional amount of the transferor's post-1988 GMP is increased and the compensation based on the transferor's post-97 service is increased, in accordance with subparagraph (2F).

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- c. Sub-paragraph (2C) applies where the transferor's compensation is payable under the relevant provisions in Schedule 7 but neither the increases payable under subparagraphs (2A) nor (2B) apply to the transferor. The transferee's increase is based on a percentage of the transferor's post-1997 service, in accordance with paragraph (2G).
 - d. Sub-paragraph (2D) applies where the transferor's periodic compensation is not payable under the relevant provisions in Schedule 7. The transferee's increase is based on a percentage of the general underlying rate, in accordance with subparagraph (2H).
545. Subsection (5)(c) inserts a new sub-paragraph (3A) into Schedule 7 which, for the purposes of sub-paragraphs (2a)-(2C), provides for the PPF Board to make certain presumptions in relation to a scheme's admissible rules, particular pre-1997 service or post-1988 GMP where the position is unclear.
546. Subsection (5)(d) amends sub-paragraph (4) of paragraph 17 of Schedule 5 to insert relevant definitions setting out how the increase on compensation is calculated. Subsections (5) (e) to (h) make consequential amendments and insert further definitions.
547. Under Paragraph 20, the PPF Board has the power to adjust the revaluation and indexation rates. Before exercising this power, the PPF Board is required to consult and publish its findings.
548. Subsection (6) amends paragraph 20 so that the Board is able to adjust the percentage rate of increases applied to:
- pre-1997 service in subparagraphs (2E) and (2F) of paragraph 17,
 - post-1997 service in subparagraphs (2E), (2F) and (2G); and
 - general underlying rate in subparagraph (2H).
549. The Board is able to adjust the rate or percentage increases applied to pre-1997 service and post-1997 service independently.

Clause 109: Indexation of periodic compensation for pre-1997 service: Northern Ireland

550. Paragraph 28 of Schedule 6 to the Pensions (Northern Ireland) Order 2005 (SI 2005/255) (N.I.1) provides for annual increases in periodic compensation to members of the Pension Protection Fund to which the Order applies.
551. Clause 109 amends paragraph 28 and 29 of Schedule 6 to the Pensions (Northern Ireland) Order 2005 in the same way clause 108 amends paragraphs 28 and 29 of Schedule 7 to the Pensions Act 2004.
552. Paragraphs 17 and 20 of Schedule 4 to the Pensions (No2) Act (Northern Ireland) Act 2008 (c.13) makes provision relating to the periodic compensation credit paid to a transferee, following a divorce, dissolution or annulment.
553. This clause also amends paragraph 17 and 20 of Schedule 4 to the Pensions (No2) Act (Northern Ireland) Act 2008 in the same way that clause OPC 418 amends paragraph 17 and Schedule 5 to the Pensions Act 2008.

Clause 110: Financial Assistance Scheme: indexation of payments for pre-1997 service

554. Schedules 2, 2A, 3 and 5 to the Financial Assistance Scheme Regulations 2005 (SI 2005/1986) provide for annual increases to financial assistance paid by the Financial Assistance Scheme. Clause 110 makes corresponding consequential amendments to the Regulations to give effect to the payment of increases on a person's financial assistance based on their pre-1997 service.
555. Subsections (2)-(6) amend paragraphs (7) and (9) of Schedule 2 (determination of annual and initial payments).
556. Subsections (7)-(11) amend paragraphs (7) and (9) of Schedule 2A (determination of ill-health and interim ill health payments).
557. Subsection (12) amends paragraph 6 of Schedule 3 (determination of certain annual payments).
558. Subsection (13) amends paragraph 6 of Schedule 5 (determination of certain ill health payments).

Chapter 3: Other Miscellaneous Provision

Clause 111: Alienation or forfeiture of occupational pension

559. This clause seeks to make explicit the original policy intention set in primary legislation, which intention was that a determination by the Pensions Ombudsman, when determining a dispute about the appropriate amount of a charge, lien or set off in the specified circumstances, would be treated as an order of a competent court.
560. The clause amends sections 91(6) and 93(3) of the Pensions Act 1995, and adds a new section 91(6A), and amends the comparable provisions in Northern Ireland legislation, so that a determination of the Pensions Ombudsman in the prescribed circumstances can be implemented without the need for an order from a competent court. Further, the clause makes it clear that if at any point after a dispute has arisen the parties resolve the dispute, this ends the dispute and the charge, lien or set-off can be exercised accordingly.

Clause 112: Terminal illness

561. Clause 112 amends the current definition of "terminally ill" used in the relevant provisions of the Pension Protection Fund and the Financial Assistance Scheme legislation to allow earlier access to payments. This definition determines a person's eligibility for either a one-off lump sum payment from the Pension Protection Fund or an early payment of periodic financial assistance from the Financial Assistance Scheme.
562. Subsections (1)(a) and (1)(c) amend the definition of "terminally ill" by changing the period in which someone's death can be reasonably expected from the current within 6 months to 12 months in respect of Pension Protection Fund compensation payments.
563. Subsections (1)(b) and (1)(d) make similar provision for Northern Ireland and amend the definition of "terminally ill" by changing the period within which the person's death can be reasonably expected from the current within six months to 12 months in respect of Pension Protection Fund compensation payments.
564. Subsection (1)(e) amends the definition of "terminally ill" and the period of life expectancy in relation to a progressive disease in the Financial Assistance Scheme Regulations 2005 (SI 2005/1986) from six months to 12 months.

Clause 113: Pension protection levies

565. Sections 174 to 181A of the Pensions Act 2004 set out the provisions in relation to the pension protection levy which include the Board of the Pension Protection Fund's duties, restrictions on the amount of the levy that the Board can collect and other matters.
566. Clause 113 amends the relevant provisions that require the PPF Board to collect a levy and enables the Board to decide whether to collect a levy. The provision removes the restriction that prevents the Board from reducing the levy to zero or a low amount and raising it again within a reasonable timeframe. It introduces a new safeguard to cap annual increases in the levy. The clause also removes spent provisions, including those relating to the initial levy (section 174) and the transitional period (section 180), which are no longer applicable. Further, it makes consequential amendments to ensure consistency across the legislation, such as updating references and definitions, and clarifying the Board's considerations when deciding whether to impose levies.
567. Subsection (5)(a) amends section 175 to give the PPF Board discretion not to impose a levy at all. Currently, the Board must impose both a risk-based and scheme-based levy. Under the amended section 175(a) if the PPF Board decides to collect a risk-based levy, subsection (5)(b) also allows the Board to collect a scheme-based levy in respect of certain eligible schemes (or all eligible schemes).
568. The existing section 175(2) provides that the risk-based levy is a levy assessed by reference to certain risk factors. Section 175(3) sets out the other risk factors that the Board can consider when assessing the levy. Subsection (5) inserts a new subsection (aa) into section 175 (3). This new subsection enables the Board, when making its assessment, to consider the risk posed by a scheme that the Board considers is not supported by a substantive employer covenant. This allows the Board to consider the position in relation to alternative covenant schemes.
569. The new subsection 7A defines schemes "not supported by a substantive employer covenant" for the purposes of subsection (aa). This is based on, but distinct from, the definition of alternative covenant schemes in Part 3 of the Bill.
570. Subsection (6) amends section 176 (supplementary provisions about pension protection levies). The amended section 176 requires the PPF Board to consult, if no levy had been imposed in the previous financial year and when it decides to collect a levy, before it makes certain determinations under section 175 (5). The PPF Board is also required to publish details in a prescribed manner of (a) any decision to collect or not to collect a levy for any financial year and (b) any determination made under section 175(5).
571. Subsection (7) amends subsection (5) of section 177 (amounts to be raised by pension protection levies). It inserts a new subsection (A1) that provides those sections 177(1) to (5) apply only where the Board decides to collect both or one of the risk-based and scheme-based levies for the financial year.
572. Subsection (7)(d) replaces the restriction in section 177 (5) that prevents the Board of the Pension Protection Fund from charging an annual levy of more than 25 per cent of the previous year's levy estimate. The new provision restricts the Board from charging a levy that is more than the sum of the previous financial year's levy and 25 per cent of the previous financial year's levy ceiling.
573. Subsection (8) makes changes to section 178 (levy ceiling). This amended section changes some of the language to ensure consistency with the overall changes to the levy.

574.Subsections (2) and (11) amend sections 113 (investment of funds) and 316 (parliamentary control of subordinate legislation) to provide consistency with the clauses within sections 174 to 181A.

Clause 114: Pensions dashboards

575.Clause 114 (1) amends section 4A of the Financial Guidance and Claims Act 2018 to provide the Money and Pensions Service with a discretionary power to provide information about the Pension Protection Fund and the Financial Assistance Scheme on its dashboard, including information that relates to an individual.

576.Subsections (2) and (3) amend section 203 of the Pensions Act 2004 to grant the Secretary of State the power to enable the Pension Protection Fund to send information in a way so that it can be used by dashboards.

577.Subsection (4) amends section 238A of the Pensions Act 2004 to grant the Secretary of State the power to make regulations requiring Qualifying Pensions Dashboard Services to display information about the Pension Protection Fund and the Financial Assistance Scheme, including information that relates to an individual.

578.Subsection (5) amends section 238C of the Pensions Act 2004 to provide a definition of the Financial Assistance Scheme for the purposes of subsection (4).

Clause 115: Information to be given to pension schemes by employers

579.This clause amends the Pensions Act 2008 to confer a power on the Secretary of State to make regulations requiring employers to provide information about jobholders and workers to pension schemes.

580.Subsections (1) and (2) confirm that Part 1 of the Pensions Act 2008 is amended to include a new section 11A:

- 11A(1) provides a power for the Secretary of State to make regulations requiring employers to provide information about jobholders and workers to the trustees or managers of the pension scheme of which the jobholder or worker is an active member. 11A (1) (a) and (b) describe the individuals that are in scope, covering the various ways by which they may have become active members of pension schemes.
- For example, 11A(1)(a) covers a jobholder automatically enrolled under section 3 of the Pensions Act 2008 (because an automatic enrolment scheme would also be a qualifying scheme pursuant to section 17(1)(a) of the Pensions Act 2008), as well as a jobholder who has been contractually enrolled into a qualifying scheme. 11A(1)(b) covers a worker who has become an active member of a pension scheme pursuant to section 9 of the Pensions Act 2008, as well as a worker who has been contractually enrolled into a qualifying scheme (because a qualifying scheme would also satisfy the requirements in section 9(7) of the Pensions Act 2008).
- 11A(2) enables regulations to set out what information must be provided, how and in what format it should be provided, and the timing requirements for provision.
- 11A(3) provides that regulations may require employers to provide information in respect of individuals ceasing to be jobholders or workers. For example, regulations may provide that employers are to inform the relevant pension scheme that an employee has since left their employment.

581.Subsection (3) amends section 34 of the Pensions Act 2008 by substituting the words “section 11” for “section 11A”. The effect of this is to extend the compliance provisions in sections 35 to 40 of the Pensions Act 2008 to provision made under new section 11A.

Clause 116: Funding of the Board of the Pension Protection Fund

582.Clause 116 amends the Pensions Act 2004 in accordance with subsections (2) to (5), which as a result of clause [OPC 385] come into effect from 1 April 2026.

583.Subsection (2) abolishes the power of DWP to pay to the PPF Board the grant-in-aid monies.

584.Subsection (3) removes DWP’s power to impose the Pension Protection Fund administration levy, and subsection (7) removes paragraph 3, Schedule 10 of the Pensions Act 2008, a provision yet to be brought into force allowing interest to be charged on late payment of the administration levy.

585.Subsection (4) allows PPF Board administrative costs to be paid out of the Pension Protection Fund.

586.Subsection (5) allows FCF administrative costs to be paid out of the Fraud Compensation Fund.

587.Subsection (6) provides that the Pension Protection Fund administration levy is not payable for years 2023/4 and 2024/5 when collection of the administration levy was suspended.

Clause 117: Funding of the Ombudsman for the Board of the Pension Protection Fund.

588.Clause 117 makes technical changes to the Pension Schemes Act 1993, enabling the expenditure of the Ombudsman for the Board of the Pension Protection Fund to be recovered from the general levy payable by occupational and personal pension schemes with effect from 1 April 2007 to reflect the practice in operation since that date.

Part 5: General

Clause 118: Amendments of Pensions Act 2004

589.This clause provides that consequential amendments to the Pensions Act 2004 are detailed in the Bill’s Schedule.

Clause 119: Regulations: general

590. This clause sets out how regulations will be made under the Bill.

Clause 120: Regulations: procedure

591.This clause sets out the procedural requirements that will apply to regulations made under the Bill.

Clause 121: Extent

592.Detailed analysis of the extent of this Bill can be found in Annex A.

Clause 122: Commencement

593.This clause sets out the manner in which the provisions of the Bill will be commenced.

Clause 123: Short title

594.This clause is self-explanatory.

Schedule: Amendments of Pensions Act 2004

- 595.Paragraph 1 introduces amendments being made to the Pensions Act 2004.
- 596.Paragraph 2 amends section 10(6) of the 2004 Act so that the Determinations Panel can exercise reserved regulatory functions on behalf of the Pensions Regulator where applications are made for authorisation of a superfund, for approval of superfund transfers, for approval of individuals to be responsible for key functions and for approval of individuals to be trustees of a superfund scheme.
- 597.Paragraph 3 extends existing provisions under which the Pensions Regulator may issue improvement notices to include the new provisions in this Bill for Defined Contribution Pensions (Part 2) and Superfunds (Part 3).
- 598.Paragraph 4 extends the existing list of persons required to report breaches of the law to the Pensions Regulator under section 70(1) of the Pensions Act 2004. This includes a member of the superfund group and a person who is responsible for a key function of a superfund.
- 599.Paragraph 5 extends the existing list of persons to whom the Pensions Regulator can issue a notice requiring the production of a document or provision of certain information, under section 72 of the Pensions Act 2004, to include a member of the superfund group and a person who is responsible for a key function of a superfund.
- 600.Section 73 of the Pensions Act 2004 provides that a person appointed by the Pensions Regulator may enter premises that are liable to inspection to investigate whether specified provisions are being complied with. Paragraph 6 adds to these provisions in section 73(2) of that 2004 Act the provisions in Chapters 1, 2, 4, and 6 of Part 2 and the provisions in Part 3 (superfunds) of this 2025 Act, as well as sections 28A to 28F of the Pensions Act 2008.
- 601.Paragraph 7 adds sections 91 and 92 of the Pension Schemes Act 2025 to the list of provisions in section 76(3)(a) of the Pensions Act 2004. This means inspections of premises under the 2004 Act can occur when there is a question whether a regulatory provision subject to penalties under sections 91 or 92 is being, or has been, complied with.
- 602.Paragraph 8 amends the provisions in section 77A of the Pensions Act 2004 so that the amount of the penalty in a fixed penalty notice relating to the operation of a superfund will be a maximum of £100,000. This is where the recipient of the notice is a trustee of an operating superfund scheme, the responsible body of an operating superfund or the person responsible for a key function of an operating superfund.
- 603.Paragraph 9 amends the provisions in section 77B of the Pensions Act 2004 so that the daily amount of the penalty in an escalating penalty notice relating to the operation of a superfund must not exceed £20,000 where the recipient of the notice is a trustee or the responsible body of an operating superfund, or a person responsible for a key function of an operating superfund.
- 604.Paragraph 10 makes it an offence for a person to provide false or misleading information to the Pensions Regulator under section 80 of the Pensions Act 2004 in circumstances where the person intends the information to be used, or could be reasonably expected to know the information would be used, by the Regulator for the purpose of exercising its functions in relation to the provisions in Chapters 1,2, 4, and 6 of Part 2 and the provisions in Part 3 (superfunds) of this 2025 Act.
- 605.Paragraph 11 applies the penalties under section 88A of the 2004 Act, by amending section 80A of that Act, to a person that knowingly or recklessly provides false or misleading

information to the Regulator in circumstances where the person intends the information to be used, or could be reasonably expected to know the information would be used, by the Regulator for the purpose of exercising its functions in relation to the provisions in Chapters 1, 2, 4 and 6 of Part 2 and the provisions in Part 3 (superfunds) of this 2025 Act.

- 606.Paragraph 12 amends section 90 of the Pensions Act 2004, which gives the Pensions Regulator powers to issue codes of practice. The amendment means the Regulator must issue codes of practice relating to the process for making an application for authorisation of a superfund and for approval of a superfund transfer; for the matters the Regulator expects to take into account when deciding if it is satisfied in the course of making decisions about whether to authorise a superfund or approve a superfund transfer; and for the ongoing requirements for operating superfunds. This amendment also adds Chapters 1, 2, 4, and 6 of Part 2 and Part 3 (superfunds) of this 2025 Act, as well as Part 1 of the Pensions Act 2008 in relation to the scale requirement in section 28B and the asset allocation requirement in section 28C, to the definition of pensions legislation in subsection (6) for the purposes of section 90 of the 2004 Act.
- 607.Paragraph 13 amends section 93(2) of the 2004 Act to require the Pensions Regulator to determine the procedures it intends to follow in relation to the issuance of a notice triggering an event of concern and the issuance of directions during a period of concern.
- 608.Paragraph 14 extends the list of regulatory functions in section 97(5) of the Pensions Act 2004 to which special procedures under section 98 of the Act may apply to include the Pensions Regulator's exercise of the power to withdraw authorisation from a superfund; to suspend or revoke its approval for a person to be responsible for a key function in relation to a superfund or to be a trustee of a superfund scheme; to issue a notice triggering events of concern for a superfund; and to give a direction during a period of concern.
- 609.Paragraph 15 amends section 126 of the Pensions Act 2004 so that each separate section of a superfund scheme as provided for by section 60(2) of the Pension Schemes Act 2025 is an eligible scheme for the purposes of Part 2 of that 2004 Act.
- 610.Paragraph 16 amends section 127 of the Pensions Act 2004 so that an eligible superfund scheme will be treated as though it has had a qualifying insolvency event for the purposes of entry to the Pension Protection Fund in certain circumstances. These circumstances occur when there is an event of concern where the protected liabilities threshold of the superfund scheme ceases to be met and where there is no qualifying insolvency event in relation to the employer that occurred before the event of concern took place.
- 611.Paragraph 17 amends section 222 of the Pensions Act 2004 to enable the Pensions Regulator to determine the methods and assumptions that are to be used in calculating a superfund scheme's technical provisions (the amount required on actuarial calculation to make provision for liabilities). Regulations may require the Regulator, in making its determination, to take into account prescribed matters and follow prescribed principles.
- 612.Paragraph 18 amends section 224 of the 2004 Act to require the trustees of a superfund scheme to send a copy of an actuarial report to the Pensions Regulator as soon as is reasonably practicable together with such other information as prescribed by regulations.
- 613.Paragraph 19 amends section 256 of the Pensions Act 2004 to provide that a trustee or manager of an occupational or personal pension scheme cannot be reimbursed out of scheme assets in respect of a fine imposed for an offence of which he is convicted, or a penalty which he is required to pay, by virtue of section 18, 32 or 54 of the Pension Schemes Act 2025.

614.Paragraph 20 amends section 318 of the Pensions Act 2004 to insert definitions which relate to superfunds and arise from the Pension Schemes Act 2025.

615.Paragraph 21 amends Schedule 2 of the Pensions Act 2004 to insert Part 8 to include reserved regulatory functions of the Pensions Regulator under the Pension Schemes Act 2025.

Commencement

616.Clause 122 sets out the manner in which provisions in the Bill will be commenced.

Financial Implications of the Bill

617.Analytical notes providing the rationale, purpose and expected impact of all interventions made are included in the Impact Assessment and will be available in the supporting documents to the Bill. Full details of the financial implications of the Bill are set out in the Impact Assessment.

618.The Bill should have a minimal impact on public expenditure, as most costs are to be borne by pension providers, trustees and employers. There may be additional costs to the regulators and pension bodies to implement or support some of these measures; however, this may be offset by a smaller pension market through the accelerated consolidation as a result of the reforms. Any additional costs may also be supported by increases in the General Levy on pension schemes.

Parliamentary approval for financial costs or for charges imposed

619.A money resolution is required where a Bill gives rise to, or confers powers that could give rise to, new charges on the public revenue - broadly speaking, new public expenditure.

620.The House of Commons passed a money resolution for this Bill on 7 July 2025. This was required because the Bill itself confers some new functions on the Department for Work and Pensions that represent new heads of expenditure (in particular in connection with new computer systems for the purposes of Chapters 1 and 2 of Part 2) and also because of the possible increases in public expenditure under other Acts (in particular, of the Pensions Regulator under the Pensions Act 2004, and of the Department under regulations under section 286 of that Act).

621.Generally, a ways and means resolution is required where a Bill gives rise to, or confers power that could give rise to, new charges on the people - broadly speaking, new taxation or similar charges.

622.The House of Commons passed a ways and means resolution on 7 July 2025 as the Bill makes changes, or enables changes to be made, to the amount that may be recovered by the Department by means of the General Levy on pension schemes under section 175 of the Pension Schemes Act 1993, and also to the amount that may be recovered by the Pension Protection Fund by means of levies on pension schemes under section 175 of the Pensions Act 2004. Ways and means cover is required for both of these.

Compatibility with the European Convention on Human Rights

623. Section 19 of the Human Rights Act 1998 requires the Minister in charge of a Bill in either House of Parliament to make a statement about the compatibility of the provisions of the Bill with the Convention rights (as defined in section 1 of that Act). Baroness Sherlock OBE, Lords Minister for Work and Pensions, has made a statement under section 19(1)(a) that in her view the provisions of the Bill are compatible with the Convention rights.

Article 1 Protocol 1

624. Article 1 Protocol 1 to the Convention (“A1P1”) guarantees the right to peaceful enjoyment of possessions. It prohibits deprivation of possessions except in the public interest and subject to conditions provided by law and the general principles of international law. Furthermore, it recognises the State’s right to control the use of property in accordance with the general interest.

625. Each of the Bill measures, save for those contained in clauses 111 to 117 in Part 4, will engage A1P1; the case of *Klein v Austria* [2011] ECHR 389 confirmed that entitlement to a pension, and dealings with the same, could engage A1P1. However, the Government notes, as described above, that the right to peaceful enjoyment of possessions is a qualified right. The “general interest” or “public interest” is not defined in the Convention, but the Courts have held that States enjoy a wide margin of appreciation in determining what is in the general interest of the community.

626. The provisions seek to maximise the retirement outcomes for members of pension schemes and, in the case of the measure in Chapter 1 of Part 4, provide a mechanism for affected pension schemes to maintain existing benefit entitlements as all parties understood them to be. The measures seek to reduce the state resources required to support members in retirement and increase the capability of pension schemes to invest in the UK economy.

627. The Government believes that each measure of the Bill is compatible with A1P1.

Article 14

628. Article 14 to the Convention (“Article 14”) provides that the enjoyment of the rights and freedoms in the Convention shall be secured without discrimination on any ground. Article 14 is not a free-standing prohibition against discrimination; instead, it can only be invoked in conjunction with another Convention right.

629. Two of the Bill measures, being the consolidation of small dormant pension pots in Chapter 2 of Part 2 and Superfunds in Part 3, may engage Article 14, in conjunction with A1P1.

630. In the case of small pots, there is a 30-day notice period before member benefits are transferred which could have a differential impact between individuals with different characteristics.

631. In the case of superfunds, there is a very remote possibility of certain younger members’ benefits being more limited than older members’ in the unlikely event of insolvency of a superfund.

632. In either case, to the extent there is any interference with Article 14, it is the Government’s view that such interference is based on legitimate aims and is proportionate.

Compatibility with the Environment Act 2021

633. Baroness Sherlock OBE, Lords Minister for the Department for Work and Pensions, is of the view that the Bill, as brought from the House of Commons, does not contain provisions which, if enacted, would be considered environmental law for the purposes of Section 20 of the Environment Act 2021. Accordingly, no statement under that Section has been made.

Duty under Section 13C of the European Union (Withdrawal) Act 2018

634. Baroness Sherlock OBE, Lords Minister for the Department for Work and Pensions, is of the view that the Bill, as brought from the House of Commons, does not contain provision which, if enacted, would affect trade between Northern Ireland and the rest of the United Kingdom. Accordingly, no statement under Section 13C of the European Union (Withdrawal) Act 2018 has been made.

Annex A – Territorial extent and application in the United Kingdom

Provision	England	Wales		Scotland		Northern Ireland	
	Extends to E&W and applies to England?	Extends to E&W and applies to Wales?	Legislative Consent Motion process engaged?	Extends and applies to Scotland?	Legislative Consent Motion process engaged?	Extends and applies to Northern Ireland?	Legislative Consent Motion process engaged?
Local Government Pension Schemes - Part 1, Chapter 1							
Clause 1 – Asset pool companies	Yes	Yes	Yes	Yes	Yes	No	N/A
Clause 2 – Asset management	Yes	Yes	Yes	Yes	Yes	No	N/A
Clause 3 – Additional powers for certain pension scheme managers	Yes	Yes	No	No	N/A	No	N/A
Clause 4 – Exemption from public procurement rules	Yes	Yes	No	No	N/A	No	N/A
Clause 5 – Scheme manager governance reviews	Yes	Yes	Yes	Yes	Yes	No	N/A
Clause 6 – Mergers of funds	Yes	Yes	Yes	Yes	No	No	N/A
Clause 7 – Amendments of 2013 Act relating to scheme regulations	Yes	Yes	No	Yes	No	No	N/A
Clause 8 – Interpretation of Chapter 1	Yes	Yes	No	Yes	No	No	N/A
Powers to pay surplus to employer - Part 1, Chapter 2							
Clause 9 – Power to modify scheme to allow for payment of surplus to employer	Yes	Yes	No	Yes	No	No	N/A
Clause 10 – Restrictions on exercise of power to pay surplus	Yes	Yes	No	Yes	No	No	N/A

These Explanatory Notes relate to the Pension Schemes Bill as brought from the House of Commons on 5 December 2025 (HL Bill 152)

Provision	England	Wales		Scotland		Northern Ireland	
Value for Money - Part 2, Chapter 1							
Clause 11 – Relevant schemes: value for money	Yes	Yes	No	Yes	No	No	N/A
Clause 12 – Publication etc of metric data	Yes	Yes	No	Yes	No	No	N/A
Clause 13 – VFM assessments	Yes	Yes	No	Yes	No	No	N/A
Clause 14 – Member satisfaction surveys	Yes	Yes	No	Yes	No	No	N/A
Clause 15 – VFM ratings	Yes	Yes	No	Yes	No	No	N/A
Clause 16 – Consequences of an intermediate rating	Yes	Yes	No	Yes	No	No	N/A
Clause 17 - Consequences of a “not delivering” rating	Yes	Yes	No	Yes	No	No	N/A
Clause 18 – Compliance and oversight	Yes	Yes	No	Yes	No	No	N/A
Clause 19 – Sharing of database where FCA makes corresponding rules	Yes	Yes	No	Yes	No	No	N/A
Clause 20 – Crown application	Yes	Yes	No	Yes	No	No	N/A
Clause 21 – Interpretation of Chapter	Yes	Yes	No	Yes	No	No	N/A
Consolidation of small dormant pension pots - Part 2, Chapter 2							
Clause 22 – Small pots regulations	Yes	Yes	No	Yes	No	No	N/A
Clause 23 – Determination of destination for small pots	Yes	Yes	No	Yes	No	No	N/A
Clause 24 – Transfer notices	Yes	Yes	No	Yes	No	No	N/A

These Explanatory Notes relate to the Pension Schemes Bill as brought from the House of Commons on 5 December 2025 (HL Bill 152)

Provision	England	Wales		Scotland		Northern Ireland	
Clause 25 – Exempt pots	Yes	Yes	No	Yes	No	No	N/A
Clause 26 – Transfer etc of small dormant pension pots	Yes	Yes	No	Yes	No	No	N/A
Clause 27 – Effect of transfer on membership of scheme etc.	Yes	Yes	No	Yes	No	No	N/A
Clause 28 – Timing of transfers	Yes	Yes	No	Yes	No	No	N/A
Clause 29 – Authorisation of consolidator schemes etc. by the Pensions Regulator	Yes	Yes	No	Yes	No	No	N/A
Clause 30 – Consolidator schemes and consolidator arrangements	Yes	Yes	No	Yes	No	No	N/A
Clause 31 – Further provision about contents of small pots regulations	Yes	Yes	No	Yes	No	No	N/A
Clause 32 – Enforcement by the Pensions Regulator	Yes	Yes	No	Yes	No	No	N/A
Clause 33 – Enforcement by the FCA	Yes	Yes	No	Yes	No	No	N/A
Clause 34 – Power to alter definition of “small”	Yes	Yes	No	Yes	No	No	N/A
Clause 35 – Crown application	Yes	Yes	No	Yes	No	No	N/A
Clause 36 – Interpretation of Chapter	Yes	Yes	No	Yes	No	No	N/A
Clause 37 – Meaning of “pension pot”	Yes	Yes	No	Yes	No	No	N/A
Clause 38 – Amendments of the Financial Services and Markets Act 2000	Yes	Yes	No	Yes	No	No	N/A
Clause 39 – Repeal of existing powers	Yes	Yes	No	Yes	No	No	N/A

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Provision	England	Wales	Scotland	Northern Ireland			
Scale and asset allocation - Part 2, Chapter 3							
Clause 40 – Certain schemes providing money purchase benefits: scale and asset allocation	Yes	Yes	No	Yes	No	No	N/A
Clause 41 – Amendments related to section 40	Yes	Yes	No	Yes	No	No	N/A
Default arrangements – Part 2, Chapter 4							
Clause 42 – Regulations restricting creation of new non-scale default arrangements	Yes	Yes	No	Yes	No	No	N/A
Clause 43 – Review in relation to non-scale default arrangements	Yes	Yes	No	Yes	No	No	N/A
Clause 44 – Regulations about consolidation of non-scale default arrangements	Yes	Yes	No	Yes	No	No	N/A
Clause 45 – Amendments of the Financial Services and Markets Act 2000	Yes	Yes	No	Yes	No	No	N/A
Clause 46 – Crown application	Yes	Yes	No	Yes	No	No	N/A
Clause 47 – Interpretation of Chapter	Yes	Yes	No	Yes	No	No	N/A
FCA-regulated pension schemes: contractual override - Part 2, Chapter 5							
Clause 48 – FCA-regulated pension schemes: contractual override	Yes	Yes	No	Yes	No	Yes	No
Guided retirement - Part 2, Chapter 6							
Clause 49 – Default pension benefit solutions	Yes	Yes	No	Yes	No	No	N/A

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Provision	England	Wales		Scotland		Northern Ireland	
Clause 50 – Transferable members	Yes	Yes	No	Yes	No	No	N/A
Clause 51 – Provision and gathering of information	Yes	Yes	No	Yes	No	No	N/A
Clause 52 – Information etc. in connection with selection of benefit solution	Yes	Yes	No	Yes	No	No	N/A
Clause 53 – Pension benefits strategy	Yes	Yes	No	Yes	No	No	N/A
Clause 54 – Enforcement and compliance	Yes	Yes	No	Yes	No	No	N/A
Clause 55 – Crown application	Yes	Yes	No	Yes	No	No	N/A
Clause 56 – Interpretation of Chapter	Yes	Yes	No	Yes	No	No	N/A
Clause 57 – Corresponding provision in relation to FCA-regulated schemes	Yes	Yes	No	Yes	No	Yes	No
Superfunds - Part 3							
Clause 58 - Overview	Yes	Yes	No	Yes	No	No	N/A
Clause 59 – Key concepts	Yes	Yes	No	Yes	No	No	N/A
Clause 60 – Schemes divided into sections	Yes	Yes	No	Yes	No	No	N/A
Clause 61 – Prohibition of unauthorised superfund activity	Yes	Yes	No	Yes	No	No	N/A
Clause 62 – Authorisation of superfunds	Yes	Yes	No	Yes	No	No	N/A
Clause 63 – Timing of decisions about authorisation	Yes	Yes	No	Yes	No	No	N/A

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Provision	England	Wales		Scotland		Northern Ireland	
Clause 64 – Prohibition of unapproved superfund transfers	Yes	Yes	No	Yes	No	No	N/A
Clause 65 – Approval of superfund transfers	Yes	Yes	No	Yes	No	No	N/A
Clause 66 – Special provision for certain schemes coming out of assessment period	Yes	Yes	No	Yes	No	No	N/A
Clause 67 – Applications for approval	Yes	Yes	No	Yes	No	No	N/A
Clause 68 – Governance and structure	Yes	Yes	No	Yes	No	No	N/A
Clause 69 – Management documents	Yes	Yes	No	Yes	No	No	N/A
Clause 70 – Duty to monitor financial thresholds	Yes	Yes	No	Yes	No	No	N/A
Clause 71 – “Financial thresholds”	Yes	Yes	No	Yes	No	No	N/A
Clause 72 – Capital buffer: compulsory release to trustees	Yes	Yes	No	Yes	No	No	N/A
Clause 73 – Capital buffer: permitted release to other persons	Yes	Yes	No	Yes	No	No	N/A
Clause 74 – Capital buffer: investment	Yes	Yes	No	Yes	No	No	N/A
Clause 75 – Capital buffer: verification of valuations	Yes	Yes	No	Yes	No	No	N/A
Clause 76 – Key functions	Yes	Yes	No	Yes	No	No	N/A
Clause 77 – Approval of individuals responsible for key functions	Yes	Yes	No	Yes	No	No	N/A
Clause 78 – Certification of staff supporting individuals responsible for key functions	Yes	Yes	No	Yes	No	No	N/A

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Provision	England	Wales		Scotland		Northern Ireland	
Clause 79 – Approval of superfund scheme trustees	Yes	Yes	No	Yes	No	No	N/A
Clause 80 – Events to be notified to the Regulator	Yes	Yes	No	Yes	No	No	N/A
Clause 81 – Regulator reporting	Yes	Yes	No	Yes	No	No	N/A
Clause 82 - Returns	Yes	Yes	No	Yes	No	No	N/A
Clause 83 – Reports in relation to alleged compliance breaches	Yes	Yes	No	Yes	No	No	N/A
Clause 84 – Provision of information by responsible body to trustees	Yes	Yes	No	Yes	No	No	N/A
Clause 85 – “Event of concern” and “period of concern”	Yes	Yes	No	Yes	No	No	N/A
Clause 86 – Notification of Regulator in respect of events of concern	Yes	Yes	No	Yes	No	No	N/A
Clause 87 – Responding to events of concern	Yes	Yes	No	Yes	No	No	N/A
Clause 88 – Content of response plan	Yes	Yes	No	Yes	No	No	N/A
Clause 89 – Regulator’s direction-making powers during period of concern	Yes	Yes	No	Yes	No	No	N/A
Clause 90 – Directions to pause payments or transfers of liabilities: supplementary provision	Yes	Yes	No	Yes	No	No	N/A
Clause 91 – Fixed penalty notices	Yes	Yes	No	Yes	No	No	N/A
Clause 92 – Escalating penalty notices	Yes	Yes	No	Yes	No	No	N/A
Clause 93 – Withdrawal of authorisation	Yes	Yes	No	Yes	No	No	N/A

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Provision	England	Wales		Scotland		Northern Ireland	
Clause 94 – Release of capital buffer treated as reducing employer debt	Yes	Yes	No	Yes	No	No	N/A
Clause 95 – Power to extend superfunds legislation to similar structures	Yes	Yes	No	Yes	No	No	N/A
Clause 96 – Construction of “occupational pension scheme” and “employer” in relation to superfund schemes	Yes	Yes	No	Yes	No	No	N/A
Clause 97 – Consequential amendments	Yes	Yes	No	Yes	No	No	N/A
Clause 98 – Transitional provision	Yes	Yes	No	Yes	No	No	N/A
Clause 99 – Interpretation of part	Yes	Yes	No	Yes	No	No	N/A
Miscellaneous - Part 4							
Clause 100 – Sections 101 to 103: interpretation and scope	Yes	Yes	No	Yes	No	No	N/A
Clause 101 – Validity of certain alterations to GB salary-related contracted-out pension schemes: subsisting schemes	Yes	Yes	No	Yes	No	No	N/A
Clause 102 – Validity of certain alterations to GB salary-related contracted-out pension schemes: wound up schemes and other special cases	Yes	Yes	No	Yes	No	No	N/A
Clause 103 – Power to amend the provisions of Chapter 1 etc: Great Britain	Yes	Yes	No	Yes	No	No	N/A
Clause 104 – Sections 105 to 107: interpretation and scope	No	No	No	No	No	Yes	Yes

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Provision	England	Wales		Scotland		Northern Ireland	
Clause 105 – Validity of certain alterations to NI salary-related contracted-out pension schemes: subsisting schemes	No	No	No	No	No	Yes	Yes
Clause 106 – Validity of certain alterations to NI salary-related contracted-out pension schemes: wound up schemes and other special cases	No	No	No	No	No	Yes	Yes
Clause 107 – Powers to amend Chapter 1 etc: Northern Ireland	No	No	No	No	No	Yes	Yes
Clause 108 – Indexation of periodic compensation for pre-1997 service: Great Britain	Yes	Yes	No	Yes	No	No	N/A
Clause 109 – Indexation of periodic compensation for pre-1997 service: Northern Ireland	No	No	No	No	No	Yes	Yes
Clause 110 – Financial Assistance Scheme: indexation of payments for pre-1997 service	Yes	Yes	No	Yes	No	Yes	No
Clause 111 - Alienation or forfeiture of occupational pension	Yes	Yes	No	Yes	No	Yes	Yes
Clause 112 - Terminal illness	Yes	Yes	No	Yes	No	Yes	Yes
Clause 113 - Pension protection levies	Yes	Yes	No	Yes	No	No	N/A
Clause 114 - Pensions Dashboards	Yes	Yes	No	Yes	No	In part	Yes
Clause 115 – Information to be given to pension schemes by employer	Yes	Yes	No	Yes	No	No	N/A
Clause 116]- Funding of the Board of the Pension Protection Fund	Yes	Yes	No	Yes	No	In part	Yes

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Provision	England	Wales		Scotland		Northern Ireland	
Clause 117 – Funding of the Ombudsman for the Board of the Pension Protection Fund	Yes	Yes	No	Yes	No	No	N/A
General - Part 5							
Clause 118 - Amendments of Pensions Act 2004	Yes	Yes	No	Yes	No	No	N/A
Clause 119 - Regulations: general	Yes	Yes	No	Yes	No	No	N/A
Clause 120 - Regulations: procedure	Yes	Yes	No	Yes	No	No	N/A
Clause 121 - Extent	Yes	Yes	No	Yes	No	No	N/A
Clause 122 - Commencement	Yes	Yes	No	Yes	No	No	N/A
Clause 123 - Short title	Yes	Yes	No	Yes	No	No	N/A

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PENSION SCHEMES BILL

EXPLANATORY NOTES

These Explanatory Notes relate to the Pension Schemes Bill as brought from the House of Commons on 5 December 2025 (HL Bill 152).

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