

TRUSTEE KNOWLEDGE UPDATE

August - October 2025

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CONSULTATIONS AND DRAFT LEGISLATION

Update [Pension Schemes Bill](#)

(18 September 2025)

A [new version](#) of the Bill has been published following scrutiny by the [Public Bills Committee](#). A number of amendments have been made including:

- clauses intended to enable a ‘fix’ to the issues relating to historic amendments to contracted-out pension schemes arising from the Virgin Media case (see this [CMS LawNow](#)); separately, the FRC has [announced](#) it will develop technical guidance for actuaries to apply the legislation
- adjustments to the new powers to pay surplus to employers, including clarification that the new powers will not apply to surplus on winding up
- changes to some of the onboarding conditions for DB superfunds, including weakening the tests the superfund must meet relating to capital adequacy and technical provisions
- amendments relating to the scale and allocation provisions for DC master trusts and GPPs, including a new TPR power to issue risk notices
- provisions preventing the creation of new ‘non-scale’ default funds.

The Bill will now move to the Report stage.

[Collective Money Purchase Schemes - Extension to Unconnected Multiple Employer Schemes](#)

(23 October 2025)

The DWP has published draft regulations removing the exclusions in the current legislation which prevent unconnected multiple employer CDC schemes (‘UMES’s) from operating. The draft

regulations also set out the authorisation and regulatory regime for UMESs. Also published is the Government’s [response to consultation](#) on the earlier draft regulations.

Changes from the draft regulations include:

- an amendment to allow organisations to establish a UMES without the need for a participating employer;
- a UMES will have 24 months to begin operating from the date on which TPR receives the application for authorisation (up from 18 months);
- changes to the actuarial equivalence provisions, including a requirement to take into account guidance to be produced by the FRC;
- removal of the requirement for the scheme proprietor to only carry out activities that relate directly to its UMES;
- removal of a provision allowing tranching by employer. The Government continues to recognise the potential value of being able to tranche and will be undertaking technical consultation with key industry experts.

The intention is for the regulations to come into force on 31 July 2026, alongside an updated TPR Code of Practice, which would also be subject to a consultation before coming into force.

[Consultation on Retirement CDC pension schemes](#)

(23 October 2025)

The Government is consulting on policy proposals for the creation of a new type of Collective Money Purchase Scheme (CDC) to be used only by pensioner members – a “Retirement CDC scheme”. These schemes would allow individuals with DC pension savings to transfer their pot at retirement into a collective fund that provides a trustee managed income for life, adjusted annually based on investment performance and scheme sustainability.

The intention is that Retirement CDC schemes will be a form of unconnected multiple-employer scheme (UMES) but with no regular or ongoing contributions from members or employers, and no accrual. Schemes would need to seek authorisation from TPR to operate and similar authorisation criteria and regulatory regime will apply as for a UMES.

Retirement CDC is being explored in the context of the forthcoming duties on trustees of DC schemes to provide default pension benefit solutions under the Guided Retirement measures in the Pension Schemes Bill.

The consultation document includes a [Retirement CDC roadmap](#). The first applications for authorisation would be expected in 2028. The consultation closes on **4 December 2025**.

HMRC

[Newsletter 173](#)

(25 September 2025)

Returning tax free lump sums

In [Newsletter 165](#), in the context of individuals who wanted to return lump sums that they took because of speculation about changes that might occur in the 2024 Autumn Budget, HMRC confirmed that payment of a tax-free lump sum cannot be undone and the member's lump sum allowance will not be restored.

HMRC now provides more detail on that position, in tandem with a [statement](#) from the FCA. Where an action has resulted in a tax consequence, and an attempt is made to reverse the action, the tax consequences will normally stand. However, where a transaction falls within FCA rules that *require* a cancellation right to be provided then the tax consequences can be reversed, for example cancellation within 30 days of a contract to transfer a pension. As a contract allowing a person to take a PCLS or UFPLS is not listed as a

cancellable contract in the relevant [FCA rules](#), cancellation rights do not arise with regard to paying these lump sums. Once lump sums are paid, the associated tax consequences (including the use of the individual's lump sum allowance and lump sum death benefit allowance) cannot be undone, even if the payment is returned or cancellation rights are exercised.

Where pension schemes choose to offer cancellation of lump sum elements of cancellable contracts, they must ensure customers understand that, once paid, the tax consequences of these lump sums will not be reversed, even if the payment is subsequently returned or cancelled. Further, the conditions as set out in tax legislation will need to be met in order for the lump sum to remain an authorised payment.

Further regulations on LTA abolition

HMRC is preparing some further technical amendments to the legislation abolishing the lifetime allowance. The regulations will be made in early 2026 and, when introduced, will have retrospective effect from 6 April 2024. Key amendments include ensuring that the valuation of a member's pension rights for a trivial commutation lump sum is consistent with the rules in place prior to April 2024 and that the calculation of a scheme-specific pension commencement lump sum operates as intended. Consultation with industry will take place later this year.

[Newsletter 174](#)

(30 October 2025)

This newsletter sets out actions non-UK resident pension scheme administrators must take ahead of 6 April 2026. From that date all scheme administrators must be UK resident.

The newsletter also provides further information on points raised about the return of lump sums following [Newsletter 173](#). HMRC confirms it may challenge alternative interpretations of the tax consequences of tax-free lump sums that have been returned after 5 December 2024, when it considers the position was made clear.

HMRC expects schemes to tell members of their reduced lump sum allowance and lump sum death benefit allowance or report unauthorised payments in the usual way.

THE PENSIONS REGULATOR

[Market oversight report: Administrator relationships](#)

(11 September 2025)

In its latest [market oversight report](#), which follows a year-long engagement with 15 pension administrators, TPR says that many administrators have become more strategic and resilient but challenges remain - particularly around changes to regulatory requirements, technology, staffing, data, and cyber security. In an accompanying [blog](#), TPR says that it expects administrators and trustees to reflect on the findings and work together to improve administrative practice.

TPR also confirms that it is developing a new administration strategy, updating its administration guidance (to set clearer expectations for trustees) and advising government on future legislation. This is likely to be a reference to TPR's bid for a Pensions Reform Bill in the next Parliamentary session, which its [annual report](#) suggested could provide it with new powers around information gathering, rule making, administration standards and professional trustees.

Comment:

Trustees should note TPR's expectations of further action and consider engaging with their administrators accordingly.

[Enforcement strategy consultation](#)

(16 September 2025)

TPR proposes a new enforcement model, as part of its shift to a more prudential style of regulation. There will be five strategic objectives:

- **Targeted enforcement** - taking a proportionate, risk-based approach to tackle key risks;
- **Impactful enforcement** - being assertive, agile and collaborative with other agencies and stakeholders;
- **Decisive action** - considering enforcement earlier in the process to stop problems before they escalate, and acting quickly where TPR suspects serious economic crime;
- **Enhanced transparency** - timely messaging to industry and savers, and publishing enforcement outcomes; and
- **Data-driven enforcement** - using new digital and data tools to make better decisions and improve efficiency.

Consultation runs to **11 November 2025**.

[Market oversight: LDI risk](#)

(18 September 2025)

TPR has published a report, based on data collected from scheme returns, setting the steps pension schemes and the investment industry have made to improve operational resiliency. The size and duration of LDI exposures have reduced materially since the end of 2021 when long-term interest rates reached a low point. TPR suggests that there are a number of areas which deserve greater focus and it encourages trustees to:

- carry out periodic stress tests to evaluate LDI strategy robustness;
- be more aware of the concentration risks associated with assets earmarked for sale during stress events; and
- consider whether a diversified pool of collateral assets is desirable and if a more flexible approach to generating cash may be more prudent in extreme scenarios.

THE PENSION PROTECTION FUND

[We're charging a zero levy for 2025/26](#)

(23 September 2025)

In July the PPF announced that it would put levy invoicing on hold while it considered the possibility of moving the levy to zero for 2025/26. It has now confirmed that it will be charging a zero levy, using the provision included in its levy rules to recalculate if appropriate changes to the PPF legislation were sufficiently progressed.

The PPF will engage with industry in due course on its levy plans for 2026/27.

THE PENSIONS OMBUDSMAN

[CAS-81940 Mr D \(British Steel Pension Scheme\) - Ombudsman sets out approach to pre-2021 transfers from occupational pension schemes](#)

(26 August 2025)

This Determination, accompanied by a [news release](#), sets out the Ombudsman's revised expectations in relation to trustee obligations when considering statutory transfer-out requests made between February 2013 and November 2021.

In 2014, Mr D transferred from his occupational pension scheme to a small self-administered pension scheme. He now claimed he had lost valuable retirement benefits as a result of the transferring trustees' failure to carry out sufficient due diligence, in line with TPR guidance at the time, to check for scam warning signs and to communicate those warning signs to him.

The Ombudsman concluded that where a member had a statutory transfer right under an occupational pension scheme, there was no general, common law or equitable obligation on trustees to conduct the additional due diligence set out in TPR's scams guidance, and

failure to follow the guidance could not establish a cause of action against the scheme - even if further warnings would have stopped the transfer from happening. Any duty of care to the member was overridden by the statutory requirement on trustees to make the transfer. While it could be argued this was "*an unsatisfactory outcome*", the Ombudsman was required to decide disputes in accordance with established legal principles.

The Ombudsman emphasised that separate considerations may apply in other scenarios, promising further Determinations on transfers from personal pension providers; and the making of discretionary / non-statutory transfers.

Comment:

This is an important determination, which trustees need to reflect in their responses to any 'transfer regret' cases at IDRP or Ombudsman stage. It reduces the prospect of such member claims being successful.

[CAS-84909 Ms N \(ReAssure Personal Pension Plan\) - fraud by beneficiary did not discharge provider's duty to properly consider death benefit discretion](#)

(25 September 2025)

This was a discretionary lump sum death benefit case. Mr C, the member's son, notified the provider of the death and completed the provider's standard claim questionnaire, saying he was the member's only child and there were no other surviving potential beneficiaries.

The provider paid Mr C the whole of the £60,000 lump sum on the basis that he was the sole beneficiary. However, in fact the member had three other adult children. The member's daughter, Ms N, subsequently approached the provider saying that Mr C had made a fraudulent claim on the policy. The provider said that as Mr C's name appeared on the death certificate and he had provided evidence that he was the member's son, it had decided to pay him in good faith.

Ms N complained to the Deputy Pensions Ombudsman who upheld the complaint. The provider's need to understand who potential beneficiaries were was a factual question, not a matter of discretion. A pension scheme could adopt a proportionate approach when distributing lump sum death benefits and carry out more limited investigation for lower value claims. However, it still had to gather sufficient information to make fair and rational decisions. It was not necessary to "*exhaustively identify every possible beneficiary*" but if the range of beneficiaries had not been properly considered, the discretion could not have been validly exercised.

The Deputy Ombudsman added that where unverified information was provided by a person claiming to be the sole beneficiary, "*it may be prudent to consider the possibility of fraud and the need to take extra steps to ensure that proper information is obtained*".

The provider was ordered to exercise its discretion afresh and re-take the decision, having properly established the class of beneficiaries.

Comment:

This determination is a reminder that to validly exercise a death benefit discretion, trustees and providers must take reasonable steps to establish the class of potential beneficiaries. It also confirms that in doing so, they should not rule out the possibility of fraud.

CAS-78486 [Mrs T](#) (HBOS Final Salary Pension Scheme) - *transfer regret: member without 'earnings' on transfer still had statutory transfer right*

(30 September 2025)

In 2015 the member transferred from a large occupational scheme to a small self-administered pension scheme following an unsolicited call offering a free pensions review. The funds in her new scheme were invested in fractional property investments abroad which proved worthless. She complained that the transferring trustees had failed to conduct sufficient due diligence checks and that she should be reinstated into her original scheme. In particular she argued that she was not, at the time of transfer, in receipt of any "earnings" and that this meant she had no statutory right to transfer.

The Deputy Pensions Ombudsman held that under the previous statutory transfer regime, there was no requirement for a member to have "earnings" at the time of transfer, whether from an employer under the receiving scheme or from any other source. The member therefore had a statutory right to transfer, which the transferring trustees were bound to give effect to.

Comment:

The Deputy Ombudsman's analysis differs from the approach taken previously by the Ombudsman's office, which was that a statutory transfer right required the member to be in receipt of earnings (which could be from any source) at the time of transfer. The effect of the new approach will be to further limit the likelihood of successful 'transfer regret' claims.