

June 2025

**Pensions Bulletin**

**(It’s quite a long one this month – there’s a lot going on)**

**Pensions Schemes Bill**

The Government has introduced the long-anticipated Pension Schemes Bill to parliament, initiating major reforms across defined contribution (DC), defined benefit (DB), and Local Government Pension Schemes (LGPS). Expected to receive Royal Assent in 2026, with secondary legislation to follow, the Bill builds on the 2024 King’s Speech, the Pensions Investment Review and consultations on the LGPS and defined benefit schemes. It aims to secure better value for pension savers and promote long-term investment to support UK economic growth.

The Bill includes confirms that the Government is proceeding to legislate to:

* Require multi-employer DC and group personal pension schemes to have at least £25bn of assets in their main scale default arrangement (aka ‘megafund’) by 2030 or be on the way to achieving that by 2035. The aim is to use these pension savings to invest in the UK economy.

*(GMB Comment; What evidence is there that this would generate results? it would require years of planning and coordination. Are there enough diverse investment opportunities available? To whom will they be accountable? What representational, accountability and transparency safeguards will there be?)*

* Create the legislative framework for the planned Value for Money regime so that all sizes and types of schemes will be subject to requirements to conduct annual VFM assessments.
* Address ‘small pots’ by introducing a default consolidator system to automatically combine pots of £1,000 or less.
* Require DC schemes to offer ‘default pension benefit solutions’ - including Collective Defined Contribution (CDC) schemes (See below) - that provide an income (not just a pot of money) at retirement.
* Introduce a contractual override to allow contract-based providers to transfer members out of underperforming and legacy arrangements if in members’ best interests.
* Allow rule changes by trustee resolution, where necessary, to facilitate employer surplus payments (Also see below) although this leaves much of the detail to regulations.

Regarding LGPS

* The Bill confirms the government’s intention to reform investment management and governance, with requirements for LGPS funds and pools to accelerate the consolidation of assets (reducing the number of pools from eight to six).

*(GMB Comment; What evidence is there that this would generate results? To whom will they be accountable? What representational - especially Trade Union - accountability and transparency safeguards will there be?)*

Regarding Superfunds

* The Pensions Regulator (TPR) has operated an interim assessment regime for DB superfunds since 2020, the Bill introduces the long-awaited legislative framework, formalising the requirements, regulatory oversight and an approval process for transferring pension schemes, with some existing ambiguity removed, as well as the criteria for authorisation and supervision, including governance standards, financial thresholds and capital buffers *(the detail is left to secondary legislation).*
* Allows TPR to oversee superfunds, with powers to intervene in cases of concern; they will need to have appropriate management documents and reporting in place.

In other measures the Bill will

* Allow data from the Pension Protection Fund (PPF) and Financial Assistance Scheme to be displayed on dashboards and extend their definitions of ‘terminal illness’.
* Give the PPF the ability to reduce its levy when not required without compromising its ability to raise more in future.
* Establish the Pensions Ombudsman as a ‘competent court’.

*Next steps:* The Bill will be scrutinised and debated by the House of Commons and the House of Lords. Consultations and discussion papers are expected as secondary legislation is developed. The Department for Work and Pensions (DWP) suggests that surplus regulations and guidance might come into force by the end of 2027, whilst the DWP and TPR will work to establish the permanent market for DB Superfunds by 2028. The timeline for implementation of DC measures is driven principally by the 2030 date for the minimum-fund-size requirement. It confirms that the delayed second phase of the Pensions Review, focusing on the adequacy of retirement incomes, will begin ‘in the near future’.

The Bill would make some of the biggest changes to the pensions landscape for years and may have far reaching consequences for GMB members although much of the detail will be left to regulations. It is for that reason that we will closely monitor all aspects of the bill and its passage through Parliament.

The delayed second phase of the Pensions Review, focused on retirement income adequacy, is set to begin 'in the near future'.

**Trumponomics**

The Pensions Regulator (TPR) has published a report on the impact on pension schemes of the recent market volatility caused by US trade tariffs. Although it is not possible to know Trump’s mind from one minute to the next, TPR’s engagement with schemes suggests, fortunately, that the impact on both DB and DC schemes seems to have been modest. This may be a consequence of Bond markets outwitting Trump and/or adoption of the TACO guideline (Trump Always Chickens out).

Although many DB schemes will have seen volatility affecting their assets, the impact on funding levels will have depended on the scheme’s investment allocation and what hedging arrangements were in place (if any).

TPR’s says trustees of both DB and DC schemes should:

* Have robust governance and operational resilience so that they can adapt to changing market conditions.
* Have clear lines of communication with employers, their advisers and other delegated authorities so that they are ready to act when necessary.
* Be alert to the risk of scammers, who might try to target savers during periods of economic uncertainty. Trustees are the first line of defence against scammers.

**Member Representation on Trustee Boards**

There is no alternative to accountability and transparency in running pension funds. The bigger the scheme the more important effective member representation is. The drive for fewer larger DC schemes (as per the government’s intention to create Megafunds) should include a call for member representation on management and Trustee boards (likewise for CDCs). Evidence shows that equal input into decision-making in the British Columbia Public Service Pension Plan and variable pension increases made it possible to use a rewarding investment strategy which resulted in a higher accrual rate (1.95% of pay per year) for an enviably low contribution rate.

There is also a convincing case for member-nominated trustees (MNT) who provide a valuable role in preparing communications and receiving feedback from members. Trade Unions, thanks to their representational and organisational ability, have a significant role to play in pension trusteeship, whether by supporting an MNT who is a union member or fulfilling their formal role of nominating a trustee.

**\* CDCs - Just a reminder of what CDCs can do for workers and employers.**

For workers:

* CDCs provides a pension not a savings pot.
* For a fixed same contribution rate, a CDC pension is expected to be higher on average than a Defined Contribution (DC) pot spent on an annuity.
* The CDC pension outcome is much less variable than a DC annuity outcome.

For employers:

* CDC provides the contribution certainty of DC while offering workers a better pension on average.
* Multi-employer master trust CDC could be a couple of years away, when it comes, we want to replace DC with CDC where appropriate.

**\* Fund Surpluses**

The main reasons for the emergence of surpluses are:

* The cost of insurance decreasing in line with the fall in the bond markets in 2022 and beyond
* Lower projections of longevity
* Good returns on equities in recent years.

GMB is firmly of the view that surpluses, like deficits, should be treated under the guideline ‘Shared Pain, Shared Gain’. Members will recall that when faced with rising contribution demands many employers seek to pass at least some of the burden on to employees e.g. by increasing member contributions or reducing benefits or even closing the DB scheme.

The same principles should be applied to surplus funds – at least some of the surplus should go towards the benefit of members.

Don’t forget, its our money!!

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**And finally…**

The Government plans to introduce legislation to allow pension schemes to be able to retrospectively obtain written actuarial confirmation that historical benefit changes met the necessary standards at the time.

Many Defined Benefit schemes ran the risk of past changes to their rules being deemed invalid if written actuarial confirmation could not be found. This announcement appears to give reassurance, albeit without any timescale, that the Government will act.