

Pensions Essentials

October 2026

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UK Autumn Budget

[The Budget](#) largely left pensions alone but those over state pension age with an income up to the full state pension will not pay income tax. There is also an immediate (and beneficial) change to the tax treatment of certain lump sum death benefits.

Tax treatment of lump sum death benefits: Currently, most lump sum death benefits on death before age 75 can be paid tax-free, but become taxable if they are not paid out within two years. This will no longer be the case for any payments made on or after 28 October 2026 (even where the death occurred earlier). This change needs to be reflected in scheme administration practices immediately.

Pension tax allowance: From 2027-28, the state pension will rise above the personal allowance (which is currently £12,570). To address the potential for very small amounts of tax to become due as a result, a new "Pension Tax Allowance" will be introduced from April 2027 for those over state pension age with income (from any source) up to the value of the full state pension (currently £13,036.40).

To avoid a cliff edge where £1 of income over the allowance would make an individual worse off, a taper will

apply so every £3 of income above state pension, will reduce the Pension Tax Allowance by £1. The allowance is worth a maximum of £94 a year, and will be maintained up to the end of tax year 2029-2030.

Collecting tax on excess lump sum death benefits:

Changes will be made to the way tax is assessed and collected where a deceased member's lump sum death benefit allowance has been exceeded. [HMRC newsletter 185](#) said that the amount above the allowance will not count as pension income for other tax purposes.

Consolidation and Retirement CDC schemes: Changes will be made to enable the consolidation of DC schemes and the introduction of the Guided Retirement framework and Retirement-only Collective Defined Contribution (RCDC) schemes. This will include expanding the circumstances when a member may keep tax protections on a transfer (eg protected pension ages and lump sums). In addition, members will be able to transfer from an RCDC scheme to a drawdown arrangement within a set timeframe if the RCDC scheme permits and may also be able to transfer from drawdown to an RCDC scheme.

Terminal illness for pensions access: It will be possible to pay a serious ill health lump sum where the member is reasonably expected to live for less than a year (which presumably allows for a greater degree of uncertainty). In addition, overseas registered medical practitioners will be able to provide medical evidence.

State pension: The [Government has confirmed](#) that from April 2030, the triple lock on the State Pension will increase annually by the highest of inflation (calculated using CPI); 2.5%; or the amount required to maintain the value of the State Pension relative to earnings (as opposed to just in line with the annual increase in earnings, as currently).

For more details see our [Budget briefing](#).

Practical points:

- [Note immediate changes to tax treatment of lump sum death benefits paid after two years.](#)
- [Consider if changes will have any impact on scheme benefits which are integrated with state benefits.](#)

Second superfund is approved

The Pensions Regulator [has assessed and approved a second superfund](#) under its interim regime in advance of the new statutory regime coming into force.

The [Pension Schemes Act 2026](#) sets out a statutory regime for the authorisation and supervision of pension superfunds. Superfunds are defined as schemes that receive a transfer from another DB scheme, have no real employer covenant and are supported by a capital buffer.

The Government said in its [2023 consultation on DB consolidation](#) that “a well regulated superfund sector may offer a more effective way of managing liabilities for some schemes” and that superfunds could provide benefits of scale and access a wider range of investments.

The new superfund regime is intended to come online late in 2028 and in the meantime, TPR operates an [interim regime](#). TPR will approve a superfund if it meets published criteria and then give clearance for transfers to it where they meet [three gateway tests](#):

- The scheme cannot access buy-out now.
- The scheme has no realistic prospect of buy-out in the foreseeable future, given potential employer cash contributions and the insolvency risk of the employer.
- The transfer will improve the likelihood of members receiving full benefits.

Since this interim regime was introduced in 2018, only one superfund, Clara, has been approved. Clara operates on the basis that a scheme is transferred into its own section and once that section is funded to buy-out level, the liabilities are transferred to an insurer.

Initially this “bridge to buy-out” model was the only real option for superfunds, as capital release was only permitted when benefits were bought-out. However, [in 2024](#), TPR amended its guidance to allow capital release up to twice a year when the total assets (including the capital buffer) exceed its minimum capital adequacy expectations.

This was intended to encourage “a thriving and competitive superfund market” and appears to have worked, as the [TPT Superfund](#) has now received TPR approval. This superfund proposes to run schemes on until all liabilities are paid out and (presumably) also release capital along the way where appropriate.

Interestingly, superfunds were excluded from the draft regulations on ongoing surplus release issued earlier this year, with the Government saying it plans to make separate surplus release provision for them.

Practical points:

- [Look out for consultation on the superfund regime.](#)
- [Watch out for new entrants to the superfund market.](#)

Pensions Regulator’s AI guidance for trustees

The Pensions Regulator [has published guidance](#) aimed at helping trustees identify and manage hidden AI-related investment exposure as AI becomes increasingly influential across global markets.

New guidance from TPR explains that it is concerned that whilst AI has the potential to generate substantial and lasting productivity and economic benefits, the investment required by AI is changing global market composition. Companies linked to AI make up a large share of stock market indices and they are raising significant equity and debt through diverse financing channels. This can make portfolio risks less visible and leave funds more vulnerable in the event of a market downturn.

TPR cautions that even a diversified portfolio may have hidden concentration risks because AI is increasingly embedded across sectors. If AI adoption disappoints, regulation tightens, or investment in AI infrastructure proves excessive, losses can emerge simultaneously across apparently unrelated holdings and asset classes.

Trustees should understand their exposure to AI and related investments. They also need to assess how the scheme might behave during a possible market downturn and take proportionate and appropriate steps.

TPR expects trustees to:

- Assess total portfolio exposure, including direct and indirect AI-related exposure across asset classes. This means asking advisers to identify areas of exposure.
- Use scenario analysis to test portfolio resilience under severe but plausible stressed market conditions.
- Consider how passive strategies could become more concentrated as the value of AI companies rises.
- Challenge investment advisers and managers on how market developments could affect the scheme’s investments and objectives.
- In a DC scheme, have a proportionate and clear communication plan which can be executed quickly, to minimise the risk of poor member decision-making.

In the event that AI leads to increased market volatility, TPR refers trustees to its [earlier guidance](#) setting out what it expects from trustees. In general, they should ensure they have robust governance and operational resilience to adapt to changing market conditions, and clear communication lines with employers and advisers.

Practical points:

- [Assess and monitor risk of AI in relation to scheme investments.](#)
- [Determine whether action is required to mitigate risk.](#)

Mansion House Accord progress

A report has been issued tracking progress against the commitments set out in the [Mansion House Accord](#), which targeted 10% of DC default funds being invested in private markets, including 5% in the UK, by 2030.

In May 2025, seventeen workplace pension providers, managing around 90% of active savers' DC pensions, entered into the [Mansion House Accord](#). Under the Accord they agreed to target investment of 10% of their main default funds in private markets by 2030, with at least 5% ringfenced for investment in the UK.

The [Government welcomed](#) the Accord and said that "progress against the commitment [would] be monitored." In addition, a power was included in the Pension Schemes Act 2026 to allow the Government to set asset allocation requirements for providers up to the same levels, but the Government said that the power would only be used if industry did not deliver change on its own.

The ABI and Pensions UK, together with the signatories to the Accord and the City of London Corporation, have been tracking progress against the Accord's objectives and have [issued a report](#) setting out their findings.

Key points to note are:

- £22.1 billion of DC growth-phase default assets is invested in private markets with £11.1 billion in UK assets. A further £10.7 billion is contractually committed to private markets and awaits deployment.
- £56.9 billion is invested in private markets across the wider DC asset base, and £32.1 billion of this is allocated to UK-based assets.
- Beyond this, providers are building capability through new manager partnerships, vehicles, mandates, governance changes and recruitment.
- Schemes are uncertain about the UK investment pipeline. It is improving, but concerns remain over whether there are enough investable opportunities to support the Accord's ambitions.
- The Accord's objectives were conditional on a number of things, including successful delivery of the new value for money framework and a pragmatic approach to the new scale requirements. Further progress depends on satisfaction of these conditions.

For now it appears that sufficient progress is being made on investment in private markets to avoid the use of the Government's mandation provisions in the Pension Schemes Act, but it will be interesting to see if this continues.

Practical points:

- [Sponsors should consider the investment aims of any auto-enrolment provider.](#)
- [Keep an eye on what the Government says about using its investment mandation powers.](#)

Dashboard update

As almost all schemes are now connected to the dashboards, they and their advisers need to ensure they keep on top of [revised standards](#) and [industry guidance](#).

The long stop date for schemes to connect to the dashboards is 31 October 2026. That means that almost all schemes should now be connected, and [beta testing](#) for members has begun.

With that in mind, the Pensions Dashboard Programme (PDP) and PASA have issued further operational guidance and standards for schemes:

PASA guidance on possible matches: A possible match is where the information supplied by a member to the dashboards indicates a possible link to a pension record but is not conclusive. Further checks are needed to establish whether there is an actual match between the member and a pension record. Resolving potential matches effectively will be key to the success of the dashboards and help people reconnect with their pensions while protecting against fraud and misidentification.

[PASA's guidance](#) looks at how organisations can balance ensuring a straightforward member experience with proportionate verification and having enough capacity to manage enquiries at scale. It covers contact routes, identity checks, communicating outcomes, handling unresolved cases, data protection and monitoring. It also highlights opportunities to improve underlying data quality through the resolution process.

PDP reporting standards: The reporting standards set out mandatory requirements for schemes on generating and recording operational information and reporting it to the Money and Pensions Service (MaPS), to support oversight and management of the dashboards ecosystem.

The PDP has issued a revised [draft of its reporting standard](#) and [published a blog](#) about what the revised version means for schemes. No further changes are expected before the standard comes into force on 1 March 2027.

Pension providers and schemes must collect and retain data items relating to coverage, service availability and view responses. This data should currently be reported to MaPS as a monthly manual report until daily reporting is required from 1 March 2027.

Where schemes connect via a third-party connection provider, they should check that they are on track to implement daily reporting. Trustees are ultimately responsible for compliance and should understand the standards and how they apply, and what their delegates are doing to ensure compliance.

Practical points:

- [Watch out for when dashboards go live to members.](#)
- [Check third parties dealing with dashboard compliance are able to comply with all requirements.](#)

Pensions Ombudsman

The Pensions Ombudsman has issued a number of interesting recent determinations which contain some helpful points that it is worth trustees noting

Statutory revaluation: S complained he was told that increases to his deferred pension would be calculated by reference to RPI but CPI had been used. The booklet referred to RPI but said that in the event of a conflict between the rules and the booklet, the rules would prevail.

The Ombudsman determined that the Scheme rules referred to statutory revaluation so the trustees had correctly changed the basis of revaluation to CPI. Although it might have been helpful to have told members about the change in the index, there was no legal obligation to do so and there was no maladministration in not doing so. In addition, the booklet was only a user-friendly summary of the rules and S could not claim to have reasonably relied upon it.

This is a useful confirmation that booklets cannot generally be relied upon to override scheme rules and that not every change to benefit calculation needs to be communicated to members.

Changing decision to take benefits: In January 2023, S opted to put his benefits into drawdown, which would trigger a lifetime allowance charge because he had already exceeded the LTA by taking benefits under other pension schemes. In March 2023, before any drawdown payments had been made and after the Government had announced that there would no longer be any lifetime allowance charges, S asked if the drawdown arrangement could be reversed. The provider refused and S complained.

The adjudicator decided (and S accepted) that a benefit crystallisation event had been validly triggered when the funds were put into drawdown and there was no statutory or HMRC basis on which this could subsequently be reversed. This is worth noting as it is not unusual for members to ask for a decision to bring benefits into payment to be reversed.

Because of numerous miscommunications and delays, the Ombudsman took the unusual step of awarding £2000 for severe distress and inconvenience (such awards are not typically greater than £1000). He said factors which were relevant in making a higher award include chronic situations, numerous or compounded errors over a prolonged period, missed opportunities to identify and correct mistakes, failures to respond appropriately to an applicant's concerns, and circumstances where an applicant's wellbeing has been significantly affected.

Practical points:

- Note the circumstances in which the Ombudsman will make a higher award for distress and inconvenience.
- Be aware that once benefits are in payment, this cannot generally be reversed.

PPF levy for 2027/2028

The PPF has announced that it will not charge a levy for conventional DB schemes in 2027/2028 and will pause the alternative covenant scheme levy for a year.

The PPF has said that for the third consecutive year it will not impose a levy on conventional DB schemes that have a sponsoring employer. This accounts for almost all of the 4800 schemes in the PPF universe.

The levy on alternative covenant schemes will also be paused for a year. Alternative covenant schemes are arrangements, such as superfunds, where member security relies on support from something other than a sponsoring employer (in the case of superfunds, a capital buffer). An "ACS levy charge" can be applied to these schemes to reflect the risk they present to the PPF. Pausing this for a year will allow time for the PPF to complete a review of the charging methodology and ensure a proportionate approach that reflects the new superfund regime being put in place by Government.

Alongside the levy announcement, the PPF has published its response to the consultation on updated actuarial assumptions for valuations carried out under the PPF regime. The main changes being made affect discount rates and mortality assumptions and are aimed at keeping them aligned with current buy-out pricing (which has become more competitive). The changes are expected to reduce estimated liabilities under the valuation bases, although the impact will vary by scheme.

The PPF will publish updated valuation guidance documents later in the year. It is waiting for regulations under the Pension Schemes Act 2026 on the indexation of PPF compensation in relation to pre-1997 benefits where the transferring scheme provided such indexation. The guidance will specify the date from which PPF valuations should include pre-1997 indexation and how this should be allowed for. However, until it is published, valuations do not need to include it.

In addition, the PPF has published its Sustainability Report for 2025/26 setting out its approach to sustainable investment and stewardship in relation to the £31.5 billion of assets that it now holds.

Practical points:

- Note the zero levy for 2027/28.
- Watch out for updated valuation guidance.

Watch List

Topic	Details	Relevant dates
Collective defined contribution schemes	Regulations are now in force which permit CDC schemes for unconnected employers and pave the way for commercial providers to offer such schemes. TPR has issued an updated code of practice and guidance for schemes seeking authorisation. The Government has also consulted on the possibility of allowing trustees to select retirement-only CDC arrangements as a default retirement option for members.	Regulations on unconnected employer CDC came into force on 31 July 2026. Consultation on retirement-only CDC regulations expected later this year and likely to come into force in 2028.
Dashboards	Trustees of the majority of UK schemes with active and/or deferred members will need to ensure that their scheme is connected to the dashboard ecosystem by 31 October 2026. A detailed timetable is set out in DWP guidance.	Compulsory connection deadline of 31 October 2026 for most schemes. No go live date for members yet.
Default retirement options - DC	The Pension Schemes Act 2026 will require trustees to provide access to a default retirement solution for DC members either through their scheme or, where this is not possible or is not in members' interests, through a transfer to another arrangement. See above for use of CDC schemes as a solution for these purposes.	Consultation on draft regulations expected in 2027, to be finalised in 2028. Phased implementation from 2029.
Default funds – DC	The Pension Schemes Act 2026 will require multi-employer master trusts and GPPs used for auto-enrolment to have a main default fund with assets of £25 billion. It also sets out a regime for the approval and supervision of such funds.	Regulations needed. Requirements in force in 2030 with transitional provisions to 2035.
Inheritance tax	Changes in the Finance Act 2026 will impose inheritance tax on inherited DC benefits and some death benefits. There will be numerous associated requirements on scheme administrators in relation to providing information, paying tax directly on request and withholding benefits.	Changes come into force from 6 April 2027. There are tight time limits for providing required information.
Investment	The Pension Schemes Act 2026 provides for regulations which can require multi-employer master trusts and GPPs used for auto-enrolment to invest a stated percentage of assets in prescribed investments. The Government has also said it will issue guidance for trustees on their fiduciary duties in an investment context.	The Government has said the power is a reserve one. It must be exercised between 2028 and 2032, and the regime will fall away in 2035. Draft guidance is due later this year.
Minimum pension age	The minimum age at which a pension can normally be paid and be an authorised payment is due to rise from 55 to 57. HMRC has issued guidance and draft regulations on transitional issues for members aged between 55 and 57 on implementation and when benefits can be paid to them before age 57.	The change will be effective from 6 April 2028.
Pensions Commission	The Commission is considering long-term questions in relation to pensions adequacy and retirement outcomes. It has reported that people are under-saving for retirement and will make recommendations next year.	Interim report issued May 2026. Final report due early 2027.
Salary sacrifice	The 2025 budget announced a cap on salary sacrifice arrangements for pension contributions of £2,000. Enabling legislation is set out in a new Act but regulations are required to bring the change into force.	Proposals due to be implemented on 6 April 2029.

Topic	Details	Relevant dates
Small pots consolidation – DC	The Pension Schemes Act 2026 provides for the consolidation of dormant DC pots of £1,000 or less. Consolidators are likely to be DC master trusts. The Government is consulting on the detail. Consultation closes on 17 November 2026.	Consolidators due to be selected in 2029 and consolidation to start in 2030.
Superfunds - DB	The Pension Schemes Act 2026 sets out a framework for the authorisation and supervision of superfunds and gateway conditions for transfers to them.	Regulations anticipated in 2027 and regime coming into force in 2028 alongside a new code of practice.
Surplus - DB	Provisions in the Pension Schemes Act 2026 will facilitate refunds of ongoing surplus for schemes with no or limited powers in scheme rules. The statutory conditions for doing so have also been changed. Draft regulations have been issued on the process and funding test as well as preliminary guidance from TPR. Detailed guidance is expected later this year.	Detailed guidance due in draft in late 2026. Legislation due in force in April 2027.
Value for money - DC	The Pension Schemes Act 2026 allows for regulations to set out a new value for money framework for occupational pension schemes providing DC benefits. A joint FCA/TPR consultation has set out the detail of the metrics that are likely to be required and draft regulations and FCA rules have been issued. Consultation has closed.	Regulations anticipated in early 2027. DC schemes to collect data between July and December 2027 and submit in March 2028. First assessments and published data in 2028 for commercial and large schemes.

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