A DB Perspective on the Recently Published Pension Schemes Bill

Although published on 5 June, The Pension Schemes Bill now has to go through the usual Parliamentary process. There is no set time for it to obtain Royal Assent, although the expectation is that this will be early 2026.

Alongside the Bill, the Department of Work and Pensions (DWP) also published a 'roadmap' for workplace pension reforms. This roadmap, linked to the proposals in the Bill and the Government's response to the consultation on 'Options for Defined Benefit Schemes', outlines the timetable for implementing the proposed changes.

Here's a summary of the main proposals that may affect Defined Benefit (DB) occupational pension schemes:

Release of surplus

The release of DB surpluses to sponsoring employers is covered under a separate, recently-issued Cartwright update: Defined Benefit Schemes The Governments response to the consultation Options for Defined Benefit DB Schemes | Cartwright Pension Trusts

It's anticipated that, following further consultation in 2026, final regulations regarding releasing surplus will come into force in 2027, together with accompanying guidance from The Pensions Regulator (TPR).

DB 'superfunds'

Superfunds are commercial entities that act as pension scheme consolidators by taking on the liabilities of DB pension schemes. Effectively, they buy out DB schemes, removing the employer's obligation to fund and guarantee the payment of future pensions. By consolidating the assets and liabilities of multiple pension schemes, superfunds aim to gain economies of scale and reduce costs.

The superfund guarantees the pensions through the employer investment and its own assets held in reserve (a capital buffer); with scheme members ultimately benefiting from the enhanced security of their benefits.

The draft regulations in the Bill set out a more specific permanent statutory framework for DB superfunds to cater for smaller schemes that may not be able to reach buyout.

Under the Bill, TPR will continue to approve a transfer to a superfund and ensure certain conditions have been met. The regulations include details regarding the definition of a superfund, authorisation by TPR, approval conditions, the ongoing governance and reporting requirements that must be complied with.

To date there have only been three superfund transfers.

The provisions might make transfers to superfunds more appealing, because schemes will no longer have to show that a buy-out is not a realistic prospect in the future, to potentially be able to transfer.

It's anticipated that regulations regarding superfunds will be laid out in 2027, with final regulations and TPR's code coming into force in 2028.

PPF levies

Currently legislation restricts the PPF from increasing the levy by more than 25% in any year.

This means a levy would have to be paid even when it is not required because the PPF could not set a levy as nil one year and then increase it the following year.

The draft legislation in the Bill removes that restriction, allowing the PPF to be able to reduce the levy to nil in one year, but collect a levy in future years.

The Pensions Ombudsman

The bill clarifies the legal standing of the Pensions Ombudsman as a 'competent court'. This legal standing is for the purposes of making determinations regarding the recovery of pension overpayments without requiring an order from a county court judge.

Our thoughts

Clearly, the Government's long-term aim is to ensure workplace pensions can provide better retirement outcomes for scheme members. This includes both easing and improving past restrictions that can affect scheme governance. As such, we feel the proposed changes are therefore welcome.

In some instances, the changes will not come into force for some time. They may also be subject to further consultation and require additional regulations and guidance. We will keep clients informed of any updates.

If you would like to discuss any of these matters further, please get in touch with your usual contact at Cartwright.

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