

PENSION SCHEMES ACT 2026 – WHAT DO I NEED TO KNOW?

Introduction

In TSSA's Pensions Update¹ that was issued to reps in August 2025 we introduced the main elements of the Government's Pension Schemes Bill which has now passed into law as the Pension Schemes Act 2026 after receiving Royal Assent at the end on 29th April.

In this Bulletin we will be giving you an overview of the Pension Schemes Act and what it could mean for you.

What is the purpose of the Act?

From the start, it is worth noting that the new law is important for members of pension schemes across Britain² because it has developed a series of wide-ranging measures that are designed to improve retirement outcomes as well as support the UK's economic growth. The legislation has also introduced some other additional measures designed to address specific issues.

The Act is a framework

Whilst the new Pension Schemes Act is now in force, it is, like many Acts of Parliament, essentially a framework that will require secondary legislation (eg, regulations) and separate guidance documents to give more detailed and practical effect to many of its measures.

The Pensions Regulator (TPR) and the Financial Conduct Authority (FCA) have been tasked with producing the detailed arrangements and some of those measures will be the subject of consultation before they are finally introduced, a process that has already begun.

When will the detailed measures be introduced?

All this means that the Act will be introduced on a phased basis over the period 2026 to 2030. TPR has published a Pension Reform Roadmap³ that breaks down the various elements in the Act into stages of:

¹ Reps Bulletin, PEN/050/Aug 2025.

² It applied in England, Wales and Scotland but not in Northern Ireland where pensions are a reserved matter for the devolved Government.

³ Available at: <https://www.thepensionsregulator.gov.uk/en/pension-schemes-act-2026/pensions-reform-roadmap>

- Enable, 2026 to 2027: legislation, consultation, codes, guidance and early engagement.
- Implement, 2027 to 2028: new regulations, authorisation regimes and data requirements start to take effect.
- Embed and scale, 2028 to 2030: reforms become operational, including value for money assessments, consolidation and expanded retirement solutions.

Interested members are recommended to have a look at the Roadmap⁴ because it uses a diagram to illustrate the approach for implementing each of the measures in the Act. Members should note the caveat that progress will be kept under review.

What measures have been introduced by the Pension Schemes Act 2026?

Amongst the measures the Act is introducing are the following:

- Defined Benefit (DB) pensions are occupational schemes in which the benefits are defined in the scheme rules and accrue independently of the contributions payable and investment returns. Most commonly, the benefits are related to members' earnings when leaving the scheme or retiring, and the length of pensionable service.

Many TSSA members are accruing their pensions in DB schemes like the Railways Pension Scheme, Network Rail's CARE Scheme and the TfL Pension Fund.

According to the Pension Regulator⁵, the DB landscape has significantly changed over the last five years, moving from a position in which the majority of DB schemes were in deficit to a situation in which TPR estimate that 80% of them are now in surplus on a low dependency basis. The Government has also published information based on TPR analysis that indicates the DB pension surplus has "an estimated total in aggregate of around £160 billion"⁶ and they see the opportunities that this money would "support long term growth, including wider economic investment."

What the Pension Schemes Act introduces, therefore, is a statutory power that would allow trustees to modify scheme rules to permit the release of surpluses from DB schemes. It would also enable them to remove or relax any restrictions on the exercise of an existing trustee power.

The use of the power is solely at the discretion of the trustees. The employer that sponsors the scheme does not have a statutory override to make payments if the scheme rules do not allow this.⁷

⁴ (see link at footnote 4)

⁵ <https://www.thepensionsregulator.gov.uk/en/document-library/statements/new-defined-benefit-surplus-flexibilities> (10th June 2026)

⁶ <https://www.gov.uk/government/consultations/surplus-flexibilities-for-defined-benefit-pension-schemes-unlocking-value-for-employers-and-scheme-members/surplus-flexibilities-for-defined-benefit-pension-schemes-unlocking-value-for-employers-and-scheme-members#fn:1>

⁷ <https://www.squirepattonboggs.com/media/3h3lbexi/pension-schemes-act-2026-brochure.pdf>

The UK Government's Department for Work and Pension are currently consulting on the detailed measures that will be introduced, including protections such as the need for an actuarial certificate that would verify how scheme liabilities (members' pensions accrual) would not be affected by the release of surplus.

It is also possible for the trustees to decide to use some of the surplus to enhance member benefits, subject to scheme rules and trustees' fiduciary duties.

Members quite rightly see their pensions as unpaid wages held back for their retirement. This is especially the case where growth in pensionable pay has been restricted by capping measures, introduced in response to scheme deficits as way to reduce liabilities. TSSA will be looking for improvements to members' benefits through the use of pension surpluses, especially as members will have contributed to the current surpluses.

The consultation is available to view on the DWP's GOV.UK website⁸ and any comments that you may have can be emailed to Rob Jenks (at: jenksr@tssa.org.uk) who will be making a submission to the proposal on behalf of TSSA. The consultation closes on 2nd September 2026 but please ensure any comments are received by no later than Friday 29th August.

- For Defined Contribution⁹ (DC) pensions there are a series of legislative changes that include:
 - Giving the Secretary of State new powers to make regulations in order to introduce a new Value for Money regime that will drive up quality standards and improve member outcomes in DC schemes.
 - Consolidation of Small Dormant DC Pension Pots. This would be done through the introduction of a framework within the Act for the automatic consolidation of DC pension pots with a value of up to £1,000. This would take place where a member has not contributed to the auto-enrolment scheme or made any investment decisions for at least 12 months.¹⁰
 - Scaling up DC funds. Requirements for the default investment arrangements offered by master trust (MT) and group personal pension

⁸ See: <https://www.gov.uk/government/consultations/surplus-flexibilities-for-defined-benefit-pension-schemes-unlocking-value-for-employers-and-scheme-members>

⁹ A Defined Contribution scheme is one in which a member's benefits are determined by the value of the pension fund at retirement. The fund, in turn, is determined by the contributions paid into it in respect of that member (eg, by the member and employer), and any investment returns.

¹⁰ From: <https://www.squirepattonboggs.com/media/3h3lbexi/pension-schemes-act-2026-brochure.pdf>

(GPP) schemes used for automatic enrolment to reach at least £25 billion by 2030 (or be on track to reach that size by 2035), with power to restrict the creation of new smaller-scale default arrangements.¹¹

- Asset allocation. Also known as “mandation”, these measures grant the government power to mandate that 10% of funds are invested in DC main default funds with at least 5% invested in “productive finance” which includes assets such as private equity, venture capital and infrastructure. The Government’s power in this area cannot begin until 1st January 2030 and will end in 2035.¹²
- Introduces a contractual override regime for FCA-regulated pension schemes which involve a contract between an individual and the pension provider¹³. The override mechanism is in relation to underperforming and legacy arrangements and allows the provider to amend the terms of a scheme or transfer a pension pot to a better performing arrangement, without member consent.
- Guided retirement. The Act sets out new duties for trustees or managers to design and make available one or more default pension benefit solutions for eligible members of DC schemes. The default solutions must be designed to provide regular retirement income (but other benefits may also be provided). It must also take account of the needs and interests of members. Regulations and TPR guidance will add detail to the guided retirement framework.
- Pension Protection Fund (PPF) and Financial Assistance Scheme (FAS)
The PPF was set up in 2005 to act as a “lifeboat” for pension schemes that are in trouble because of an insolvent sponsoring employer.

Where the assets of the scheme are assessed as fulfilling the tests for transfer to the PPF, members’ pensions are moved to the PPF. No further accrual takes place, but the member is at least guaranteed most of their pension at the time of the employment insolvency. For instance:

- members who have already retired receive the same level of pension (referred to as ‘compensation’ by the PPF) as they did before moving to the PPF but future indexation (increase) is restricted to a maximum of a 2.5% annual increase – and only on the accrual since 5th April 1997.

¹¹ From: <https://www.hymans.co.uk/insights/briefing-note-the-pension-schemes-act-2026>

¹² See Note 9 for additional details.

¹³ The FCA regulates contract-based pensions, which involve a contract between an individual and the pension provider. They are DC based arrangements that can be grouped together as Group Personal Pension for administrative purposes.

- a member who is yet to retire when they move to the PPF only receive 90% of a cap on their pension when they do retire. They also suffer with the same limited indexation, receiving no annual uplift on their pension accrual before 5th April 1997.

This is an issue that the trade unions have campaigned on. TSSA has members who have found their pensions moving to the PPF with perhaps the best known recent example being the insolvency of Carillion in 2018 that affected a number of scheme including the RPS Sections such as the GTRM Section of the Railways Pension Scheme.

The Pension Schemes Act 2026 has now removed the bar on pre April 1997 indexation but it only relates to those schemes in the PPF that had scheme rules that provided for pre-1997 indexation.¹⁴ TSSA will be seeking greater clarity on this matter because it seems unfair when members have to contend with the same increases in household bills.

Reps' action

All TSSA reps who receive this Bulletin are requested to share it with the members and colleagues they represent.

Reps should also ensure members are aware of the opportunity to contribute to TSSA's response to the DWP consultation.

Finally, we would also ask reps to speak to non-members about joining TSSA which can be done online at: <https://www.tssa.org.uk/join-tssa>

Acknowledgments

In preparing this Reps Bulletin we have used publicly available information from various sources that are acknowledged in the footnotes.

¹⁴ <https://www.ppf.co.uk/our-members/Will-my-payments-increase/pre-97>