

Pension Schemes Act 2026

CHAPTER 22

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Pension Schemes Act 2026

CHAPTER 22

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Pension Schemes Act 2026

2026 CHAPTER 22

An Act to make provision about pension schemes; and for connected purposes. [29th April 2026]

BE IT ENACTED by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

PART 1

DEFINED BENEFIT PENSIONS

CHAPTER 1

LOCAL GOVERNMENT PENSION SCHEMES

1 Asset pool companies

(1) Scheme regulations relating to a scheme for local government workers which has pension funds may make provision about, or in connection with, asset pool companies and participation in asset pool companies by the scheme managers.

(2) The provision which may be made under subsection (1) includes provision—

(a) imposing requirements or prohibitions on scheme managers;

(b) enabling the responsible authority, in prescribed circumstances, to give a direction to a scheme manager requiring the manager—

(i) to participate in an asset pool company specified in the direction, or

(ii) to cease to participate in an asset pool company so specified;

(c) enabling the responsible authority, in prescribed circumstances, to give a direction to an asset pool company specified in the direction,

or to all or any of its participating scheme managers, requiring the company or scheme managers concerned—

(i) to take any steps specified in the direction with a view to enabling or securing compliance by a scheme manager with a direction requiring it to participate in, or to cease to participate in, the company (see paragraph (b)), and

(ii) to take any other steps necessary to enable or secure compliance with such a direction;

(d) imposing requirements or prohibitions on asset pool companies;

(e) enabling or requiring the responsible authority to issue guidance to asset pool companies;

(f) enabling the responsible authority, in prescribed circumstances, to give a direction to an asset pool company—

(i) requiring it to comply with guidance issued as mentioned in paragraph (e) (where the responsible authority is satisfied that it is failing, or has failed, to do so without good reason);

(ii) as to the manner in which it is to carry out any specified investment management activities.

(3) In subsection (2)(f)(i) and (ii)—

"specified" means specified in the direction;

"investment management activities" means activities involved in or connected with the management of funds and other assets.

(4) If provision is made under subsection (2)(b) or (c), the scheme regulations must require the responsible authority to consult the following persons before a direction is given in respect of the participation of a scheme manager in an asset pool company, namely—

(a) the scheme manager;

(b) the asset pool company;

(c) the scheme managers participating in the asset pool company;

(d) any other person the responsible authority considers it appropriate to consult.

(5) If provision is made under subsection (2)(f) for the giving of directions to an asset pool company, the scheme regulations must require the responsible authority to consult the following persons before a direction is given, namely—

(a) the asset pool company;

(b) the scheme managers participating in the asset pool company;

(c) the Financial Conduct Authority;

(d) any other person the responsible authority considers it appropriate to consult.

(6) Scheme regulations making provision mentioned in subsection (2)(a) may (among other things)—

(a) require a scheme manager to participate in an asset pool company with a view to that company managing the funds and other assets of the scheme for which the scheme manager is responsible;

(b) prohibit a scheme manager from participating in more than one asset pool company at the same time (subject to any transitional arrangements permitted by the regulations where a scheme manager participating in one company decides to participate instead in another company);

(c) require the scheme managers for the time being participating in an asset pool company to take steps to secure the grant of FCA authorisation to the company for carrying out prescribed activities.

(7) Scheme regulations making provision mentioned in subsection (2)(d) may (among other things) require an asset pool company to take steps to secure the grant of FCA authorisation to the company for carrying out prescribed activities.

(8) In subsections (6)(c) and (7) –

"activities" means activities which–

(a) are activities of a kind that an asset pool company could carry out, and

(b) require FCA authorisation;

"FCA authorisation" means authorisation by the Financial Conduct Authority under the Financial Services and Markets Act 2000.

(9) For the purposes of this Chapter–

(a) "asset pool company" means a company limited by shares and registered in the United Kingdom which is established for purposes consisting of or including–

(i) managing funds or other assets for which its participating scheme managers are responsible, and

(ii) making and managing investments on behalf of those scheme managers (whether directly or through one or more collective investment vehicles),

and whose shares are all held by scheme managers only or by another company limited by shares and registered in the United Kingdom whose shares are all held by scheme managers only, and

(b) a scheme manager participates in an asset pool company by–

(i) being a shareholder of the company,

(ii) being a shareholder in another company which is the only shareholder of the company, or

(iii) contracting with the company for it to manage the funds and other assets for which the scheme manager is responsible.

2 Asset management

(1) Where scheme regulations relating to a scheme for local government workers make provision under section 1(1), the regulations must make provision about

the management of the funds and other assets for which the scheme managers are responsible.

(2) The provision made by virtue of subsection (1) must include provision for securing that (among other things)—

(a) each scheme manager formulates, publishes and keeps under review an investment strategy,

(b) the funds or other assets for which a scheme manager is responsible (other than money needed for making payments under the scheme from the pension fund maintained by that scheme manager) are—

(i) held on behalf of the scheme manager by an asset pool company in which the scheme manager participates (subject to any transitional arrangements permitted by the regulations in relation to the transfer of funds or assets to the company), and

(ii) properly managed by that company with a view to implementing the scheme manager's investment strategy, and

(c) in the case of a scheme for local government workers for England and Wales, each scheme manager (other than the Environment Agency) co-operates with an appropriate strategic authority to identify and develop appropriate investment opportunities.

(3) The provision made by virtue of subsection (1) may include, in particular, provision about—

(a) sources of advice that a scheme manager must, or may, use in formulating its investment strategy, and

(b) matters that must, or may, be covered by an investment strategy.

(4) The matters referred to in subsection (3)(b) include—

(a) the scheme manager's approach to responsible investment,

(b) the scheme manager's approach to local investments, and

(c) strategic asset allocation or target ranges for growth and income.

(5) In this section—

"investment strategy" means a statement of a scheme manager's objectives, priorities and preferences in relation to the investment of the funds and other assets for which it is responsible;

"local investments", in relation to a scheme manager, means investments in, or for the benefit of persons living or working in—

(a) the scheme manager's area, or

(b) the areas of the other scheme managers participating in the same asset pool company as the scheme manager;

"strategic authorities" means—

(a) the Greater London Authority,

(b) a combined authority in England established under section 103 of the Local Democracy, Economic Development and Construction Act 2009,

(c) a combined county authority in England established under section 9(1) of the Levelling-up and Regeneration Act 2023,

(d) any other local authority in England of a description prescribed for the purposes of this paragraph in scheme regulations, and

(e) a corporate joint committee in Wales established by regulations under Part 5 of the Local Government and Elections (Wales) Act 2021 (asc 1).

3 Additional powers for certain scheme managers

(1) Scheme regulations may make provision for the purpose of conferring any power or powers falling within subsection (2) or (4) on a specified scheme manager for a scheme for local government workers in England and Wales.

(2) Scheme regulations under this section may make provision conferring on the scheme manager (in relation to carrying out its functions as a scheme manager)—

(a) any specified power or powers of a local authority under Part 6 of the Local Government Act 1972, or

(b) any power or powers corresponding to one or more of the powers of a local authority under that Part.

(3) The power to make provision by virtue of subsection (2) is not exercisable if, or to the extent that, the scheme manager already has the powers of a local authority under Part 6 of the Local Government Act 1972 (otherwise than by virtue of scheme regulations under this section).

(4) Scheme regulations under this section may make provision conferring on the scheme manager (as part of its functions as a scheme manager) power to provide any administrative, professional or technical service for any other person who is a scheme manager for a public service pension scheme.

(5) In subsection (4)—

(a) "public service pension scheme" means a scheme for the payment of pensions and other benefits to or in respect of persons of a description set out in section 1(2) of PSPA 2013, and

(b) "scheme manager" (in the third place it appears) means any person who is, for the purposes of PSPA 2013, a scheme manager for any such scheme.

(6) The power to make provision by virtue of subsection (4) is not exercisable if, or to the extent that, the scheme manager already has the power to provide services referred to in that subsection (otherwise than by virtue of scheme regulations under this section).

(7) Scheme regulations under this section may amend or modify any Act passed before or in the same Session as this Act.

(8) In this section "specified" means specified in scheme regulations under this section.

4 Exemption from public procurement rules

After paragraph 2 of Schedule 2 to the Procurement Act 2023 (general vertical arrangements exemption from public procurement rules) insert—

"2A (1) A contract between a local government pension scheme manager acting in its capacity as a local government pension scheme manager and an asset pool company providing for the company—

(a) to manage the funds and other assets for which the scheme manager is responsible,

(b) to make and manage investments on behalf of the scheme manager, and

(c) if the contract so provides, to carry out other investment management activities for or on behalf of the scheme manager,

if each of the conditions set out in sub-paragraph (2) is met.

(2) The conditions are—

(a) that more than 80% of the activities of the company are investment management activities carried out for or on behalf of local government pension scheme managers acting in their capacity as local government pension scheme managers;

(b) that no person exercises a decisive influence on the activities of the company (either directly or indirectly) other than—

(i) the participating scheme managers in the company, acting in their capacity as local government pension scheme managers, and

(ii) where the only shareholder in the company is another company (see section 1(9)(a) of the Pension Schemes Act 2026), that other company;

(c) that the company does not carry out any activities that are contrary to the interests of—

(i) the participating scheme managers in the company, in their capacity as local government pension scheme managers, or

(ii) where the only shareholder in the company is another company, that other company.

(3) The contracts covered by this paragraph include a contract where the local government pension scheme manager concerned is already a participating scheme manager in the company (as well as one where the scheme manager concerned will become a participating scheme manager in the company as a result of entering into it).

(4) An appropriate authority may by regulations make provision about how a calculation as to the percentage of activities carried out by

an asset pool company is to be made for the purposes of sub-paragraph (2)(a).

(5) For the purposes of sub-paragraph (2)(b), a person does not exercise a decisive influence on the activities of the asset pool company only by reason of—

(a) being a director, officer or manager of the company, acting in that capacity, or

(b) where the only shareholder in the company is another company, being a director, officer or manager of that other company.

(6) In this paragraph—

"asset pool company" has the meaning given by section 1(9)(a) of the Pension Schemes Act 2026;

"investment management activities" means activities involved in or connected with the management of funds or other assets for which a local government pension scheme manager is responsible (including making and managing investments on behalf of the scheme manager);

"local government pension scheme manager" means a person who is, by virtue of section 4(5) of the Public Service Pensions Act 2013, a scheme manager for a pension scheme for local government workers in England and Wales;

"participating scheme manager", in relation to an asset pool company, means a local government pension scheme manager who participates in the company within the meaning of section 1(9)(b) of the Pension Schemes Act 2026."

5 Scheme manager governance reviews

(1) Scheme regulations relating to a scheme for local government workers which has pension funds may make provision for or in connection with—

(a) the carrying out of periodic or ad hoc governance reviews of individual scheme managers,

(b) the issuing by the responsible authority of guidance to persons carrying out governance reviews about the carrying out of such reviews, and

(c) functions of the responsible authority in response to a report of such a review.

(2) For this purpose, in relation to any scheme manager—

(a) a governance review is a review of the governance of the scheme so far as administered by the scheme manager, and the performance and effectiveness of the scheme manager, over a period ("the period of review");

(b) a periodic governance review is a governance review that is required by a provision of scheme regulations to take place—

(i) within a prescribed period after the commencement of that provision, or

(ii) within a prescribed period after the completion of a previous governance review,

in respect of a period of review prescribed by or determined under the regulations;

(c) an ad hoc governance review is a governance review that is required by scheme regulations to take place—

(i) where a direction to carry out a governance review has been given to the scheme manager by the responsible authority (if a power to give such a direction has been conferred by the regulations), in respect of a period of review specified in the direction, or

(ii) in prescribed circumstances (other than the passage of time since the most recent completed governance review), in respect of a period of review prescribed by or determined under the regulations.

(3) The period of review for the first governance review of a scheme manager may include time before the commencement of the regulations providing for governance reviews to take place.

(4) Scheme regulations which make provision for the carrying out of governance reviews must make provision—

(a) requiring governance reviews to be carried out independently of the scheme manager being reviewed and the responsible authority, but under arrangements made by and at the expense of that scheme manager;

(b) requiring the person carrying out a governance review, as soon as practicable after completing the review, to—

(i) prepare a report on the review, and

(ii) send a copy of the report to the responsible authority and the scheme manager being reviewed;

(c) requiring the scheme manager to publish the report.

6 Mergers of funds

In Schedule 3 to PSPA 2013 (scope of scheme regulations: supplementary matters), in paragraph 11 (pension funds) at the end insert—

"In the case of a scheme for local government workers this also includes merger (including compulsory merger) of two or more separate pension funds."

7 Amendments of 2013 Act relating to scheme regulations

(1) PSPA 2013 is amended as follows.

(2) In section 3 (scheme regulations)—

(a) in subsection (1), after "2022" insert "and Chapter 1 of Part 1 of the Pension Schemes Act 2026", and

(b) in subsection (2), after paragraph (c) insert—

"(d) consequential, supplementary, incidental or transitional provision in relation to any provision of Chapter 1 of Part 1 of the Pension Schemes Act 2026."

(3) In section 21 (consultation), after subsection (4) insert—

"(5) Subsection (1) may be satisfied, in relation to provision contained in scheme regulations—

(a) made under any provision of Chapter 1 of Part 1 of the Pension Schemes Act 2026, or

(b) made under section 3(2)(d) above,

by consultation carried out before, as well as after, the coming into force of the provision mentioned in paragraph (a) or of section 7(2)(b) of the Pension Schemes Act 2026 (as the case may be)."

8 Interpretation of Chapter 1

(1) In this Chapter—

"asset pool company" has the meaning given by section 1(9)(a);

"local government worker" has the same meaning as in PSPA 2013 (see paragraph 3 of Schedule 1 to that Act);

"management" and related expressions, in relation to the funds and assets of a scheme for local government workers, include (among other things)—

(a) buying, selling or holding assets;

(b) setting asset allocation;

(c) establishing and managing pooled investment vehicles;

(d) selecting investments;

(e) acting as a responsible investor (including by acting as a shareholder in an investee company);

(f) deciding whether to develop or use internal investment management capability or external investment managers;

(g) managing cash flow;

"PSPA 2013" means the Public Service Pensions Act 2013;

"participates" and related expressions, in relation to an asset pool company, are to be interpreted in accordance with section 1(9)(b);

"prescribed" means prescribed by scheme regulations;

"the responsible authority" means (in relation to a scheme for local government workers in England and Wales or Scotland)—

(a) the Secretary of State, in or as regards England and Wales, or

(b) the Scottish Ministers, in or as regards Scotland;

"scheme" means a scheme (within the meaning of PSPA 2013) established under section 1 of that Act;

"scheme manager", in relation to a scheme for local government workers, means a person who is a scheme manager by virtue of section 4(5) of PSPA 2013 (being a person responsible for the local administration of pensions and other benefits payable under the scheme who maintains a pension fund for the purposes of providing pensions and other benefits under its part of the scheme);

"scheme regulations" means regulations made under section 1 of PSPA 2013.

(2) A reference in this Chapter to the funds and other assets for which a scheme manager is responsible is to the funds and other assets which are (or should be) held as part of its pension fund for the purpose of providing pensions and other benefits under its part of a scheme for local government workers.

(3) Nothing in this Chapter is to be taken as affecting the generality of the powers conferred by section 1 or 3(1) of, or any provision of Schedule 3 to, PSPA 2013.

CHAPTER 2

POWERS TO PAY SURPLUS TO EMPLOYER

9 Power to modify scheme to allow for payment of surplus to employer

(1) In the Pensions Act 1995, before section 37 insert—

"36B Power to modify scheme in relation to payment of surplus to employer

(1) The trustees of a trust scheme may by resolution modify the scheme in accordance with subsection (2) or (3).

(2) Where no power is conferred on any person to make payments to the employer out of funds held for the purposes of the scheme, the resolution may confer a power to do so on the trustees, subject to any restrictions specified in the resolution.

(3) Where a power is exercisable by the trustees (whether or not by virtue of subsection (2)) to make payments to the employer out of funds held for the purposes of the scheme, the resolution may remove or relax any restriction imposed by the scheme on the exercise of the power.

(4) This section does not apply to a scheme that is being wound up.

(5) Any power to distribute assets to the employer on a winding up is to be disregarded for the purposes of subsections (2) and (3); and a resolution under subsection (2) may not confer such a power.

(6) The reference in subsection (3) to a restriction imposed by the scheme includes a restriction imposed by virtue of a resolution under section 251 of the Pensions Act 2004 (which was repealed by section 9(2) of the Pension Schemes Act 2026) or this section.

(7) Regulations may provide that this section does not apply, or applies with prescribed modifications, in prescribed circumstances or to schemes of a prescribed description.

(8) See also section 37 (which limits the circumstances in which a power to make payments of surplus may be exercised)."

(2) In the Pensions Act 2004, omit section 251 (old resolution procedure in relation to payments of surplus).

(3) Subsection (2) does not affect the validity of a resolution passed under the section it repeals.

10 Restrictions on exercise of power to pay surplus

(1) Section 37 of the Pensions Act 1995 (restrictions on power to pay surplus to employer) is amended in accordance with subsections (2) to (5).

(2) After subsection (2) insert—

"(2A) The power referred to in subsection (1)(a) may be exercised only so far as permitted by, and only in accordance with, regulations.

(2B) Regulations must be made under subsection (2A)—

(a) prohibiting the making of a payment unless an actuary of a prescribed description ("the relevant actuary") is satisfied that prescribed conditions are met in relation to the value of the scheme's assets and the amount of its liabilities,

(b) making provision about the basis (or bases) on which the value of the scheme's assets and the amount of its liabilities are to be determined for that purpose,

(c) requiring the relevant actuary to give a certificate before a payment is made, and

(d) requiring members of the scheme to be notified in relation to a payment before it is made.

(2C) The provision that may be made by regulations under subsection (2A) includes provision—

(a) about other conditions that must be met in order for the making of a payment to be permitted;

(b) about the giving of certificates by the relevant actuary, including about the form and content of a certificate;

(c) prohibiting the making of a payment without the employer's consent;

(d) in relation to a superfund scheme (within the meaning of Part 3 of the Pension Schemes Act 2026)—

(i) prohibiting the making of a payment in all circumstances;

(ii) prohibiting the making of a payment without the Authority's consent.

(2D) The power referred to in subsection (1)(a) may not be exercised if there is a freezing order in force in relation to the scheme under section 23 of the Pensions Act 2004."

(3) Omit subsections (3) and (4).

(4) In subsection (6)(a), for "the requirements of this section" substitute "subsection (2A)".

(5) In subsection (8)—

(a) omit "in prescribed circumstances";

(b) after "modifications," insert "in prescribed circumstances or".

(6) In section 76 of the Pensions Act 1995 (excess assets on winding up), for subsection (8) substitute—

"(8) Regulations may provide that this section does not apply, or applies with prescribed modifications, in prescribed circumstances or to schemes of a prescribed description."

(7) In section 175 of the Pensions Act 1995 (parliamentary control of orders and regulations)—

(a) in subsection (1), for "(2), (2A) and (3)" substitute "(2) to (3)";

(b) in subsection (2A), after "section" insert "37(2A),";

(c) after subsection (2A) insert—

"(2B) Any provision that may be made by regulations or an order under this Act subject to the procedure described in subsection (1) may instead be made by regulations subject to the procedure described in subsection (2)."

PART 2

DEFINED CONTRIBUTION PENSIONS

CHAPTER 1

VALUE FOR MONEY

11 Relevant schemes: value for money

(1) The Secretary of State may make regulations ("value for money regulations") for the purpose of evaluating, and promoting best practice with regard to, the provision of value for money by—

(a) prescribed descriptions of relevant pension schemes ("regulated VFM schemes"), and

(b) prescribed descriptions of arrangements under relevant pension schemes ("regulated VFM arrangements").

(2) Value for money regulations may in particular require responsible trustees or managers to—

(a) make, and publish (in whole or part) reports of, assessments ("VFM assessments") of the performance of—

(i) regulated VFM schemes, or

(ii) regulated VFM arrangements,

with regard to the provision of value for money in respect of prescribed periods ("VFM periods");

(b) notify the Pensions Regulator of any publication they make under paragraph (a);

(c) publish or share with prescribed persons in respect of—

(i) regulated VFM schemes or (as the case may be) regulated VFM arrangements, and

(ii) VFM periods,

prescribed categories of information ("metric data") for the purpose of enabling VFM assessments to be made (with respect to the scheme or arrangement in question and other regulated VFM schemes or regulated VFM arrangements).

(3) A duty to publish information under subsection (2)(c) may be a duty to publish the information for a specified period.

(4) Where value for money regulations require responsible trustees or managers to make a VFM assessment with respect to a scheme or arrangement, the regulations may require those trustees or managers to—

(a) assign to the scheme or arrangement, and set out in the VFM assessment, a rating for that period (a "VFM rating"), and

(b) notify the Pensions Regulator of the rating.

(5) Value for money regulations may specify—

(a) the method for calculating anything that is to be calculated under the regulations;

(b) the time at or by which anything required to be done under the regulations must be done.

(6) In complying with value for money regulations a person must have regard to any guidance issued from time to time by the Secretary of State.

(7) The Secretary of State must consult with such persons as the Secretary of State considers appropriate before—

(a) making value for money regulations;

(b) issuing guidance under subsection (6).

(8) In this Chapter "responsible trustees or managers" means any of the following—

(a) trustees or managers of a regulated VFM scheme;

(b) trustees or managers of a relevant pension scheme any arrangements under which are regulated VFM arrangements.

(9) Nothing in this Chapter prejudices the breadth of subsections (1) and (2).

(10) Subject to subsection (11), value for money regulations are subject to the affirmative procedure.

(11) Any exercise, after the first, of the power to prescribe categories of information by virtue of subsection (2)(c) is subject to the negative procedure.

(12) Subject to subsection (13), in this Chapter "relevant pension scheme" means an occupational pension scheme that provides money purchase benefits.

(13) Value for money regulations may provide that where an occupational pension scheme provides money purchase benefits in conjunction with other benefits, references in this Chapter (other than this subsection) to the occupational pension scheme are to an occupational pension scheme only to the extent that it provides money purchase benefits.

12 Publication etc of metric data

(1) Categories of information prescribed under section 11(2)(c) may for example relate to—

(a) the quality of services provided to members of the scheme or (as the case may be) arrangement;
(b) classes of assets invested in;
(c) investment performance;
(d) costs incurred by the scheme or (as the case may be) arrangement;
(e) charges on members or employers in relation to the scheme or (as the case may be) arrangement.

(2) Value for money regulations made by virtue of section 11(2)(c) may—

(a) specify time limits within which metric data in respect of a VFM period must be published or shared;
(b) make provision about the form in which and the means by which metric data is to be published or shared;
(c) require the published or shared information to deal separately with different cohorts of members of the scheme or (as the case may be) arrangement;
(d) require a person appointed under the regulations to make available, for the publication or sharing of metric data, an electronic database (operated by that person);
(e) require responsible trustees or managers, on publishing or sharing any information under regulations made by virtue of section 11(2)(c), to notify the Pensions Regulator—
(i) of the publication of the information and where it is published, or
(ii) (as the case requires) of the sharing of the information.

(3) Value for money regulations made by virtue of section 11(2)(c) may require the Pensions Regulator to—

(a) determine the form in which metric data must be published or shared, and

(b) publish, or share with the Secretary of State and responsible trustees or managers, details of the form so determined.

13 VFM assessments

(1) Value for money regulations made by virtue of section 11(2)(a) may—

(a) require responsible trustees or managers to compare (in respect of a VFM period) a scheme's or arrangement's metric data with—

(i) the metric data of a prescribed number (or prescribed minimum number) of other schemes or arrangements ("comparator" schemes or arrangements) selected by the trustees or managers, or

(ii) one or more relevant benchmarks;

(b) make other provision about the method for comparing and evaluating the performance of schemes or arrangements, for example provision about—

(i) factors that may or must be considered;

(ii) criteria to be used in comparing performance;

(iii) the use and evaluation of evidence;

(c) make provision about how the results of comparisons are to be taken into account in making determinations under section 15(1) (determinations for the purposes of assigning ratings);

(d) make provision about the eligibility of—

(i) relevant pension schemes for selection as comparator schemes;

(ii) arrangements under relevant pension schemes for selection as comparator arrangements;

(e) specify factors that responsible trustees or managers must take into account when selecting comparator schemes or comparator arrangements.

(2) Without prejudice to the breadth of subsection (1)(b)(i), factors prescribed in accordance with that provision may for example include—

(a) factors relating to differences in the composition of the membership of different schemes or arrangements;

(b) special features or characteristics of schemes or arrangements that are taken into account in their investment strategies.

(3) In this section "relevant benchmark" means—

(a) a benchmark specified in value for money regulations;

(b) if value for money regulations so provide, a benchmark approved and published by the Pensions Regulator.

14 Member satisfaction surveys

(1) Value for money regulations may—

(a) require responsible trustees or managers to—

(i) issue VFM member satisfaction survey forms to relevant members from time to time as directed by the relevant authority;

(ii) make reports ("survey data reports") of information returned in such forms;

(b) provide that survey data reports (or survey data reports that meet prescribed conditions) relating to a VFM period are to be regarded as metric data for the purposes of this Chapter;

(c) require the relevant authority to carry out consultation before issuing forms under paragraph (a);

(d) if regulations are made under paragraph (c), make provision about who must be consulted.

(2) In this section—

"relevant authority" means whichever of the Secretary of State or the Pensions Regulator is designated in the regulations as the relevant authority;

"relevant member" means—

(a) in relation to a responsible trustee or manager within section 11(8)(a), a member of the relevant pension scheme concerned;

(b) in relation to a responsible trustee or manager within section 11(8)(b), a member of an arrangement by virtue of which the trustee or manager is a responsible trustee or manager;

"VFM member satisfaction survey form" means a request, in a form approved by the relevant authority, for inviting from relevant members information regarding their level of satisfaction with the service provided by the scheme or arrangement (as the case requires).

15 VFM ratings

(1) Responsible trustees or managers who are required by virtue of section 11(4)(a) to assign a VFM rating to a scheme or arrangement in respect of a VFM period (the "relevant period") must assign to the scheme or (as the case requires) arrangement—

(a) a "fully delivering" rating if the responsible trustees or managers determine that the scheme or arrangement is delivering value for money;

(b) a "not delivering" rating if—

(i) the responsible trustees or managers determine that the scheme or arrangement is not delivering value for money, and

(ii) Condition A, B or C of subsection (2) is met;

(c) in any other case, an intermediate rating.

(2) For the purposes of subsection (1)(b)(ii)—

(a) Condition A is met if the responsible trustees or managers determine that there is no realistic prospect of the scheme or (as the case may be) arrangement delivering value for money within a reasonable period;

(b) Condition B is met if the responsible trustees or managers have assigned an intermediate rating to the scheme or arrangement in each of a prescribed number of VFM periods immediately preceding the relevant period;

(c) Condition C is met if the Pensions Regulator notifies the responsible trustees or managers that the Regulator—

(i) considers that the responsible trustees or managers have failed to comply with an improvement plan or an action plan relating to the scheme or arrangement (and the VFM period), and

(ii) does not consider the failures to be so minor that they should be ignored.

(3) Value for money regulations must specify the number of grades of intermediate rating.

(4) If value for money regulations provide that there are to be two or more intermediate ratings, the regulations—

(a) may name each of those ratings;

(b) must specify the conditions for assigning each of those ratings.

(5) Where, apart from this subsection, a scheme or arrangement would be assigned a "not delivering" rating in respect of a VFM period by virtue of Condition B of subsection (2) being met, the Pensions Regulator may, if it considers that prescribed conditions are met, by notice to the scheme or arrangement authorise the responsible trustees or managers to assign to the scheme or arrangement (instead of a "not delivering" rating) any intermediate rating the Pensions Regulator considers appropriate.

(6) In this Chapter "action plan", in relation to a regulated VFM scheme or regulated VFM arrangement, means a plan under section 16(2)(c) or 17(1)(a) which—

(a) sets out the responsible trustees' or managers' assessment as to whether or not transferring the benefits of the members (under the scheme or arrangement) to another scheme or arrangement could reasonably be expected to result in the generality of those members receiving improved long-term value for money, and

(b) proposes measures (or options for measures) for improving the position (with regard to value for money) of members or subsets of members of the scheme or arrangement.

(7) An action plan may not include a proposal to transfer the benefits (under the scheme or arrangement) of some or all of the members of that scheme or arrangement unless the responsible trustees or managers determine that the proposed transfer could reasonably be expected to result in the generality of those members receiving improved long-term value for money.

(8) Value for money regulations may make further provision about what may or must be included in an action plan.

16 Consequences of an intermediate rating

(1) Value for money regulations may make provision about the consequences of the assigning under section 15(1) of an intermediate rating to a regulated VFM scheme or regulated VFM arrangement in respect of a VFM period.

(2) Without prejudice to the breadth of subsection (1), value for money regulations may require responsible trustees or managers of a scheme or arrangement to which any grade of intermediate rating has been assigned to—

(a) prepare a plan (an "improvement plan") specifying actions that the responsible trustees or managers propose to take with a view to improving the scheme's or (as the case may be) arrangement's performance with regard to the provision of value for money;

(b) provide a copy of the plan to the Pensions Regulator;

(c) prepare an action plan and provide a copy of it to the Pensions Regulator;

(d) give notice in a prescribed format to any person who is a participating employer in relation to the scheme or arrangement of—

(i) the VFM rating that has effect in relation to the scheme or arrangement;

(ii) any actions specified by virtue of paragraph (a) in an improvement plan;

(iii) any actions the trustees or managers consider it is appropriate for the employer to take having regard to the rating assigned to the scheme or arrangement;

(e) ensure that no person becomes an employer in relation to the scheme or arrangement for as long as the scheme or (as the case may be) arrangement continues to have an intermediate rating;

(f) take any other steps that may be prescribed.

(3) Value for money regulations may—

(a) make further provision about what may or must be included in an improvement plan;

(b) confer additional functions on the Pensions Regulator in connection with schemes that are assigned an intermediate rating.

(4) In this section—

"employer", in relation to a regulated VFM scheme or regulated VFM arrangement, means a person who employs persons who are members of the scheme or (as the case requires) arrangement;

"participating employer" in relation to a regulated VFM scheme or regulated VFM arrangement, means an employer who is for the time being making contributions to the scheme or (as the case requires) arrangement.

17 Consequences of a "not delivering" rating

(1) A regulated VFM scheme or regulated VFM arrangement to which a "not delivering" rating has been assigned (an "affected" scheme or arrangement) must—

(a) prepare an action plan and provide a copy of it to the Pensions Regulator;

(b) give notice in a prescribed format to any person who is a participating employer in relation to the scheme or arrangement of—

(i) the VFM rating that has effect in relation to the scheme or arrangement;

(ii) any actions the trustees or managers consider it appropriate for the employer to take having regard to the "not delivering" rating;

(c) ensure that with effect from the publication of the VFM assessment in which the rating is set out no person is to become an employer in relation to the scheme or (as the case may be) arrangement;

(d) take any other steps that may be prescribed.

(2) Where a transfer solution (see subsection (3)) applies to an affected scheme or arrangement, the Pensions Regulator may—

(a) require the accrued rights and benefits of all (or a subset of) the members of the scheme or arrangement to be transferred to a pension scheme (or arrangement under a pension scheme) that—

(i) is selected by the responsible trustees or managers, and

(ii) meets prescribed conditions;

(b) specify conditions that must be met by a scheme or arrangement selected under paragraph (a).

(3) For the purposes of subsection (2), a transfer solution applies to an affected scheme or arrangement if—

(a) the Pensions Regulator considers that—

(i) based on the assessment carried out by the responsible trustees or managers under section 15(6)(a) in the action plan of the scheme or arrangement, transferring the benefits of all (or a subset of) the members of the scheme or arrangement to another pension scheme (or arrangement under a pension scheme) could reasonably be expected to result in the generality of the members of the scheme or arrangement receiving improved long-term value for money, and

(ii) any other measures proposed under section 15(6)(b) in the action plan of the scheme or arrangement are unlikely to result in its achieving an intermediate (or "fully delivering") rating or substantially improving its performance with regard to the provision of value for money, and

(b) any prescribed conditions are met.

(4) Value for money regulations may make provision—

(a) about the process for transferring accrued rights and benefits under subsection (2) (which may for example include provision for restricting or prohibiting administrative costs and as to time limits);
(b) conferring on the Pensions Regulator power to direct the trustees or managers of the affected scheme to do things permitted or required by the regulations;
(c) conferring a discretion on the Pensions Regulator;
(d) about the winding up of a relevant scheme in circumstances where the accrued rights and benefits of the members are, or are to be, transferred out of the scheme.

(5) In this section—

"employer" has the same meaning as in section 16;

"participating employer" has the same meaning as in section 16.

18 Compliance and oversight

(1) Value for money regulations may make provision for ensuring compliance with value for money provisions.

(2) In this section "value for money provision" means a provision of or made under any of sections 11 to 17.

(3) Value for money regulations may in particular—
(a) provide for the Pensions Regulator to issue a notice (a "compliance notice") to a person with a view to ensuring the person's compliance with a value for money provision;
(b) provide for the Pensions Regulator to issue a notice (a "third party compliance notice") to a person with a view to ensuring another person's compliance with a value for money provision;
(c) provide for the Pensions Regulator to issue a notice (a "penalty notice") imposing a penalty on a person where the Pensions Regulator is of the opinion that the person—
(i) has failed to comply with a compliance notice or third party compliance notice, or
(ii) has contravened a value for money provision;
(d) provide for the making of a reference to the First-tier Tribunal or Upper Tribunal in respect of the issue of a penalty notice or the amount of a penalty;
(e) confer other functions on the Pensions Regulator.

(4) Value for money regulations may make provision for determining the amount, or the maximum amount, of a penalty in respect of a failure or contravention.

(5) The amount of a penalty imposed under value for money regulations in respect of a failure or contravention must not exceed—
(a) £10,000, in the case of an individual, and
(b) £100,000, in any other case.

(6) Value for money regulations may provide that where the Pensions Regulator has, in compliance with a requirement of regulations under subsection (3)(c)(ii), imposed a penalty on a person the Regulator is to be authorised to withdraw the penalty if—

(a) the Regulator considers it appropriate to do so having regard to the circumstances in which the contravention took place, and

(b) any prescribed conditions are met.

(7) Value for money regulations may provide—

(a) that if the Regulator determines that a rating assigned by responsible trustees or managers for the purposes of section 11(4)(a) is not correct, the Regulator may by a notice (a "directions notice") substitute for that rating the rating the Regulator considers should have been assigned;

(b) that, where the Pensions Regulator substitutes a rating by virtue of paragraph (a), that rating is to be deemed for all purposes to be the rating assigned to the scheme under section 15(1).

(8) A directions notice under subsection (7) must set out the reasons for the Pensions Regulator's determination.

(9) Value for money regulations may provide for the making of a reference to the First-tier Tribunal or Upper Tribunal in respect of a determination of the Pensions Regulator under subsection (7)(a).

(10) The Pensions Act 1995 is amended as follows.

(11) In section 7 (appointment of trustees)—

(a) in subsection (3), after paragraph (a) insert—

"(aa) where subsection (3A) or (3B) applies, to secure that the trustees as a whole have the skills and knowledge necessary for ensuring that the scheme, or an arrangement under it, improves its performance as regards the provision of value for money;"

(b) after subsection (3) insert—

"(3A) This subsection applies where—

(a) the trust scheme is a regulated VFM scheme (as defined in section 11(1)(a) of the Pension Schemes Act 2026), and

(b) the most recent rating assigned to the scheme under section 15(1) of that Act was an intermediate or "not delivering" rating.

(3B) This subsection applies where—

(a) an arrangement under the trust scheme is a regulated VFM arrangement, and

(b) the most recent rating assigned to the arrangement under section 15(1) of that Act was an intermediate or "not delivering" rating."

(c) at the end insert—

"(7) In this section "regulated VFM arrangement" and "regulated VFM scheme" are to be interpreted in accordance with section 21 of the Pension Schemes Act 2026."

(12) In section 11 (powers to wind up schemes), in subsection (1)—

(a) omit the "or" after paragraph (b), and

(b) after paragraph (c) insert—

"(d) the scheme is a regulated VFM scheme and—

(i) the rating most recently assigned to the scheme under section 15(1) of the Pension Schemes Act 2026 is "not delivering", and

(ii) the Authority are satisfied that the scheme is not capable of providing value for money, or

(e) the following conditions are met in relation to a regulated VFM arrangement ("A") under the scheme—

(i) that the rating most recently assigned to A under section 15(1) of the Pension Schemes Act 2026 is "not delivering", and

(ii) the Authority are satisfied that A is not capable of providing value for money.";

(c) at the end insert—

"(8) In subsection (1)—

(a) "regulated VFM arrangement" and "regulated VFM scheme" have the same meaning as in Chapter 1 of Part 2 of the Pension Schemes Act 2026 (see section 21 of that Act);

(b) the reference to the provision of value for money is to be interpreted in accordance with that Chapter."

19 Sharing of database where FCA makes corresponding rules

(1) This section applies if the Financial Conduct Authority makes rules, in relation to persons regulated by it, that correspond to value for money regulations.

(2) The Secretary of State may by regulations make provision for the purpose of enabling or facilitating the use of the database mentioned in section 12(2)(d) for the publication or sharing of information—

(a) that relates to persons to whom the rules made by the Financial Conduct Authority apply, and

(b) that corresponds to metric data,

including provision conferring functions on a person appointed as mentioned in section 12(2)(d).

(3) Regulations under subsection (2) are subject to the negative procedure.

20 Crown application

(1) This Chapter applies to a pension scheme managed by or on behalf of the Crown as it applies to other pension schemes.

(2) Accordingly, references in this Chapter to a person in their capacity as a trustee or manager of a pension scheme include the Crown, or a person acting on behalf of the Crown, in that capacity.

(3) This Chapter applies to persons employed by or under the Crown as it applies to persons employed by a private person.

21 Interpretation of Chapter

In this Chapter—

"action plan" has the meaning given by section 15(6);

"fully delivering rating" means a fully delivering VFM rating (see section 15(1)(a));

"improvement plan" is to be interpreted in accordance with section 16(2)(a);

"intermediate rating" means an "intermediate" VFM rating (section 15(1)(c));

"metric data" is to be interpreted in accordance with section 11(2)(c);

"money purchase benefits" has the same meaning as in the Pension Schemes Act 1993 (see section 181 of that Act);

"not delivering rating" means a "not delivering" VFM rating (see section 15(1)(b));

"occupational pension scheme" has the same meaning as in the Pension Schemes Act 1993 (see section 1(1) of that Act);

"prescribed" means prescribed by value for money regulations;

"regulated VFM arrangement" is to be interpreted in accordance with section 11(1)(b);

"regulated VFM scheme" is to be interpreted in accordance with section 11(1)(a);

"relevant pension scheme" is to be interpreted in accordance with section 11(12) and (13);

"responsible trustees or managers" is to be interpreted in accordance with section 11(8);

"trustee or manager" means—

(a) in relation to a scheme established under a trust, the trustees;

(b) in relation to any other scheme, the managers,

(including in the words that define "responsible trustees or managers" in section 11(8));

"value for money regulations" has the meaning given by section 11(1);

"VFM assessment" has the meaning given by section 11(2)(a);
"VFM period" is to be interpreted in accordance with section 11(2)(a);
"VFM rating" is to be interpreted in accordance with section 11(4)(a).

CHAPTER 2

CONSOLIDATION OF SMALL DORMANT PENSION POTS

Power to make small pots regulations

22 Small pots regulations

(1) The Secretary of State may make regulations ("small pots regulations") for the purpose of securing that small dormant pension pots held by auto-enrolment schemes are—
  (a) held by consolidator schemes, and
  (b) in the case of consolidator schemes that have more than one arrangement, held subject to consolidator arrangements.

(2) A pension pot is "small" if its value, determined as at such time and in such manner as is prescribed, is £1,000 or less (but is not nil).

(3) A pension pot is "dormant" if—
  (a) no contributions were paid into the pension pot by, or on behalf or in respect of, the individual for whom the pot is held during such period of at least 12 months as is prescribed, and
  (b) the individual has, subject to any prescribed exceptions, taken no step to confirm or alter the way in which the pension pot is invested.

(4) The period that may be prescribed under subsection (3)(a) in relation to a pension pot in existence at the time the regulations come into force may begin at any time after the coming into force of this section.

(5) Small pots regulations—
  (a) are subject to the affirmative procedure if they—
    (i) are the first such regulations,
    (ii) prescribe a person under section 23(1) (determination of destinations for small pots),
    (iii) include provision under section 24(1) or 26(1) (requirements to send transfer notices or transfer pension pots), or
    (iv) amend or repeal provision contained in an Act;
  (b) otherwise, are subject to the negative procedure.

Transfers

23 Determination of destinations for small pots

(1) Small pots regulations must require a prescribed person to make, in relation to each small dormant pension pot held by an auto-enrolment scheme—

(a) a proposal in relation to the pot ("the default proposal"), and

(b) one or more other proposals in relation to the pot ("the alternative proposals").

(2) For the purposes of this Chapter a "proposal", in relation to a small dormant pension pot, means a proposal that—

(a) the pot should be held by a specified consolidator scheme, and

(b) if there is more than one arrangement under that scheme, the pot should be held subject to a specified arrangement under the scheme.

In this subsection "specified" means specified in the proposal.

(3) Subsection (1) does not apply in relation to a small dormant pension pot if—

(a) the auto-enrolment scheme that holds the pot is itself a consolidator scheme,

(b) any of the sums or assets comprising the pot, or any sums or assets from which any of the sums or assets comprising the pot derive, were at any time comprised in a small dormant pension pot in respect of which a transfer notice was sent under small pots regulations, and

(c) no response to that notice was received under section 24(3)(d)(ii).

(4) A person prescribed under subsection (1) may be a body corporate established by or under the regulations.

(5) Small pots regulations may, in compliance with subsection (1)—

(a) prescribe one person to make all of the proposals required to be made under that subsection, or

(b) prescribe two or more persons in relation to different descriptions of those proposals.

(6) Small pots regulations must require a proposal made by virtue of subsection (1) to be notified to the trustees or managers of the auto-enrolment scheme that holds the pension pot to which the proposal relates (unless those trustees or managers are themselves the destination proposer).

(7) A person prescribed under subsection (1) is referred to in this Chapter as a "destination proposer".

24 Transfer notices

(1) Small pots regulations must require the trustees or managers of an auto-enrolment scheme to prepare a notice ("a transfer notice") in respect of each small dormant pension pot held by the scheme that is not exempt and send it to the individual for whom the pot is held.

(2) Small pots regulations must require a transfer notice in respect of a pension pot to comply with the following provisions of this section.

(3) The notice must—

(a) set out the default proposal in relation to the pot;

(b) set out the alternative proposal or proposals in relation to the pot;

(c) state that, if the individual does not respond to the notice, the pot will—

(i) if the default proposal specifies that the pot be transferred to a consolidator scheme, be transferred to that scheme, and

(ii) if there is more than one arrangement under the consolidator scheme specified in the default proposal, be held subject to the arrangement so specified;

(d) invite the individual to consider whether they are content with the default proposal and, if not, to respond to the notice stating either—

(i) that they want to adopt one of the alternative proposals and if so which, or

(ii) that they do not want any action to be taken in relation to the pension pot.

(4) Where membership of a consolidator scheme or a consolidator arrangement specified in a proposal set out in a transfer notice entails being a party to a contract with the trustees or managers of the scheme, the notice must set out, or otherwise communicate, the terms of such a contract.

(5) The notice must include such details as may be prescribed relating to—

(a) the pension pot,

(b) the auto-enrolment scheme, and

(c) the consolidator scheme or schemes, and any consolidator arrangements, specified in a proposal set out in the notice.

25 Exempt pots

(1) A small dormant pension pot is "exempt" if—

(a) prescribed conditions are met in relation to the pot, and

(b) the trustees or managers of the scheme that holds it determine that it is in the best interests of the individual for whom the pot is held that it should not be transferred in accordance with small pots regulations.

(2) A determination in relation to an individual under subsection (1)(b) may be made by reference to a class of individuals of which the individual in question is a member.

(3) Small pots regulations may include further provision about how determinations under subsection (1)(b) are to be made.

26 Transfer etc of small dormant pension pots

(1) Small pots regulations must require the trustees or managers of an auto-enrolment scheme, in relation to each small dormant pot held by the scheme in respect of which they have sent a transfer notice, to implement the proposals set out in the notice in accordance with this section.

(2) Subsection (1) does not apply to a pension pot if the trustees or managers have received a response under section 24(3)(d)(ii) in relation to it.

(3) Small pots regulations must secure that if—

(a) the trustees or managers do not receive a response to the notice, and

(b) the default proposal involves the transfer of the pot to a consolidator scheme,

the trustees or managers are required to transfer the pot to that scheme.

(4) Small pots regulations must secure that if—

(a) the trustees or managers receive a response to the notice, and

(b) the alternative option identified by the individual under section 24(3)(d)(i) involves the transfer of the pot to a consolidator scheme,

the trustees or managers are required to transfer the pot to that scheme.

(5) Small pots regulations must secure that if—

(a) the trustees or managers do not receive a response to the notice, and

(b) the default proposal involves the pot being held by a consolidator scheme subject to an arrangement specified in the proposal,

the pot is required to be held subject to that arrangement.

(6) Small pots regulations must secure that if—

(a) the trustees or managers receive a response to the notice, and

(b) the alternative proposal identified by the individual under section 24(3)(d)(i) involves the pot being held by an arrangement specified in the proposal,

the pot is required to be held subject to that arrangement.

(7) The trustees or managers may transfer a pension pot by virtue of subsection (3) or (4), or change the arrangement subject to which a pension pot is held by virtue of subsection (5) or (6), notwithstanding that it breaches a term of the scheme (such as a requirement for consent); and any such breach is to be disregarded for all purposes.

27 Effect of transfer on membership of scheme etc

(1) Subsections (2) and (3) apply where a pension pot held for an individual is transferred by virtue of section 26(3) or (4) to a different pension scheme ("the receiving scheme").

(2) The individual becomes a member of the receiving scheme in relation to the pot, and acquires the rights, and becomes subject to the obligations, of membership.

(3) Where membership of the receiving scheme in relation to the pot entails being a party to a contract with its trustees or managers, a contract is treated as entered into between the individual and the trustees or managers—

(a) at the time at which the pension pot is transferred to the receiving scheme, and

(b) on the terms communicated to the individual by virtue of section 24(4).

(4) Subsections (5) and (6) apply where a pension pot is by virtue of section 26(5) or (6) held subject to a different arrangement under the same pension scheme, or an arrangement under a different pension scheme.

(5) The individual becomes a member of the arrangement in relation to the pot, and acquires the rights, and becomes subject to the obligations, of membership.

(6) Where membership of the arrangement in relation to the pot entails being a party to a contract with its trustees or managers of the pension scheme in question, a contract is treated as entered into between the individual and the trustees or managers—

(a) at the time at which the pension pot is first held subject to the arrangement, and

(b) on the terms communicated to the individual by virtue of section 24(4).

28 Timing of transfers

(1) Small pots regulations must prohibit the trustees or managers of an auto-enrolment scheme from transferring a pension pot by virtue of section 26(3) or (4), or changing the arrangement subject to which it is held by virtue of section 26(5) or (6), before the end of the required notice period.

(2) In subsection (1) "the required notice period", in relation to a pension pot, means the period of 30 days, or such longer period as may be prescribed, beginning with the day on which the transfer notice in respect of the pot is sent.

(3) Small pots regulations must (subject to subsection (5)) require the trustees or managers of an auto-enrolment scheme to effect any transfer of a pension pot by virtue of section 26(3) or (4), and any change in the arrangement subject to which it is held by virtue of section 26(5) or (6), before the end of the required transfer period.

(4) In subsection (3) "the required transfer period", in relation to a pension pot, means the period of one year beginning with—

(a) the date on which the provision of the regulations under which the requirement is imposed comes into force, or

(b) if later, the date on which the pension pot first becomes small and dormant.

(5) Small pots regulations may include provision extending the required transfer period until the end of a prescribed period beginning with the date on which

the trustees or managers are notified of the proposals made by virtue of section 23(1) in respect of the pot.

Authorisation

29 Authorisation of consolidator schemes etc by the Pensions Regulator

(1) Small pots regulations must permit the trustees or managers of an eligible Master Trust scheme to apply to the Pensions Regulator for authorisation of—

(a) the scheme, or

(b) such arrangements under the scheme as are specified in the application.

(2) Small pots regulations must require the Pensions Regulator to grant an application for authorisation where—

(a) the application is made in accordance with regulations made by virtue of subsection (1), and

(b) prescribed conditions are met.

(3) Small pots regulations may permit or require the Pensions Regulator, where prescribed conditions are, or cease to be, met in relation to a consolidator scheme or arrangement—

(a) to require the trustees or managers to take prescribed steps;

(b) to prohibit a destination proposer, in prescribed cases or in all cases, from specifying the scheme or arrangement in proposals under section 23(1);

(c) to withdraw authorisation.

(4) The conditions that may be prescribed under subsection (2)(b) or (3) include conditions relating to—

(a) the terms of the scheme,

(b) the value of sums and assets held by the scheme for the purpose of providing money purchase benefits,

(c) the fees charged by the scheme, or

(d) a VFM rating assigned to the scheme or any arrangement under the scheme,

and include conditions that involve the exercise of a discretion by the Pensions Regulator.

(5) Small pots regulations may permit or require the Pensions Regulator, where it withdraws authorisation, to require the trustees or managers of the scheme in question to take prescribed steps in relation to relevant pension pots.

(6) The steps that may be required to be taken by virtue of subsection (5) include steps to limit the fees that may be charged.

(7) For the purposes of subsection (5) a pension pot is "relevant" if—

(a) any of the sums or assets comprising the pot, or any sums or assets from which any of the sums or assets comprising the pot derive, were

at any time comprised in a small dormant pension pot in respect of which a transfer notice was sent under small pots regulations, and

(b) no response to that notice was received under section 24(3)(d)(ii).

(8) For the purposes of this Chapter a Master Trust scheme is "eligible" if it is authorised under section 5 of the Pension Schemes Act 2017 (authorisation of Master Trust schemes).

30 Consolidator schemes and consolidator arrangements

(1) In this Chapter "consolidator scheme" means—

(a) an eligible Master Trust scheme—

(i) that is for the time being authorised by virtue of section 29(1)(a), or

(ii) any arrangement under which is for the time being authorised by virtue of section 29(1)(b), or

(b) an FCA-regulated pension scheme that is for the time being included on a list published by the FCA under section 137FBC(2)(b) of the Financial Services and Markets Act 2000.

(2) In this Chapter "consolidator arrangement" means—

(a) an arrangement under an eligible Master Trust scheme where—

(i) the scheme is for the time being authorised by virtue of section 29(1)(a), or

(ii) the arrangement is for the time being authorised by virtue of section 29(1)(b), or

(b) an arrangement under an FCA-regulated pension scheme that is for the time being included on a list published by the FCA under section 137FBC(2)(b) of the Financial Services and Markets Act 2000.

Supplementary

31 Further provision about contents of small pots regulations

(1) Small pots regulations may, in particular—

(a) authorise the Pensions Regulator to charge a prescribed fee in respect of an application for authorisation under the regulations;

(b) confer a right of appeal to the First-tier Tribunal or the Upper Tribunal;

(c) require the trustees or managers of a relevant pension scheme to take prescribed steps to improve the accuracy and completeness of information held by them;

(d) require a relevant person, other than the FCA, to provide prescribed information, in such form and at such time as may be prescribed, to—

(i) a relevant person, or

(ii) an individual for whom a relevant pension scheme holds a pension pot;

(e) require the trustees or managers of a relevant pension scheme to keep, and retain for a prescribed period, prescribed records;

(f) provide (otherwise than under paragraphs (c) to (e)) for the processing of information;

(g) limit the fees that may be charged by a relevant pension scheme in connection with the transfer of a pension pot under the regulations;

(h) require a destination proposer, the trustees or managers of a relevant pension scheme, or the Secretary of State, to pay compensation to an individual who has suffered a loss as a result of a breach of the regulations;

(i) confer (otherwise than under any of paragraphs (a) to (h)) a function on a relevant person, including a function involving the exercise of a discretion;

(j) provide for the delegation of a function conferred by the regulations.

(2) In subsection (1)(c) to (f), a reference to information includes personal data, and a reference to records includes records of personal data.

(3) The processing of personal data in accordance with the regulations does not breach—

(a) any obligation of confidence owed by the person processing the personal data, or

(b) any other restriction on the processing of personal data (however imposed).

(4) In this section—

"personal data" has the same meaning as in the Data Protection Act 2018 (see section 3 of that Act);

"processing" has the same meaning as in the Data Protection Act 2018 (see section 3 of that Act);

"relevant pension scheme" means—

(a) an auto-enrolment scheme, or

(b) a consolidator scheme;

"relevant person" means—

(a) the Pensions Regulator,

(b) the FCA,

(c) a destination proposer, or

(d) the trustees or managers of a relevant pension scheme.

(5) The power to make small pots regulations is capable of being exercised so as to amend or repeal provision contained in an Act.

(6) In particular, small pots regulations may—

(a) amend section 146 of the Pension Schemes Act 1993 (functions of the Pensions Ombudsman) so as to confer on the Pensions Ombudsman the function of investigating and determining complaints or disputes relating to a destination proposer;

(b) amend section 175 of that Act (levies towards certain expenditure) so as to include expenditure of—

(i) a destination proposer, or

(ii) the Secretary of State by virtue of section 31(1)(h) (compensation).

32 Enforcement by the Pensions Regulator

(1) Small pots regulations may make provision with a view to ensuring the compliance of any person who is not FCA-regulated with any provision of the regulations.

(2) The regulations may in particular—

(a) provide for the Pensions Regulator to issue a notice (a "compliance notice") to a person with a view to ensuring the person's compliance with a provision of the regulations;

(b) provide for the Pensions Regulator to issue a notice (a "third party compliance notice") to a person with a view to ensuring another person's compliance with a provision of the regulations;

(c) provide for the Pensions Regulator to issue a notice (a "penalty notice") imposing a penalty on a person where the person—

(i) has failed to comply with a compliance notice or third party compliance notice, or

(ii) has contravened a provision of the regulations;

(d) provide for the making of a reference to the First-tier Tribunal or Upper Tribunal in respect of the issue of a penalty notice or the amount of a penalty.

(3) The regulations may make provision for determining the amount, or the maximum amount, of a penalty in respect of a failure or contravention.

(4) But the amount of a penalty imposed under the regulations in respect of a failure or contravention must not exceed—

(a) £10,000, in the case of an individual, and

(b) £100,000, in any other case.

(5) Any penalty payable under the regulations is recoverable by the Regulator.

(6) In England and Wales, any such penalty is, if the county court so orders, recoverable under section 85 of the County Courts Act 1984 or otherwise as if it were payable under an order of that court.

(7) In Scotland, a penalty notice is enforceable as if it were an extract registered decree arbitral bearing a warrant for execution issued by the sheriff court of any sheriffdom.

(8) The Regulator must pay into the Consolidated Fund any penalty recovered under this section.

(9) A reference in this section to a provision of small pots regulations includes a reference to a requirement or restriction imposed by the Pensions Regulator under the regulations.

33 Enforcement by the FCA

(1) The Treasury may make regulations to enable the FCA to take action (in addition to any action it may otherwise take under the Financial Services and Markets Act 2000) for monitoring and enforcing compliance of an FCA-regulated person with any provision of small pots regulations.

(2) The regulations may apply, or make provision corresponding to—

(a) provision contained in small pots regulations by virtue of section 32, or

(b) any provision of the Financial Services and Markets Act 2000,

with or without modification.

(3) Regulations under this section are subject to the affirmative procedure.

(4) For the purposes of this Chapter a person is "FCA-regulated" if they are an authorised person (within the meaning of the Financial Services and Markets Act 2000) in relation to the operation of a pension scheme.

Interpretation etc

34 Power to alter definition of "small"

(1) The Secretary of State may by regulations amend section 22(2) (definition of "small" in relation to a pension pot) so as to substitute a larger or smaller amount for the amount for the time being specified there.

(2) Before making regulations under this section the Secretary of State must—

(a) consult such persons as the Secretary of State considers appropriate, and

(b) publish details of the proposed amendment, and the Secretary of State's reasons for making the proposal, and consider any representations made.

(3) Regulations under this section are subject to the affirmative procedure.

35 Crown application

(1) This Chapter applies to a pension scheme managed by or on behalf of the Crown as it applies to other pension schemes.

(2) Accordingly, references in this Chapter to a person in their capacity as a trustee or manager of a pension scheme include the Crown, or a person acting on behalf of the Crown, in that capacity.

(3) This Chapter applies to persons employed by or under the Crown as it applies to persons employed by a private person.

36 Interpretation of Chapter

(1) In this Chapter—

"the alternative proposals", in relation to a small dormant pension pot, has the meaning given by section 23(1);

"auto-enrolment scheme" has the meaning given by subsection (5);

"consolidator arrangement" has the meaning given by section 30(2);

"consolidator scheme" has the meaning given by section 30(1);

"the default proposal", in relation to a small dormant pension pot, has the meaning given by section 23(1);

"destination proposer" has the meaning given by section 23(7);

"dormant", in relation to a pension pot, has the meaning given by section 22(3);

"eligible", in relation to a Master Trust scheme, has the meaning given by section 29(8);

"exempt", in relation to a pension pot, has the meaning given by section 25;

"the FCA" means the Financial Conduct Authority;

"FCA-regulated", in relation to a pension scheme, has the meaning given by subsection (2);

"FCA-regulated", in relation to a person, has the meaning given by section 33(4);

"functions" includes powers and duties;

"Master Trust scheme" has the same meaning as in the Pension Schemes Act 2017 (see section 1(1) of that Act);

"money purchase benefits" has the same meaning as in the Pension Schemes Act 1993 (see section 181(1) of that Act);

"pension pot" has the meaning given by section 37;

"pension scheme" has the meaning given by section 1(5) of the Pension Schemes Act 1993;

"prescribed" means specified in, or determined in accordance with, small pots regulations;

"proposal", in relation to a small dormant pension pot, has the meaning given by section 23(2);

"provider", in relation to an FCA-regulated pension scheme, means the person mentioned in subsection (2)(b);

"small", in relation to a pension pot, has the meaning given by section 22(2);

"small pots regulations" has the meaning given by section 22(1);

"terms", in relation to a pension scheme, has the meaning given by subsection (3);

"transfer", in relation to a pension pot, includes a transfer of an amount representing its value;

"transfer notice" has the meaning given by section 24(1);

"trustees or managers", in relation to a pension scheme, means (subject to subsection (4)) –

(a) in the case of a scheme established under a trust, the trustees of the scheme, and

(b) in any other case, the persons responsible for the management of the scheme;

"VFM rating" has the same meaning as in Chapter 1.

(2) A pension scheme is "FCA-regulated" if the operation of the scheme –

(a) is carried on in such a way as to be a regulated activity for the purposes of the Financial Services and Markets Act 2000, and

(b) is carried on in the United Kingdom by a person who is in relation to that activity an authorised person under section 19 of that Act.

(3) A reference in this Part to the terms of a pension scheme is to the terms of any instrument or agreement –

(a) in which the scheme is comprised, or

(b) to which the provider of the scheme and any member are parties in connection with the scheme.

(4) A reference in this Chapter to the trustees or managers of a pension scheme is, where the scheme is FCA-regulated, a reference to the provider of the scheme.

(5) A pension scheme is an "auto-enrolment scheme" if any individual is or at any time was an active member of the scheme in consequence of arrangements under section 3(2), 5(2) or 7(3) of the Pensions Act 2008 (arrangements for jobholder to become active member of automatic enrolment scheme).

(6) In subsection (5) "active member" has the same meaning as in Part 1 of the Pensions Act 2008 (see section 99 of that Act).

37 Meaning of "pension pot"

(1) In this Chapter, "pension pot" means sums or assets held for the purpose of providing money purchase benefits to or in respect of a member of a pension scheme; and –

(a) a reference to the pension scheme that holds a pension pot is to that pension scheme;

(b) a reference to the individual for whom a pension pot is held is to that member.

(2) Where –

(a) an individual is a member of an auto-enrolment scheme in relation to more than one employment, and

(b) the sums or assets held by the scheme for the purpose of providing money purchase benefits to or in respect of the member in relation to those employments are accounted for separately by the scheme,

the sums or assets held in relation to each employment are regarded for the purposes of this Chapter as separate pension pots.

(3) In subsection (2) "employment" has the same meaning as in Part 1 of the Pensions Act 2008 (see section 99 of that Act).

Amendments of other Acts

38 Amendments of the Financial Services and Markets Act 2000

(1) The Financial Services and Markets Act 2000 is amended as follows.

(2) In section 1A (the Financial Conduct Authority), in subsection (6), after paragraph (czc) insert—

"(czd) Chapter 2 of Part 2 of the Pension Schemes Act 2026 (consolidation of small dormant pension pots);".

(3) After section 137FBB insert—

"137FBC FCA general rules: regulation of consolidator pension schemes

(1) The FCA may make general rules under which the provider of an FCA-regulated pension scheme is required to notify the FCA where it intends that the scheme should be a consolidator scheme, or an arrangement under the scheme should be a consolidator arrangement, for the purposes of Chapter 2 of Part 2 of the Pension Schemes Act 2026.

(2) If the FCA makes rules under subsection (1) it must—

(a) make general rules regulating pension schemes that have given (and not withdrawn) a notice of the kind mentioned in subsection (1), and

(b) publish and maintain a list of FCA-regulated pension schemes, and arrangements under such schemes, in accordance with subsections (3) and (4).

(3) The list must, subject to subsection (4), include each FCA-regulated pension scheme, and each arrangement under an FCA-regulated scheme, in relation to which the FCA has received a notice by virtue of subsection (1).

(4) The list must not include a scheme or arrangement if—

(a) the notice in relation to it has been withdrawn by the provider of the scheme, or

(b) the FCA has determined that it is unlikely that rules made under subsection (1) or (2)(a) will be complied with in relation

to the scheme or arrangement within such period as the FCA considers reasonable.

(5) In determining what provision to include in rules under subsection (2)(a), the FCA must have regard to any provision contained in small pots regulations by virtue of section 29 of the Pension Schemes Act 2026 (authorisation of consolidator schemes etc by the Pensions Regulator).

(6) In this section—

"FCA-regulated", in relation to a pension scheme, has the meaning given by subsection (7);

"pension scheme" has the meaning given by section 1(5) of the Pension Schemes Act 1993;

"provider", in relation to an FCA-regulated pension scheme, means the person referred to in subsection (7)(b).

(7) A pension scheme is "FCA-regulated" if the operation of the scheme—

(a) is a regulated activity, and

(b) is carried on in the United Kingdom by an authorised person."

(4) In section 204A (meaning of "relevant requirement" and "appropriate regulator")—

(a) in subsection (2), after paragraph (ab) insert—

"(ac) by small pots regulations within the meaning of Chapter 2 of Part 2 of the Pension Schemes Act 2026,";

(b) in subsection (6), after paragraph (ab) insert—

"(ac) by small pots regulations within the meaning of Chapter 2 of Part 2 of the Pension Schemes Act 2026;".

39 Repeal of existing powers

(1) In the Pensions Act 2014, omit the following provisions (which contain powers that have not been brought into force to make provision for the automatic transfer of pension benefits etc)—

(a) section 33;

(b) Schedule 17, except paragraph 15(1) (which contains interpretative provisions that apply for the purposes of Schedule 18 to that Act).

(2) In Schedule 18 to that Act (power to restrict charges or impose requirements in relation to schemes), in paragraph 4 (interpretation), for sub-paragraph (1) substitute—

"(1) The definitions in paragraph 15(1) of Schedule 17 apply for the purposes of this Schedule."

(3) In consequence of subsection (1)(b), in section 256 of the Pensions Act 2004 (no indemnification for fines or civil penalties), in subsection (1)(b), for "that Act" substitute "the Pensions Act 2014".

CHAPTER 3

SCALE AND ASSET ALLOCATION

40 Certain schemes providing money purchase benefits: scale and asset allocation

(1) The Pensions Act 2008 is amended as follows.

(2) Section 20 (quality requirement: UK money purchase schemes) is amended as follows.

(3) In subsection (1), after "purchase scheme" insert "that is not a relevant Master Trust and".

(4) After subsection (1) insert—

"(1A) A money purchase scheme that is a relevant Master Trust satisfies the quality requirement in relation to a jobholder if the conditions in subsection (1)(a) to (c) and Condition 1 and Condition 2 of this subsection are met.

Condition 1

This Condition is that the relevant Master Trust—

(a) is approved under section 28A in respect of a main scale default arrangement,

(b) is exempted by regulations from the requirement for approval,

(c) has previously been approved under section 28E (transition pathway relief) and is to be treated in accordance with regulations as if it had approval under section 28A,

(d) qualifies under section 28E for transition pathway relief, or

(e) qualifies under section 28F for new entrant pathway relief.

Condition 2

This Condition is that the relevant Master Trust—

(a) is approved under section 28C in respect of the asset allocation requirement, or

(b) is exempted by regulations from the requirement for approval.

See also section 28G (suspension of asset allocation requirement: savers' interest test) for provision about circumstances in which the asset allocation requirement is suspended.

(1B) Regulations under Condition 1(b) or 2(b) of subsection (1A) may exempt any description of relevant Master Trust, for example those that are—

(a) designed to meet the needs of persons with a protected characteristic within the meaning of the Equality Act 2010, or

(b) hybrid schemes.

(1C) Regulations may—

(a) permit the Regulatory Authority to determine that a relevant Master Trust is to be treated for a period ("the protected period") as meeting Condition 1 or Condition 2 of subsection (1A) for a period specified by the Regulatory Authority;

(b) specify circumstances in which a relevant Master Trust, which is treated as mentioned in paragraph (a) and meets prescribed conditions, is to be subject during a prescribed period (ending with the end of the protected period) to any requirements specified in the regulations; and provision under this paragraph may include provision corresponding to any provision that may be made under section 28A(10);

(c) make provision about the Regulatory Authority requiring the trustees or managers of a relevant Master Trust to give the Regulatory Authority a plan showing how they propose to meet or continue to meet the scale requirement under section 28A or the conditions for approval under section 28C."

(5) After subsection (3) insert—

"(4) In this section—

"main scale default arrangement" is to be interpreted in accordance with section 28A(13);

"Master Trust scheme" has the same meaning as in the Pension Schemes Act 2017 (see section 1(1) of that Act);

"relevant Master Trust" means a money purchase scheme that has its main administration in the United Kingdom and is an authorised Master Trust scheme."

(6) In section 25 (quality requirement: non-UK occupational pension schemes) for "18(b) or (c)" substitute "18(c)".

(7) Section 26 (quality requirement: UK personal pension schemes) is amended as follows.

(8) After subsection (7) insert—

"(7A) The fifth condition is that if the scheme is a group personal pension scheme of a prescribed description it must, unless subsection (7C) applies, hold an approval under section 28B in respect of a main scale default arrangement.

(7B) The sixth condition is that if the scheme is a group personal pension scheme of a prescribed description it must hold an approval under section 28C in respect of the asset allocation requirement. See also section 28G (suspension of asset allocation requirement: savers' interest test) for provision about circumstances in which the asset allocation requirement is suspended.

(7C) This subsection applies if the group personal pension scheme—

(a) has previously been approved under section 28E (transition pathway relief) and is to be treated in accordance with regulations as if it had approval under section 28B,

(b) qualifies under section 28E for transition pathway relief, or

(c) qualifies under section 28F for new entrant pathway relief.

(7D) Regulations under subsection (7A) or (7B) may exempt any description of group personal pension schemes, for example those that are designed to meet the needs of persons with a protected characteristic within the meaning of the Equality Act 2010.

(7E) Regulations may—

(a) permit the Regulatory Authority to determine that a group personal pension scheme is to be treated as meeting the fifth or sixth condition for a period (the "protected period") specified by the Regulatory Authority;

(b) specify circumstances in which a group personal pension scheme which is treated as mentioned in paragraph (a) and meets prescribed conditions is to be subject during a prescribed period (which ends with the end of the protected period) to any requirements specified in the regulations; and provision under this paragraph may include provision corresponding to any provision that may be made under section 28A(10);

(c) make provision about the Regulatory Authority requiring the provider of a group personal pension scheme to give the Regulatory Authority a plan showing how they propose to meet or continue to meet the scale requirement under section 28B or the conditions for approval under section 28C."

(9) After subsection (9) insert—

"(10) In this section "main scale default arrangement" is to be interpreted in accordance with section 28B(13)."

(10) In section 28 (certification that quality requirement or alternative requirement is satisfied) in subsection (3A) omit paragraphs (a) and (c).

(11) In section 28 (certification that quality requirement or alternative requirement is satisfied) in subsection (4) (definition of "relevant quality requirement")—

(a) in paragraph (a), at the end insert ", except so far as that quality requirement relates to Condition 1 or 2 in subsection (1A)";

(b) in paragraph (b), at the end insert ", except so far as that quality requirement relates to the fifth and sixth conditions";

(c) in paragraph (c), at the end insert ", except so far as those requirements relate to Condition 1 or 2 in section 20(1A)".

(12) After section 28 insert—

"28A MSDA approval: relevant Master Trusts

(1) For the purposes of Condition 1 of section 20(1A), the Regulatory Authority ("the Authority") may approve a relevant Master Trust ("the RMT") in respect of a main scale default arrangement if the Authority determines that—

(a) the RMT meets the scale requirement by reference to the main scale default arrangement, and

(b) any other prescribed conditions are met.

(2) The RMT meets the scale requirement by reference to a main scale default arrangement if the sum of the values mentioned in paragraphs (a) to (c) of subsection (4) is equal to or greater than the minimum amount.

(3) In this section "the minimum amount" means £25 billion.

(4) Subject to subsection (7), those values are—

(a) the total value of assets of the RMT which—

(i) represent accrued rights of members of that scheme,

(ii) are held subject to the main scale default arrangement, and

(iii) are managed under a common investment strategy;

(b) if one or more relevant Master Trusts are connected with the RMT, the total value of assets of those schemes that—

(i) represent accrued rights of members of those schemes,

(ii) are held subject to the main scale default arrangement, and

(iii) are managed under the investment strategy mentioned in paragraph (a)(iii);

(c) if one or more group personal pension schemes are connected with the RMT, the total value of assets of those schemes that—

(i) represent accrued rights of members of those schemes,

(ii) are held subject to the main scale default arrangement, and

(iii) are managed under the investment strategy mentioned in paragraph (a)(iii).

(5) A reference in subsection (4) to a relevant Master Trust or a group personal pension scheme being "connected" with the RMT is to a relevant Master Trust or a group personal pension scheme having a prescribed connection with the RMT.

(6) Regulations under subsection (5) may, for example, provide—

(a) that a relevant Master Trust is connected with the RMT only if it has the same scheme funder or scheme strategist as the RMT, or

(b) that a group personal pension scheme is connected with the RMT only if its provider is also the scheme funder or scheme strategist of the RMT.

(7) Regulations may make provision about amounts that are to be excluded or adjusted in calculating the total value under subsection (4)(a) to (c).

(8) Regulations may make provision about—

(a) how the satisfaction of criteria relevant to the meeting of the scale requirement is to be evidenced;

(b) what it means for assets of a pension scheme to be managed under a "common investment strategy" (including in particular provision defining that expression by reference to whether or how far the assets relating to each member of the scheme are allocated in the same proportion to the same investments).

(9) Regulations may make provision about how the value of assets is to be determined for the purposes of subsections (2) and (4).

(10) Regulations may make provision—

(a) as to a time limit within which the Authority must decide an application for approval;

(b) as to procedures in connection with approvals or where an approval has been given;

(c) about the withdrawal of approvals including conditions for, and procedures in connection with, withdrawals;

(d) for the Authority's decision on the application, or on a decision to withdraw approval, to be referred to the Upper Tribunal;

(e) for the Authority to maintain and publish a list of relevant Master Trusts that are approved under this section.

(11) Regulations under subsection (10)(c) may in particular make provision—

(a) about steps, including communications with a relevant Master Trust, that the Authority must take before deciding to withdraw an approval;

(b) setting a minimum period that must elapse between a notification that approval is to be withdrawn and the withdrawal of the approval;

(c) where the Authority has given notice to the trustees or managers of a relevant Master Trust that the approval (under this section) of that scheme is likely to be withdrawn and any other prescribed conditions are met, requiring the trustees or managers to—

(i) act in relation to the scheme as if its approval has been withdrawn, and

(ii) take steps for ensuring that persons (such as employers) who may be affected in the event of the relevant Master

Trust's losing that approval are promptly informed if such a loss should occur;

(d) permitting the Authority to impose, on a person who fails to comply with a requirement under paragraph (c), a penalty determined in accordance with the regulations that does not exceed £100,000;

(e) providing for the making of a reference to the First-tier Tribunal or Upper Tribunal in respect of the issue of a penalty notice or the amount of a penalty.

(12) Before making regulations under this section the Secretary of State must consult such persons as the Secretary of State considers appropriate.

(13) In this section "main scale default arrangement" means an arrangement—

(a) that is used for the purposes of one or more pension schemes, and

(b) subject to which assets of any one of those schemes must under the rules of the scheme be held, or may under those rules be held, if the member of the scheme to whom the assets relate does not make a choice as to the arrangement subject to which the assets are to be held.

28B MSDA approval: group personal pension scheme

(1) The Regulatory Authority ("the Authority") may, for the purposes of the Condition in section 26(7A), approve a group personal pension scheme ("the GPP") in respect of a main scale default arrangement if the Authority determines that—

(a) the GPP meets the scale requirement by reference to the main scale default arrangement, and

(b) any other prescribed conditions are met.

(2) The GPP meets the scale requirement by reference to a main scale default arrangement if the sum of the values mentioned in paragraphs (a) to (c) of subsection (4) is equal to or greater than the minimum amount.

(3) In this section "the minimum amount" means £25 billion.

(4) Subject to subsections (5) and (6), those values are—

(a) the total value of assets of the GPP which—

(i) represent accrued rights of members of the GPP,

(ii) are held subject to the main scale default arrangement, and

(iii) are managed under a common investment strategy;

(b) if one or more group personal pension schemes are connected with the GPP, the total value of assets of those schemes that—

(i) represent accrued rights of members of those schemes,
(ii) are held subject to the main scale default arrangement, and
(iii) are managed under the investment strategy mentioned in paragraph (a)(iii);

(c) if one or more relevant Master Trusts are connected with the GPP, the total value of assets of those schemes that—
(i) represent accrued rights of members of that scheme,
(ii) are held subject to the main scale default arrangement, and
(iii) are managed under the investment strategy mentioned in paragraph (a)(iii).

(5) Regulations may make provision about amounts that are to be excluded or adjusted in calculating the total value under subsection (4)(a) to (c).

(6) Regulations may make provision about—
(a) how the satisfaction of criteria relevant to the meeting of the scale requirement is to be evidenced;
(b) what it means for assets of a pension scheme to be managed under a "common investment strategy" (including in particular provision defining that expression by reference to whether or how far the assets relating to each member of the scheme are allocated in the same proportion to the same investments).

(7) Regulations may make provision about how the value of assets is to be determined for the purposes of subsections (2) and (4).

(8) A reference in subsection (4) to a group personal pension scheme or a relevant Master Trust being "connected" with the GPP is to a group personal pension scheme or a relevant Master Trust having a prescribed connection with the GPP.

(9) Regulations under subsection (8) may, for example, provide—
(a) that a group personal pension scheme is connected with the GPP only if it has the same provider as the GPP, or
(b) that a relevant Master Trust is connected with the GPP only if its scheme funder or scheme strategist is also the provider of the GPP.

(10) Regulations may make provision—
(a) as to a time limit within which the Authority must decide an application for approval;
(b) as to procedures in connection with approvals or where an approval has been given;
(c) about the withdrawal of an approval, including conditions for and procedures in connection with withdrawals;
(d) for the Authority's decision on the application, or on a decision to withdraw approval, to be referred to the Upper Tribunal;

(e) for the Authority to maintain and publish a list of group personal pension schemes that are approved under this section.

(11) Regulations under subsection (10)(c) may in particular make provision—

(a) about steps, including communications with a group personal pension scheme, that the Authority must take before deciding to withdraw an approval;

(b) setting a minimum period that must elapse between notification that approval is to be withdrawn and the withdrawal of the approval;

(c) where the Authority has given notice to the provider of the GPP that its approval is likely to be withdrawn and any other prescribed conditions are met, requiring the provider to—

(i) act in relation to the scheme as if its approval has been withdrawn, and

(ii) take steps for ensuring that persons (such as employers) who may be affected in the event of the GPP losing that approval are promptly informed if such a loss should occur;

(d) permitting the Authority to impose, on a person who fails to comply with a requirement under paragraph (c), a penalty determined in accordance with the regulations that does not exceed £100,000;

(e) providing for the making of a reference to the First-tier Tribunal or Upper Tribunal in respect of the issue of a penalty notice or the amount of a penalty.

(12) Before making regulations under this section the Secretary of State must consult such persons as the Secretary of State considers appropriate.

(13) In this section "main scale default arrangement" means an arrangement—

(a) that is used for the purposes of one or more pension schemes, and

(b) subject to which assets of any one of those schemes must under the rules of the scheme be held, or may under those rules be held, if the member of the scheme to whom the assets relate does not make a choice as to the arrangement subject to which the assets are to be held.

28C Approvals in respect of asset allocation

(1) The Regulatory Authority ("the Authority") may approve a relevant Master Trust or a group personal pension scheme in respect of the asset allocation requirement only if the Authority determines that at

least the prescribed percentage (by value) of the assets held in main default funds of the scheme are qualifying assets.

(2) Regulations under subsection (1) may prescribe a percentage by reference to—

(a) all of the assets of the scheme that are held in main default funds, or

(b) a prescribed description of the assets of the scheme that are so held.

(3) In this section "qualifying asset" means an asset of a prescribed description that is held in a main default fund of a relevant Master Trust or group personal pension scheme.

(4) A description of asset may be prescribed under subsection (3) only if it represents a direct or indirect holding in any of the following asset classes—

(a) private equity;

(b) venture capital;

(c) private credit;

(d) interests in land;

(e) infrastructure;

(f) unlisted equity securities not falling within paragraphs (a) to (e).

In this subsection "unlisted equity securities" means equity securities not listed on a recognised stock exchange within the meaning of the Income Tax Acts (see section 1005 of the Income Tax Act 2007) (including equity securities admitted to trading that are not listed on such an exchange).

(5) Regulations under subsection (3) must secure that a description of asset is prescribed under that subsection in respect of each asset class mentioned in subsection (4)(a) to (f).

(6) A description prescribed under subsection (4) may for example relate to—

(a) whether an asset is located in the United Kingdom or elsewhere;

(b) the presence or absence of other prescribed factors linking an asset to economic activity in the United Kingdom.

(7) Regulations under this section may not have the effect of requiring, as a condition of a scheme's approval under subsection (1)—

(a) more than 10% (by value) of all of the assets of the scheme that are held in main default funds to be qualifying assets, or

(b) more than 5% (by value) of all of the assets so held to be of a UK-specific description.

(8) In subsection (7)(b) "UK-specific description" means a description framed by reference to whether an asset is located in the United Kingdom or meets any other condition linked to economic activity in the United Kingdom.

(9) For the purposes of this section assets of a relevant Master Trust or group personal pension scheme are held in "main default funds" if—

(a) the jobholders by or in respect of whom contributions have been made to the scheme have not (or predominantly have not) expressed a choice as to where the contributions are allocated, and

(b) the arrangements under which the assets are held meet any other conditions that may be prescribed.

(10) Regulations may make provision—

(a) about how the meeting of the asset allocation requirement is to be evidenced;

(b) requiring the trustees or managers of relevant Master Trusts or the providers of group personal pension schemes to have regard to any guidance issued by the Secretary of State about the effect of any regulations under this section.

(11) Regulations may make provision—

(a) as to a time limit within which the Authority must decide an application for approval;

(b) as to procedures in connection with approvals or where an approval has been given;

(c) about the period for which an approval has effect;

(d) about the withdrawal of an approval, including conditions for and procedures in connection with withdrawals;

(e) about the provision to the Authority of information required for the purposes of deciding applications (including any additional information the Authority may require in a particular case);

(f) requiring the Authority to report to the Secretary of State any information the Secretary of State may require relating to the allocation of assets by relevant Master Trusts or group personal pension schemes;

(g) for the Authority's decision on the application to be referred to the Upper Tribunal;

(h) for the Authority to maintain and publish—

(i) a list of relevant Master Trusts that are approved under this section, and

(ii) a list of group personal pension schemes that are approved under this section,

(or a single list of the pension schemes mentioned in sub-paragraphs (i) and (ii)).

(12) Regulations under subsection (11)(d) may in particular make provision—

(a) about steps, including communications with a relevant Master Trust or group personal pension scheme, that the Authority must take before deciding to withdraw an approval;

(b) setting a minimum period that must elapse between notification that approval is to be withdrawn and the withdrawal of the approval;

(c) where the Authority has given notice to the trustees or managers of a relevant Master Trust or the provider of a group personal pension that its approval is likely to be withdrawn and any other prescribed conditions are met, requiring the trustees or managers or provider to—

(i) act in relation to the scheme as if its approval has been withdrawn, and

(ii) take steps for ensuring that persons (such as employers) who may be affected in the event of the scheme losing that approval are promptly informed if such a loss should occur;

(d) permitting the Authority to impose, on a person who fails to comply with a requirement under paragraph (c), a penalty determined in accordance with the regulations that does not exceed £100,000.

(13) Before making regulations under subsection (1) the Secretary of State must prepare and publish a report setting out—

(a) a joint assessment by the Financial Conduct Authority and the Pensions Regulator of the extent to which there is evidence of competitive conditions restricting relevant Master Trusts and group personal pension schemes from investing in qualifying assets, including in circumstances where such investments may be in the best interests of members of such schemes;

(b) the Secretary of State's assessment of the extent to which relevant Master Trusts and group personal pension schemes have made progress towards achieving—

(i) 10% (by value) of scheme assets held in main default funds to be qualifying assets, and

(ii) 5% (by value) of scheme assets so held to be of a UK-specific description (within the meaning of subsection (7)(b));

(c) the Secretary of State's assessment of any barriers to relevant Master Trusts or group personal pension schemes investing in qualifying assets, including in particular where such assets are located in the United Kingdom;

(d) the steps taken by the Secretary of State or the Authority to address any such barriers;

(e) how the financial interests of members of relevant Master Trusts and group personal pension schemes are or would be affected by the proposed regulations;

(f) what effects the proposed measures could be expected to have on economic growth in the United Kingdom;

(g) any other matters the Secretary of State considers appropriate.

(14) The power to make regulations under subsection (1) may only be exercised once.

(15) Before making regulations under subsection (1), the Secretary of State must have regard to the joint assessment of the Financial Conduct Authority and the Pensions Regulator mentioned in subsection (13)(a).

(16) Before making regulations under this section, the Secretary of State must consult the Treasury.

(17) The Secretary of State must consult such persons as the Secretary of State considers appropriate before publishing a report under subsection (13).

(18) The Secretary of State may not make regulations under subsection (1) before 1 January 2028.

(19) Provision under this section overrides any provision of the trust deed or rules of the scheme in question, so far as they are in conflict (and for that purpose, a provision of the trust deed or rules of the scheme is "in conflict" with provision under this section so far as the former does not allow for the assets of the scheme to be managed in such a way as to meet the conditions for approval under this section).

28D Information

(1) Regulations may make provision about information that the trustees or managers of a relevant Master Trust or the provider of a group personal pension scheme must give to the Regulatory Authority about the allocation of assets of the relevant Master Trust or group personal pension scheme.

(2) The regulations may make provision about—

(a) the types of information that must be given;

(b) when it must be given;

(c) the form and manner in which it must be given.

28E Transition pathway relief

(1) The Regulatory Authority ("the Authority") may approve a relevant Master Trust as qualifying for transition pathway relief if the Authority determines that—

(a) the condition in subsection (2) is met, and

(b) any other prescribed conditions are met.

(2) The condition mentioned in subsection (1)(a) is that the Authority determines that the relevant Master Trust—

(a) would qualify for approval under section 28A (MSDA approval: relevant Master Trusts) if the amount specified in section 28A(3) were £10 billion, and

(b) has a credible plan in place for meeting the scale requirement within the meaning of section 28A(2).

(3) The Authority may approve a group personal pension scheme as qualifying for transition pathway relief if the Authority determines that—

(a) the condition in subsection (4) is met, and

(b) any other prescribed conditions are met.

(4) The condition mentioned in subsection (3)(a) is that the Authority determines that the group personal pension scheme—

(a) would qualify for approval under section 28B (MSDA approval: group personal pension schemes) if the amount specified in section 28B(3) were £10 billion, and

(b) has a credible plan in place for meeting the scale requirement within the meaning of section 28B(2).

(5) Regulations may require trustees or managers of schemes that are authorised under this section to take prescribed steps, for example—

(a) to produce plans for increasing the scale of their schemes' holdings or to take other actions that may facilitate progress towards approval under section 28A or 28B, or

(b) in connection with governance and investment capability.

(6) Regulations must make provision about the criteria for making any determinations under subsection (1) or (3).

(7) Regulations may make provision of a kind mentioned in section 28A(10) or (11); and for this purpose a reference in those provisions—

(a) to an approval under section 28A is to be read as a reference to an approval under this section;

(b) to a relevant Master Trust is to be read as a reference to a relevant Master Trust or a group personal pension scheme;

(c) to the trustees or managers of a relevant Master Trust is to be read as a reference to the trustees or managers of a relevant Master Trust or the provider of a group personal pension scheme.

(8) Before making regulations under this section the Secretary of State must consult such persons as the Secretary of State considers appropriate.

(9) In this section "relevant Master Trust" has the same meaning as in section 20.

28F New entrant pathway relief

(1) A relevant Master Trust or group personal pension scheme qualifies for new entrant pathway relief for the purposes of Condition 1(e) of section 20(1A) or section 26(7C)(c) if the relevant Master Trust or group personal pension scheme is approved by the Regulatory Authority ("the Authority") under this section.

(2) The Authority may approve a relevant Master Trust or a group personal pension scheme under this section only if the Authority determines that—

(a) the scheme in question does not yet have any members,

(b) the scheme in question has strong potential to grow so as to meet the scale requirement under section 28A or 28B,

(c) the scheme in question has an innovative product design, and

(d) any other prescribed conditions are met.

(3) Regulations may make provision of a kind mentioned in section 28A(10) or (11); and for this purpose a reference in those provisions—

(a) to an approval under section 28A is to be read as a reference to an approval under this section;

(b) to a relevant Master Trust is to be read as a reference to a relevant Master Trust or a group personal pension scheme;

(c) to the trustees or managers of a relevant Master Trust is to be read as a reference to the trustees or managers of a relevant Master Trust or the provider of a group personal pension scheme.

(4) Regulations may make provision about the meaning of "strong potential to grow" and "innovative product design" (including how it can be demonstrated that a scheme has strong potential to grow or an innovative product design).

(5) Before making regulations under this section the Secretary of State must consult such persons as the Secretary of State considers appropriate.

28G Suspension of asset allocation requirement: savers' interest test

(1) Regulations must make provision for authorising the Regulatory Authority ("the Authority"), on an application by a relevant Master Trust or group personal pension scheme, to determine that the scheme in question is to be treated, for a period specified by the Authority, as if that scheme were exempted from the requirement for approval under section 28C.

(2) The Secretary of State must make regulations under subsection (1) so that they have effect whenever regulations under section 28C(1) or (2) have effect.

(3) Regulations under subsection (1)—

(a) may make provision about the form and content of an application, including about the evidence to be provided as part of an application;

(b) must make provision requiring an application to include a statement—

(i) that the applicant concludes that meeting the asset allocation requirement is likely not to be in the best interests of members of the scheme, and

(ii) setting out the basis on which the applicant reached the conclusion;

(c) must make provision requiring the Authority to determine that the applicant is to be treated as mentioned in subsection (1) in cases where—

(i) the application complies with the requirements of regulations made under subsection (1), and

(ii) the Authority is of the view that it is reasonable for the applicant to have reached the conclusion that meeting the asset allocation requirement is likely not to be in the best interests of members of the scheme;

(d) may make provision about the basis on which the Authority may or must form such a view, including about the evidence which the Authority may or must take into account;

(e) may make provision as to the process for making a determination, including as to—

(i) the level of detail of enquiry required in different cases;

(ii) a time limit within which the Authority must decide an application;

(iii) procedures in connection with applications;

(f) must require the Authority to provide reasons for any determination not to approve an application;

(g) must provide for the Authority's determination on an application to be referred to the Upper Tribunal.

28H Risk notices

(1) The Regulatory Authority ("the Authority") may give a risk notice to the trustees or managers of a relevant Master Trust if the Authority considers that—

(a) there is an issue of concern in relation to the relevant Master Trust, and

(b) the relevant Master Trust will, or is likely to, cease to meet the conditions for approval under section 28A or 28C if the issue is not resolved.

(2) A "risk notice" is a notice that requires the trustees or managers of a relevant Master Trust to submit to the Authority a plan (a "resolution plan") setting out proposals for resolving the issue of concern.

(3) A risk notice must—

(a) identify the issue of concern;

(b) specify the date by which the resolution plan is to be submitted.

(4) If the Authority is not satisfied that the proposals in a resolution plan are likely to be adequate to resolve the issue of concern, the Authority may give a further notice to the trustees or managers requiring them to submit a revised plan by a date specified in the notice.

(5) The trustees or managers must implement the proposals in a resolution plan if the Authority—

(a) is satisfied that the proposals are likely to be adequate to resolve the issue of concern, and

(b) notifies the trustees or managers accordingly.

(6) The Authority may direct the trustees or managers to comply with the requirement imposed by subsection (5).

(7) Where the trustees or managers are required by subsection (5) to implement the proposals in a resolution plan, they must—

(a) submit to the Authority, before the end of a period specified in regulations, a report setting out what progress they are making in implementing the proposals (a "progress report");

(b) submit further progress reports to the Authority at intervals specified by the Authority.

(8) Resolution plans and progress reports must be provided in the manner and form specified by the Authority.

(9) A reference to a resolution plan in subsections (4) to (8) includes a reference to a resolution plan as revised under subsection (4).

(10) Regulations may—

(a) specify information that a risk notice must contain;

(b) provide that the date referred to in subsection (3)(b) or (4) must fall before the end of a period specified in the regulations.

(11) Section 10 of the Pensions Act 1995 (civil penalties) applies to a trustee or manager of a relevant Master Trust who fails to comply with—

(a) a notice under subsection (1) or (4),

(b) a direction under subsection (6), or

(c) a requirement imposed by subsection (7).

28I Penalties

(1) Regulations may make provision about the imposition by the Regulatory Authority of a penalty on the trustees or managers of a relevant Master Trust or the provider of a group personal pension scheme where the scheme—

(a) fails to meet the condition in section 20(1A) by virtue of not being approved under section 28A or 28C, and

(b) accepts contributions from an employer in relation to a jobholder on the basis that it is an automatic enrolment scheme in relation to that jobholder.

(2) Regulations may make provision about the imposition by the Regulatory Authority of a penalty on the provider of a group personal pension scheme where the scheme—

(a) fails to meet the condition in section 26(7A) or (7B), and

(b) accepts contributions from an employer in relation to a jobholder on the basis that it is an automatic enrolment scheme in relation to that jobholder.

(3) The regulations must provide—

(a) that a penalty must not exceed £100,000 in relation to each employer from which contributions are accepted as mentioned in subsection (1)(b) or (2)(b), and

(b) that there is a right of appeal against the imposition of the penalty.

28J Enforcement by the Financial Conduct Authority

(1) The Treasury may make regulations to enable the Financial Conduct Authority to take action (in addition to any action it may otherwise take under the Financial Services and Markets Act 2000) for monitoring and enforcing compliance of any FCA-regulated person with any provision of or under this Chapter.

(2) The regulations may apply, or make provision corresponding to—

(a) provision made by or under this Part in relation to the Regulatory Authority, or

(b) any provision of the Financial Services and Markets Act 2000,

with or without modification.

(3) In this section, "FCA-regulated person" means an authorised person (within the meaning of the Financial Services and Markets Act 2000).

28K Report about effects of pension scheme consolidation

(1) The Secretary of State must prepare and publish a report about the effects of consolidation on innovation in the design and operation of relevant Master Trusts and group personal pension schemes.

(2) The report may in particular include information about—

(a) the extent to which consolidated schemes adopt or maintain innovative product designs of constituent schemes;

(b) barriers to consolidated schemes adopting or maintaining such innovative product designs.

(3) The Pensions Regulator and the FCA must provide such information and assistance as the Secretary of State may require for the purposes of the report.

(4) The report under this section must be published before the end of the period of 12 months beginning with the day on which this section comes into force.

(5) In this section "consolidation" means the consolidation of a relevant Master Trust or group personal pension scheme with one or more other schemes.

28L Regulations about quality requirements

In making regulations under section 20(1A) or (1C), 26(7A), 28A, 28B, 28E or 28F, the Secretary of State must have regard to the importance of—

(a) innovation in the design and operation of relevant Master Trusts and group personal pension schemes;

(b) competition among relevant Master Trusts and group personal pension schemes;

(c) improving outcomes for members of relevant Master Trusts and group personal pension schemes;

(d) relevant Master Trusts and group personal pension schemes achieving an appropriate scale;

(e) relevant Master Trusts and group personal pension schemes having effective governance."

(13) Before section 31 insert—

"30A Review of exercise of powers under section 28C

(1) The Secretary of State must—

(a) review the effects of any regulations under section 28C (approvals in respect of asset allocation), and

(b) prepare, publish and lay before Parliament, a report of the review.

(2) A review under subsection (1) must be conducted before the end of the period of 5 years beginning with the day on which the regulations in question come into force.

(3) In carrying out the review the Secretary of State must take the following into account—

(a) whether and how the financial interests of members of Master Trust schemes and savers in group personal pension schemes have been affected by the regulations;

(b) the effects (if any) of the measures on economic growth in the United Kingdom;

(c) any other matters the Secretary of State considers appropriate."

(14) In section 99 (interpretation of Part)—

(a) the existing words become subsection (1);

(b) in that subsection, at the appropriate places insert—

""group personal pension scheme" means a personal pension scheme which is available, or intended to be available, to employees of the same employer or of employers within a group, but does not include—

(a) a stakeholder pension scheme (as defined in section 1 of the Welfare Reform and Pensions Act 1999), or

(b) any pension scheme that requires all its members to make a choice as to how their contributions are invested;";

""Regulatory Authority" has the meaning given by regulations under subsection (2);";

""relevant Master Trust" has the meaning given by section 20(4);";

(c) after that subsection insert—

"(2) The Secretary of State may by regulations define "Regulatory Authority" for the purposes of this Part."

(15) In section 143 (orders and regulations) in subsection (5)(a)—

(a) after "17(1)(c)," insert "20, 26(7A), (7B), (7C) or (7E),";

(b) after "28," insert "28A, 28B, 28C (other than subsection (11)(f)), 28E, 28F, 28G, 28I, 28J,".

(16) The following provisions of the Pensions Act 2008 (which relate to transition pathway relief) are repealed at the end of the period of 5 years beginning with the day on which the provisions mentioned in paragraphs (a) and (b) come into force—

(a) paragraph (d) of Condition 1 in section 20(1A);

(b) section 26(7C)(b);

(c) section 28E;

(d) the word "28E" in section 143(5)(a).

(17) The following provisions are repealed at the end of 2035—

(a) in section 204A of the Financial Services and Markets Act 2000 (meaning of "relevant requirement" and "appropriate regulator")—

(i) in subsection (2)(aza), the words "or the asset allocation requirement in section 28C";

(ii) in subsection (6)(aza), the words "or the asset allocation requirement in section 28C";

(b) in section 90(6)(da) of the Pensions Act 2004, the words "and the asset allocation requirement";

(c) the relevant asset allocation provisions of the Pensions Act 2008.

(18) For the purposes of subsection (17), the "relevant asset allocation provisions" of the Pensions Act 2008 are the following—

(a) in section 20(1A) (asset allocation requirement: Master Trusts)—

(i) in the opening words, the words "and Condition 2";

(ii) Condition 2;

(b) in section 20(1B) (exemptions), the words "or 2(b)";

(c) in section 20(1C) (protected period)—

(i) in paragraph (a), the words "or Condition 2";

(ii) in paragraph (c), the words "or the conditions for approval under section 28C";

(d) in section 26 (quality requirement: UK personal pension schemes)—

(i) subsection (7B);

(ii) in subsection (7D), the words "or (7B)";

(iii) in subsection (7E)(a), the words "or sixth";

(iv) in subsection (7E)(c), the words "or the conditions for approval under section 28C";

(e) in section 28 (certification that quality requirement or alternative requirement is satisfied)—

(i) in subsection (4)(a), the words "or 2";

(ii) in subsection (4)(b), the words "and sixth";

(iii) in subsection (4)(c), the words "or 2";

(f) section 28C (approvals in respect of asset allocation);

(g) section 28G (suspension of asset allocation requirement: savers' interest test);

(h) in section 28H (risk notices), in subsection (1)(b), the words "or 28C";

(i) in section 28I (penalties)—

(i) in subsection (1)(a), the words "or 28C";

(ii) in subsection (2)(a), the words "or (7B)";

(j) section 30A (review of exercise of powers under section 28C);

(k) in section 143(5)(a) (orders and regulations)—

(i) the word "(7B)";

(ii) the words "28C (other than subsection (11)(f))";

(iii) the word "28G".

(19) In consequence of the repeals under subsection (17), at the end of 2035—

(a) in section 73(2)(dza) of the Pensions Act 2004 (inspection of premises), for "28G of the Pensions Act 2008 (scale and asset allocation)" substitute "28F of the Pensions Act 2008 (scale)";

(b) in section 28(4)(b) of the Pensions Act 2008 (certification that quality requirement or alternative requirement is satisfied), for "conditions" substitute "condition".

(20) The Secretary of State may by regulations make transitional or saving provision in connection with any repeal or amendment under subsection (17) or (19).

(21) If this section is repealed under section 133(6) (repeal where asset allocation requirement uncommenced) in respect of the insertion of the provisions mentioned in that subsection, the Secretary of State may by regulations amend this section, section 41 or the Schedule in consequence of that repeal.

(22) Regulations under subsection (20) or (21) are subject to the negative procedure.

41 Amendments related to section 40

(1) The Financial Services and Markets Act 2000 is amended as follows.

(2) In section 1A (the Financial Conduct Authority), in subsection (6), after paragraph (a) insert—

"(aa) the Pensions Act 2008,".

(3) Section 204A (meaning of "relevant requirement" and "appropriate regulator") is amended as follows.

(4) In subsection (2), after paragraph (aa) insert—

"(aza) by or under Part 1 of the Pensions Act 2008 in relation to the scale requirement in section 28B or the asset allocation requirement in section 28C,".

(5) In subsection (6), after paragraph (a) insert—

"(aza) by or under Part 1 of the Pensions Act 2008 in relation to the scale requirement in section 28B or the asset allocation requirement in section 28C,".

(6) Part 1 (Master Trusts) of the Pension Schemes Act 2017 is amended as follows.

(7) In section 5 (decision on application), in subsection (3)—

(a) omit the "and" before paragraph (e);

(b) after paragraph (e) insert—

"(f) that it has sufficient investment capability (see section 12A), and

(g) (in the case of an applicant that has its main administration in the United Kingdom) that the scheme meets Condition 1 of section 20(1A) (scale requirement) of the Pensions Act 2008."

(8) After section 12 insert—

"12A Investment capability

(1) This section applies for the purposes of enabling the Pensions Regulator to decide whether it is satisfied that a Master Trust scheme (that has

its main administration in the United Kingdom) has sufficient investment capability (see section 5(3)(f)).

(2) In order to be satisfied that the Master Trust scheme has sufficient investment capability the Pensions Regulator must be satisfied—

(a) that appropriate systems are in place for managing the investment strategy and monitoring outcomes,

(b) that the scheme has appropriate systems for delivering effective governance, and

(c) that there are appropriate strategies for recruiting and retaining expert staff.

(3) In deciding whether it is satisfied about the matters mentioned in subsection (1), the Pensions Regulator must take account of any factors specified in subsection (2).

(4) The Secretary of State may by regulations—

(a) make provision about the meaning of terms used in subsection (2);

(b) specify further factors that the Pensions Regulator must take into account in deciding whether it is satisfied about the matters mentioned in subsection (1).

(5) The first regulations that are made under this section are subject to affirmative resolution procedure.

(6) Any other regulations under this section are subject to negative resolution procedure.

12B Scale requirement

(1) The Secretary of State may by regulations make provision about how the Pensions Regulator is to decide whether it is satisfied that a Master Trust scheme that has its main administration in the United Kingdom meets Condition 1 in section 20(1A) (scale requirement) of the Pensions Act 2008.

(2) The regulations may, among other things, specify matters which the Pensions Regulator must take into account in making its assessment.

(3) The first regulations under this section are subject to affirmative resolution procedure.

(4) Any subsequent regulations under this section are subject to negative resolution procedure."

CHAPTER 4

DEFAULT ARRANGEMENTS

42 Regulations restricting creation of new non-scale default arrangements

(1) The appropriate authority may make regulations for the purpose of restricting the ability of the provider of a pension scheme to begin operating a non-scale default arrangement.

(2) The regulations may, in particular, make provision—

(a) prohibiting the provider of a pension scheme from beginning to operate a non-scale default arrangement unless the arrangement is approved by the appropriate regulator;

(b) about the criteria which the appropriate regulator must apply in deciding whether to approve a non-scale default arrangement;

(c) about the conditions which the appropriate regulator may or must attach to approval;

(d) about the ongoing requirements to which the provider of a pension scheme is to be subject in relation to a non-scale default arrangement approved under the regulations;

(e) where assets of a pension scheme are held subject to a non-scale default arrangement that is being operated in breach of the regulations, requiring the provider of the pension scheme in question to ensure that the assets are held subject to a different arrangement of a description specified in the regulations;

(f) conferring functions on the appropriate regulator, including functions involving the exercise of a discretion;

(g) for ensuring compliance with the regulations, including provision for the imposition of civil penalties not exceeding £100,000;

(h) for the making of a reference to the First-tier Tribunal or Upper Tribunal in respect of anything done under the regulations.

(3) Regulations under this section are subject to the affirmative procedure.

43 Review in relation to non-scale default arrangements

(1) The Secretary of State and the Treasury ("the reviewers"), acting jointly, must carry out a review of the non-scale default arrangements operated by providers of pension schemes.

(2) The review must consider the following (as well as any other matters that the reviewers consider relevant)—

(a) the number of non-scale default arrangements being operated by providers;

(b) the extent to which non-scale default arrangements operated by providers have been consolidated, or are likely to be consolidated, into approved main scale default arrangements;

(c) where non-scale default arrangements have not been so consolidated, the reasons why;

(d) the circumstances in which it may be appropriate for non-scale default arrangements not to be so consolidated.

(3) The reviewers must publish a report on the review as soon as reasonably practicable after the review is completed.

(4) The Pensions Regulator and the FCA must provide such information and assistance as the reviewers may require for the purposes of the review.

(5) Neither section 348 of the Financial Services and Markets Act 2000 nor section 82 of the Pensions Act 2004 prohibits the disclosure by the reviewers, the Pensions Regulator or the FCA of any information where the disclosure is made for the purpose of enabling or facilitating any person's compliance with this section.

44 Regulations about consolidation of non-scale default arrangements

(1) The appropriate authority may make regulations about the consolidation of non-scale default arrangements into approved main scale default arrangements.

(2) The regulations may, in particular, make provision—

(a) requiring the provider of a pension scheme, subject to any exemptions specified in the regulations, to consolidate a non-scale default arrangement operated by it into an approved main scale default arrangement operated by it;

(b) requiring the provider of a pension scheme to prepare, and provide the appropriate regulator with, an action plan about how and when a non-scale default arrangement operated by it is to be so consolidated;

(c) conferring functions on the appropriate regulator, including functions involving the exercise of a discretion;

(d) for ensuring compliance with the regulations, including provision for the imposition of civil penalties not exceeding £100,000;

(e) for the making of a reference to the First-tier Tribunal or Upper Tribunal in respect of a decision made under the regulations.

(3) Regulations under this section—

(a) may not be made until the review under section 43 has been completed and the report on it published, and

(b) must take account of the review's conclusions.

(4) Regulations under this section are subject to the affirmative procedure.

45 Regulations about default arrangements

In making regulations under section 42 or 44, the appropriate authority must have regard to the importance of—

(a) innovation in the design and operation of pension schemes;

(b) competition among providers of pension schemes;
(c) improving outcomes for members of pension schemes;
(d) pension schemes having effective governance.

46 Amendments of the Financial Services and Markets Act 2000

(1) The Financial Services and Markets Act 2000 is amended as follows.

(2) In section 1A (the Financial Conduct Authority), in subsection (6), before paragraph (ca) insert—

"(cze) Chapter 4 of Part 2 of the Pension Schemes Act 2026 (default arrangements);".

(3) In section 204A (meaning of "relevant requirement" and "appropriate regulator")—

(a) in subsection (2), before paragraph (b) insert—

"(ad) by or under Chapter 4 of Part 2 of the Pension Schemes Act 2026 (default arrangements),";

(b) in subsection (6), before paragraph (b) insert—

"(ad) by or under Chapter 4 of Part 2 of the Pension Schemes Act 2026 (default arrangements);".

47 Crown application

(1) This Chapter applies to a pension scheme managed by or on behalf of the Crown as it applies to other pension schemes.

(2) Accordingly, references in this Chapter to a person in their capacity as a trustee or manager of a pension scheme include the Crown, or a person acting on behalf of the Crown, in that capacity.

(3) This Chapter applies to persons employed by or under the Crown as it applies to persons employed by a private person.

48 Interpretation of Chapter

(1) In this Chapter—

"the appropriate authority", in relation to the making of regulations, means—

(a) where the only pension schemes to which the regulations apply are FCA-regulated pension schemes, the Treasury;
(b) where the only pension schemes to which the regulations apply are not FCA-regulated pension schemes, the Secretary of State;
(c) in any other case, the Treasury and the Secretary of State acting jointly;

"the appropriate regulator", in relation to a pension scheme, means—

(a) in relation to an FCA-regulated pension scheme, the FCA;

(b) in relation to any other pension scheme, the Pensions Regulator;

"approved main scale default arrangement", in relation to a pension scheme, means a main scale default arrangement in respect of which the pension scheme is approved under section 28A or 28B of the Pensions Act 2008;

"consolidating" a non-scale default arrangement into an approved main scale default arrangement means ensuring that any assets held subject to the non-scale default arrangement are instead held subject to the approved main scale default arrangement;

"the FCA" means the Financial Conduct Authority;

"FCA-regulated", in relation to a pension scheme, has the meaning given in subsection (2);

"main scale default arrangement", in relation to a pension scheme, has the same meaning as in section 28A and 28B of the Pensions Act 2008;

"money purchase benefits" has the same meaning as in the Pension Schemes Act 1993 (see section 181 of that Act);

"non-scale default arrangement", in relation to a pension scheme, means an arrangement—

(a) which is not an approved main scale default arrangement, and

(b) subject to which assets of the scheme must under the rules of the scheme be held, or may under those rules be held, if the member of the scheme to whom the assets relate does not make a choice as to the arrangement subject to which the assets are to be held;

"operate", in relation to a default arrangement, has the meaning given in subsection (3);

"pension scheme" has the meaning given by section 1(5) of the Pension Schemes Act 1993;

"the provider" of a pension scheme means—

(a) in relation to an FCA-regulated pension scheme, the person mentioned in subsection (2)(b);

(b) in any other case, the trustees or managers;

"the trustees or managers", in relation to a pension scheme, means—

(a) in the case of a scheme established under a trust, the trustees of the scheme, and

(b) in any other case, the persons responsible for the management of the scheme.

(2) A pension scheme is "FCA-regulated" if the operation of the scheme—

(a) is carried on in such a way as to be a regulated activity for the purposes of the Financial Services and Markets Act 2000, and

(b) is carried on in the United Kingdom by a person who is in relation to that activity an authorised person under section 19 of that Act.

(3) The provider of a pension scheme "operates" a non-scale default arrangement or main scale default arrangement if any assets held for the purposes of the

scheme are held subject to the non-scale default arrangement or main scale default arrangement.

CHAPTER 5

FCA-REGULATED PENSION SCHEMES: CONTRACTUAL OVERRIDE

49 FCA-regulated pension schemes: contractual override

(1) The Financial Services and Markets Act 2000 is amended as follows.

(2) After Part 7 insert—

"PART 7A

UNILATERAL CHANGES TO PENSION SCHEMES

117A Pension schemes to which this Part applies

(1) This Part applies to a pension scheme—
  (a) that is FCA-regulated, and
  (b) in relation to which any of the following conditions is met.

(2) The conditions are—
  (a) that the scheme is an auto-enrolment scheme;
  (b) that the scheme is a workplace personal pension scheme that is not an auto-enrolment scheme;
  (c) that the scheme is a pension scheme of a prescribed description.

(3) For the purposes of subsection (2)(a) and (b) a pension scheme is an "auto-enrolment scheme" if any individual is or at any time was an active member of the scheme in consequence of arrangements under section 3(2), 5(2) or 7(3) of the Pensions Act 2008 or section 3(2), 5(2) or 7(3) of the Pensions (No. 2) Act (Northern Ireland) 2008 (c. 13 (N.I.)) (arrangements for jobholder to become active member of automatic enrolment scheme).

(4) In subsection (3) "active member" means an active member within the meaning of Part 1 of the Pensions Act 2008 (see section 99 of that Act) or Part 1 of the Pensions (No. 2) Act (Northern Ireland) 2008 (c. 13 (N.I.)) (see section 78 of that Act).

(5) For the purposes of subsection (2)(b) a pension scheme is a "workplace personal pension scheme" if—
  (a) the scheme is a personal pension scheme,
  (b) direct payment arrangements exist, or have at any time existed, in relation to the scheme, and
  (c) contributions have been paid under the arrangements in respect of, or on behalf of, two or more employees.

(6) In subsection (5) "direct payment arrangements" means direct payment arrangements within the meaning of section 111A of the Pension Schemes Act 1993 or section 107A of the Pension Schemes (Northern Ireland) Act 1993.

117B Unilateral changes

(1) The provider of a pension scheme to which this Part applies may—

(a) amend the terms of the scheme as regards a description of pension pot held by the scheme,

(b) change the investments comprised in a description of pension pot held by the scheme,

(c) transfer a description of pension pot held by the scheme to a different pension scheme operated by the same provider, or

(d) transfer a description of pension pot held by the scheme to a pension scheme operated by a different provider.

(2) A change or transfer within subsection (1)(b) to (d) may be effected notwithstanding that it breaches a term of the pension scheme (such as a requirement for consent); and any such breach is to be disregarded for all purposes.

(3) Subsection (1) is subject to—

(a) subsection (5), sections 117D to 117F and any regulations under section 117H(1)(c), and

(b) any other provision of legislation (including any rule) which restricts or otherwise affects the provider's power to do anything within subsection (1).

(4) In subsection (1)(c) and (d), a reference to a pension scheme to which a description of pension pot may be transferred includes a pension scheme to which this Part does not apply.

(5) A transfer to a pension scheme operated by a different provider may not be effected under subsection (1)(d) without the consent of that provider.

(6) A reference in this Part to the terms of a pension scheme is to the terms of any instrument or agreement—

(a) in which the scheme is comprised, or

(b) to which the provider of the scheme and any member are parties in connection with the scheme.

(7) In this Part, "unilateral change" means an amendment, change or transfer within any of paragraphs (a) to (d) of subsection (1).

117C Effect of transfer of pension pot on membership of scheme etc

(1) This section applies where a pension pot is transferred under section 117B(1)(c) or (d) to a different pension scheme ("the receiving scheme").

(2) The individual—

(a) becomes a member of the receiving scheme in relation to the pot, and

(b) in a case in which there is more than one arrangement under the receiving scheme, becomes, in relation to the pot, a member of the arrangement specified in the unilateral change notice under section 117F(3)(b),

and acquires the rights, and becomes subject to the obligations, of membership.

(3) Where being a member of the receiving scheme in relation to the pot, or of the arrangement under the receiving scheme under which the pot is to be held, entails being a party to a contract with the provider of the receiving scheme, a contract is treated as entered into between the individual and the provider—

(a) at the time at which the pension pot is transferred to the receiving scheme, and

(b) on the terms communicated to the individual in the unilateral change notice under section 117F(3)(c).

117D Best interests test

(1) The provider of a pension scheme to which this Part applies may effect a unilateral change under section 117B(1) only if—

(a) the provider concludes, before doing so, that the best interests test is met in relation to the unilateral change, and

(b) it is reasonable for the provider to have reached that conclusion at that time.

(2) "The best interests test", in relation to a unilateral change, is that it is reasonably likely that effecting it will achieve—

(a) a better outcome for the directly affected members of the scheme (taken as a whole), and

(b) no worse an outcome for the other members of the scheme (taken as a whole),

than the relevant alternative action or, where there is more than one alternative action, each of them.

(3) For the purposes of this Part, the members of a pension scheme who are "directly affected" by a unilateral change are the members for whom the scheme holds pension pots of the description in question.

(4) The following are "relevant alternative actions" for the purposes of subsection (2) in relation to a unilateral change—

(a) not effecting the unilateral change, and

(b) where the unilateral change is an internal change, each other internal change that could be made in accordance with this Part in relation to pension pots of the description in question.

(5) In subsection (4) "internal change" means a unilateral change that results in a description of pension pot held by the scheme being held—

(a) subject to a different arrangement under the same scheme, or

(b) subject to a particular arrangement under a different pension scheme operated by the same provider (including where there is only one arrangement under that scheme).

(6) The FCA must make general rules specifying considerations or information that must be taken into account in determining whether the best interests test is met.

117E Certification by independent person

(1) The provider of a pension scheme to which this Part applies may effect a unilateral change under section 117B(1) only if, before effecting it—

(a) the provider has appointed a person to review the proposed unilateral change, and

(b) the person appointed has given the provider a certificate under this section in relation to the proposed unilateral change.

(2) The person appointed must—

(a) be independent of the provider, and

(b) have such expertise as is specified in general rules made by the FCA.

(3) The certificate must certify that, in the opinion of the independent person—

(a) the pension scheme is a pension scheme to which this Part applies,

(b) the proposed unilateral change is within section 117B(1)(a) to (d),

(c) section 117B(1) is not disapplied in relation to the proposed unilateral change by regulations under section 117H(1)(a),

(d) any conditions prescribed under section 117H(1)(c) are met,

(e) the best interests test is met in relation to the proposed unilateral change, and

(f) the provider has complied with such other requirements as may be specified in general rules made by the FCA.

(4) The FCA must make general rules about appointments and certification under this section, including provision—

(a) for determining for the purposes of this section whether a person is independent of the provider of a pension scheme;

(b) specifying terms on which an appointment under this section must be made;

(c) about the form of a certificate and when it must be given.

(5) In this Part "the independent person", in relation to a proposed unilateral change, means the person appointed under subsection (1)(a) to review it.

117F Unilateral change notice

(1) The provider of a pension scheme to which this Part applies may effect a unilateral change under section 117B(1) only after—

(a) the provider has sent a unilateral change notice to each of the required recipients, and

(b) the required notice period has expired.

(2) "A unilateral change notice" means a notice that includes such information relating to the unilateral change as is specified in general rules made by the FCA.

(3) General rules made pursuant to subsection (2) must, in the case of a unilateral change under section 117B(1)(c) or (d), require the unilateral change notice to—

(a) specify the pension scheme ("the receiving scheme") to which it is proposed the pensions pots in question are to be transferred,

(b) specify, in a case in which there is more than one arrangement under the receiving scheme, the arrangement subject to which it is proposed the pots be held after the transfer, and

(c) where membership of the receiving scheme, or of an arrangement specified under paragraph (b), entails being a party to a contract with the provider of the receiving scheme, set out, or otherwise communicate, the terms of such a contract.

(4) "The required recipients" means—

(a) the members of the scheme directly affected by the change, and

(b) such other persons as may be specified in general rules made by the FCA.

(5) A unilateral change notice must be in such form, and be sent by such means, as is specified in general rules made by the FCA.

(6) In subsection (1) "the required notice period" means such period as is specified in general rules made by the FCA.

117G Further duties to make FCA general rules

(1) The FCA must make general rules—

(a) about the fees that may or may not be charged by the provider of a pension scheme in relation to unilateral changes effected under section 117B(1);

(b) imposing requirements on the provider of a pension scheme who proposes to effect, or effects, a unilateral change under section 117B(1) to provide information to the independent person;

(c) imposing requirements on the provider of a pension scheme who proposes to effect, or effects, a unilateral change under section 117B(1), as to the records they must keep and retain for the purposes of this Part.

(2) The rules made by virtue of subsection (1) must apply in relation to pension schemes established before, as well as those established after, those rules (or this section) came into force.

117H Treasury regulations

(1) The Treasury may by regulations—

(a) provide that section 117B(1) does not apply in relation to unilateral changes of a description specified in the regulations;

(b) amend section 117D (best interests test);

(c) prescribe further conditions (in addition to those in sections 117D to 117F) that must be met in relation to a unilateral change for it to be permitted under section 117B(1);

(d) require the FCA to make general rules in compliance with section 117E(4)(b) that require the inclusion, in the terms of an appointment under that section, of a term providing that members of the pension scheme may in their own right enforce the terms of appointment under section 1 of the Contracts (Rights of Third Parties) Act 1999;

(e) disapply any legislation, or require the FCA to disapply any general rule, so far as it restricts or otherwise affects the power in section 117B(1);

(f) make provision consequential on this Part.

(2) The Treasury must by regulations require the FCA to include provision of a description specified in the regulations in general rules made in compliance with section 117E(4)(a) (how to determine whether a person is independent), alongside any other provision included in such general rules.

(3) Regulations under subsection (2) must in particular require the FCA to include in such general rules provision designed to ensure that the independent person does not have a conflict of interest.

(4) The power to make regulations under subsection (1) is capable of being exercised so as to amend or repeal any provision of primary legislation.

117I Interpretation of Part

(1) In this Part—

"the best interests test" has the meaning given by section 117D(2);

"directly affected", in relation to a unilateral change, has the meaning given by section 117D(3);

"FCA-regulated", in relation to a pension scheme, has the meaning given by subsection (2);

"the independent person", in relation to a proposed unilateral change, has the meaning given by section 117E(5);

"money purchase benefits" means money purchase benefits within the meaning of the Pension Schemes Act 1993 (see section 181(1) of that Act) or the Pension Schemes (Northern Ireland) Act 1993 (see section 176(1) of that Act);

"pension pot" has the meaning given by subsection (3);

"pension scheme" has the meaning given by section 1(5) of the Pension Schemes Act 1993;

"personal pension scheme" means a personal pension scheme within the meaning of the Pension Schemes Act 1993 (see section 1(1) of that Act) or the Pension Schemes (Northern Ireland) Act 1993 (see section 1(1) of that Act);

"provider"—

(a) in relation to an FCA-regulated pension scheme, means the person referred to in subsection (2)(b);

(b) in relation to any other pension scheme, means the trustees or managers of the scheme;

"terms" , in relation to a pension scheme, has the meaning given by section 117B(6);

"transfer", in relation to a pension pot, includes a transfer of an amount representing its value;

"trustees or managers", in relation to a pension scheme, means—

(a) in the case of a scheme established under a trust, the trustees of the scheme, and

(b) in any other case, the persons responsible for the management of the scheme;

"unilateral change" has the meaning given by section 117B(7);

"unilateral change notice" has the meaning given by section 117F(2).

(2) A pension scheme is "FCA-regulated" if the operation of the scheme—

(a) is a regulated activity, and

(b) is carried on in the United Kingdom by an authorised person.

(3) "Pension pot" means sums or assets held for the purpose of providing money purchase benefits to or in respect of a member of a pension scheme; and—

(a) a reference to the pension scheme that holds a pension pot is to that pension scheme;

(b) a reference to the individual for whom a pension pot is held is to that member."

(3) In section 105 (insurance business transfer schemes), in subsection (3), at the end insert—

"Case 6
Where the scheme is effected under Part 7A (unilateral changes to pension schemes)."

(4) In section 168 (appointment of persons to carry out investigations in particular cases), in subsection (4), after paragraph (i) insert—

"(iza) a person has effected, or has purported to effect, a unilateral change under subsection (1) of section 117B (unilateral changes by providers of pension schemes), but any of the provisions mentioned in subsection (3) of that section may have been contravened in relation to it;".

(5) In section 429 (Parliamentary control of statutory instruments), in subsection (2B), after paragraph (ab) insert—

"(ac) provision made under section 117H which amends or repeals any provision of primary legislation;".

CHAPTER 6

GUIDED RETIREMENT

50 Default pension benefit solutions

(1) Subject to section 51(1), the trustees or managers of a relevant scheme must—

(a) design, and make available to each eligible member of the scheme, one or more default pension benefit solutions;

(b) at least in such circumstances or at such times or intervals as may be prescribed, review the design (and if appropriate the number) of the default pension benefit solutions.

(2) In this Chapter "pension benefit solution", in relation to a pension scheme, means a contractual or other arrangement for making pension payments in respect of members' accrued rights.

(3) In this Chapter "default pension benefit solution", in relation to a relevant scheme, means a pension benefit solution which—

(a) is designed for delivering money purchase benefits under the scheme to—

(i) the eligible members of the scheme generally, or

(ii) a subset of those eligible members,

(b) is designed to provide a regular income for the eligible members concerned in their retirement (whether or not together with other benefits),

(c) is for the time being designated by the trustees or managers of the scheme as the pension benefit solution under which—

(i) the eligible members of the scheme generally, or

(ii) a subset of those eligible members,

will receive pension payments unless they choose to receive pension payments under a different pension benefit solution, and

(d) meets any other conditions that may be prescribed.

(4) The trustees or managers of a relevant scheme must, in determining what default pension benefit solutions the scheme should make available (generally or to subsets of eligible members), take account of—

(a) the needs and interests of—

(i) the scheme's membership as a whole, and

(ii) any subset of the scheme's membership that the trustees or managers consider appropriate;

(b) the circumstances of different eligible members of the scheme (for example the normal pension ages of such members or the value or expected value of their money purchase benefits under the scheme);

(c) the possibility that a member may already have received some of their benefits (for example as a lump sum) before deciding to make use of a default pension benefit solution;

(d) such other factors as may be prescribed.

(5) Regulations may make provision about how trustees or managers of a scheme are to assess the needs and interests of the scheme's membership for the purposes of subsection (4)(a).

(6) Regulations may—

(a) specify descriptions of eligible members in relation to which subsection (3) is to have effect with the omission of paragraph (b) of that subsection;

(b) make provision about the meaning for the purposes of subsection (3)(b) of—

(i) "designed to provide a regular income";

(ii) "retirement".

(7) In this Chapter—

"eligible member", in relation to a relevant scheme, means any member who is accruing, or has an actual or prospective right to, benefits falling within paragraph (a) of the definition of "money purchase benefits" in section 181(1) of the Pension Schemes Act 1993 and is not of a description excepted by regulations;

"relevant scheme" means an occupational pension scheme which—

(a) provides benefits falling within paragraph (a) of the definition of "money purchase benefits" in section 181(1) of the Pension Schemes Act 1993,

(b) is a registered pension scheme, and

(c) is not of a description excepted by regulations.

(8) Regulations under this section—

(a) are subject to the negative procedure if they are made under subsection (1)(b) or (6)(a)

(b) otherwise, are subject to the affirmative procedure.

51 Transferable members

(1) The trustees or managers of a relevant scheme ("the principal scheme") are not required to comply with section 50(1) in relation to eligible members of the scheme (whether comprising the members of the scheme generally or a subset of those members) in relation to whom the first or second condition is met; and such members are referred to in this Chapter as "transferable members".

(2) The first condition is that the trustees or managers of the principal scheme have determined that it is not reasonably practicable for them to design and make available to the members concerned default pension benefit solutions.

(3) The second condition is that the trustees or managers of the principal scheme have determined that a qualifying pension benefit solution of a qualifying scheme (other than the principal scheme) will provide a better outcome for the members concerned than any default pension benefit solution that the trustees or managers of the principal scheme could design and make available to them.

(4) Where the principal scheme has transferable members, the trustees or managers must take the steps set out in subsection (5) in respect of them.

(5) The steps mentioned in subsection (4) are to—

(a) identify a qualifying scheme (the "receiving scheme") that is able to and agrees to—

(i) receive a transfer in respect of the accrued rights of the transferable member (a "relevant transfer"), and

(ii) make a qualifying pension benefit solution available to the transferable member;

(b) at such times or in such circumstances as may be prescribed, enter into arrangements ("transfer arrangements") with the receiving scheme with a view to effecting a relevant transfer to that scheme;

(c) take any other prescribed steps.

(6) In carrying out the step in subsection (5)(a), the trustees or managers of the principal scheme must have regard to the matters mentioned in section 50(4) (and for that purpose references in those paragraphs to "the scheme" are to the principal scheme).

(7) Section 50(5) applies for the purposes of subsection (6) as it applies for the purposes of section 50(4).

(8) The trustees or managers of the principal scheme must, at least in such circumstances or at such times or intervals as may be prescribed, review the suitability of any qualifying pension benefit solution in respect of which they have identified a qualifying scheme as mentioned in subsection (5)(a).

(9) In this Chapter, "qualifying pension benefit solution", in relation to a qualifying scheme, means a pension benefit solution designed and maintained by the trustees or managers of the scheme that—

(a) is designed for delivering money purchase benefits under that scheme to—

(i) the members of the scheme generally, or

(ii) a subset of those members,

(b) is designed to provide a regular income for the members concerned in their retirement (whether or not together with other benefits), and

(c) meets any other conditions that may be prescribed.

(10) Nothing in this Chapter authorises any transfer in respect of a person's accrued rights under a relevant scheme without that person's consent.

(11) In this section "qualifying scheme" means—

(a) an occupational pension scheme, or

(b) a personal pension scheme,

that is a registered scheme and meets any prescribed conditions.

(12) If a transferable member accepts in writing a proposal of the principal scheme for the transferable member's accrued rights to be transferred to the receiving scheme—

(a) the trustees or managers of the principal scheme must communicate that proposal to the receiving scheme, and

(b) the proposal is to be treated as requiring the receiving scheme to enrol the transferable member as a member of the receiving scheme and use the cash equivalent to provide rights for the member under that scheme.

(13) Regulations may make provision about the conditions in subsections (2) and (3), including about the basis on which the determinations mentioned in those subsections are to be made.

(14) Regulations may require a pension scheme of a prescribed description to agree to receive a transfer in respect of the accrued rights of a transferable member where—

(a) the principal scheme has been unable, having used reasonable endeavours, to identify a qualifying scheme that is able and willing to do so, and

(b) any other prescribed conditions are met.

(15) A requirement under subsection (14) may only be imposed on a pension scheme that is one or both of the following—

(a) a Master Trust scheme within the meaning of the Pension Schemes Act 2017;

(b) a consolidator scheme within the meaning of Chapter 2 of Part 2 (consolidation of small dormant pension pots).

(16) Regulations may prohibit or limit the charging of fees in respect of transfers made under transfer arrangements.

(17) Regulations may provide for the manner in which cash equivalents are to be calculated and verified.

(18) Regulations under subsection (8), (16) or (17) are subject to the negative procedure; and other regulations under this section are subject to the affirmative procedure.

52 Provision and gathering of information

(1) Where only one pension benefit solution is available to the members of a relevant scheme, the trustees or managers must ensure that each eligible member of the scheme is given at a prescribed time a communication which—

(a) describes the pension benefit solution, and

(b) sets out the trustees' or managers' opinion as to what might be the circumstances (in terms of age, pension savings etc) of a person for whom the pension benefit solution is suitable.

(2) Where more than one pension benefit solution is available to the eligible members of a relevant scheme, the trustees or managers must ensure that, at a prescribed time, each eligible member of the scheme is given a communication which—

(a) describes the default pension benefit solution or qualifying pension benefit solution that the trustees or managers consider to be the most appropriate to the member ("the specified solution"), and

(b) sets out the trustees' or managers' opinion as to what might be the circumstances (in terms of age, pension savings etc) of a person for whom the specified solution is suitable.

(3) Regulations may make provision about how a pension benefit solution is to be presented to a member when the member applies to receive benefits.

(4) The trustees or managers of a relevant scheme must ensure that each eligible member of the scheme is given at prescribed times or intervals—

(a) information about basic features of the member's pension, including that it has—

(i) an accumulation phase, and

(ii) a decumulation phase;

(b) general information about the availability to the member of a default pension benefit solution or qualifying pension benefit solution and an

explanation that such a solution is designed to provide a regular income during retirement.

(5) Regulations may require the trustees or managers of a relevant scheme to communicate to each eligible member at prescribed times or intervals—

(a) information about the pension benefit solutions available to the eligible members;

(b) general information about other options that may be available to the member for receiving benefits in respect of their contributions;

(c) information describing a particular pension benefit solution that the trustees or managers consider to be suitable for the eligible member in question;

(d) where information within paragraph (c) is included in a communication, the trustees' or managers' opinion as to what might be the circumstances (in terms of age, pension savings etc) of a person for whom the pension benefit solution is suitable;

(e) any general information prescribed for the purpose of assisting eligible members in deciding how to receive their pension benefits.

(6) Communications made under or by virtue of any of subsections (1) to (5) must be in clear and plain language.

(7) The trustees or managers of a relevant scheme may request from eligible members of the scheme any information the trustees or managers consider reasonably necessary for the purpose of—

(a) designing or reviewing, or in the case of transferable members identifying, pension benefit solutions;

(b) determining what pension benefit solution may be appropriate for the member, including what rate of decumulation may be appropriate,

which may for example include information about the member's financial circumstances or plans for retirement.

(8) Regulations may require the trustees or managers of relevant schemes to request from eligible members any information the trustees or managers consider appropriate for the purposes specified in subsection (7).

(9) In exercising their functions under subsection (7) trustees and managers must comply with any requirements that may be prescribed.

(10) Regulations may make provision about the format of any communications authorised or required to be made under this section.

(11) Before making regulations under this section the Secretary of State must consult any persons the Secretary of State thinks appropriate.

(12) Regulations under this section are subject to the negative procedure.

53 Information etc in connection with selection of benefit solution

(1) Regulations may require trustees or managers of a relevant scheme to provide or make available to eligible members, at prescribed times or intervals, information expressed in clear and plain language which would or may assist in—

(a) the selection of a pension benefit solution, or

(b) decisions that may need to be made with respect to a pension benefit solution.

(2) Regulations may require that information provided or made available to a member by virtue of subsection (1) must, as far as possible, be based on information about the member's circumstances.

(3) Regulations may require trustees or managers of a relevant scheme to—

(a) monitor the rate of decumulation under pension benefit solutions used by members, and

(b) inform the member concerned if the trustees or managers consider that the rate of decumulation should be reviewed.

(4) Regulations under this section are subject to the affirmative procedure.

54 Pension benefits strategy

(1) The trustees or managers of a relevant scheme must determine, and from time to time review and if necessary revise, a strategy (a "pension benefits strategy") for ensuring that the trustees or managers—

(a) identify and carry out the steps they need to take for the purpose of understanding the requirements of eligible members of the scheme with regard to pension benefit solutions;

(b) design, or in the case of transferable members identify, pension benefit solutions that take account of those needs;

(c) communicate effectively with eligible members of the scheme with regard to pension benefit solutions and comply with any regulations under section 53.

(2) The trustees or managers must publish the strategy and ensure that a copy of it is provided on request to—

(a) the Pensions Regulator;

(b) any member of the scheme.

(3) Regulations may—

(a) specify any objectives, principles or matters the trustees or managers must take into account in determining or revising a strategy;

(b) make provision about the level of detail required in a pensions benefit strategy;

(c) authorise the Secretary of State to—

(i) determine the format in which a benefits strategy is to be set out, or

(ii) delegate that function to the Pensions Regulator;

(d) make provision as to the period within which a pension benefits strategy must be determined;

(e) specify the intervals at which the strategy must be reviewed;

(f) require the trustees or managers of relevant schemes to—

(i) to take account, in determining or revising a strategy, any guidance issued by the Pensions Regulator;

(ii) provide in the strategy evidence of how they have taken account of any matters prescribed by virtue of subsection (3)(a).

(4) Regulations may require the trustees or managers of a relevant scheme to publish, alongside a pension benefits strategy (or revised pension benefits strategy), prescribed information or evidence as to whether and how they have complied with the requirements imposed by virtue of this Chapter.

(5) Regulations under this section—

(a) are subject to the affirmative procedure if they are under subsection (3)(a);

(b) otherwise are subject to the negative procedure.

55 Enforcement and compliance

(1) Regulations may make provision with a view to ensuring the compliance of any person with any provision of or under this Chapter.

(2) The regulations may in particular—

(a) provide for the Pensions Regulator to issue a notice (a "compliance notice") to a person with a view to ensuring the person's compliance with a provision of or under this Chapter;

(b) provide for the Pensions Regulator to issue a notice (a "third party compliance notice") to a person with a view to ensuring another person's compliance with a provision of or under this Chapter;

(c) provide for the Pensions Regulator to issue a notice (a "penalty notice") imposing a penalty on a person where the person—

(i) has failed to comply with a compliance notice or third party compliance notice, or

(ii) has contravened a provision of or under this Chapter;

(d) provide for the making of a reference to the First-tier Tribunal or Upper Tribunal in respect of the issue of a penalty notice or the amount of a penalty;

(e) confer other functions on the Regulator.

(3) The regulations may make provision for determining the amount, or the maximum amount, of a penalty in respect of a failure or contravention.

(4) But the amount of a penalty imposed under the regulations in respect of a failure or contravention must not exceed—

(a) £10,000, in the case of an individual, and

(b) £100,000, in any other case.

(5) Any penalty payable under the regulations is recoverable by the Regulator.

(6) In England and Wales, any such penalty is, if the county court so orders, recoverable under section 85 of the County Courts Act 1984 or otherwise as if it were payable under an order of that court.

(7) In Scotland, a penalty notice is enforceable as if it were an extract registered decree arbitral bearing a warrant for execution issued by the sheriff court of any sheriffdom.

(8) The Regulator must pay into the Consolidated Fund any penalty recovered under this section.

(9) Section 7 of the Pensions Act 1995 (appointment of trustees) is amended as follows.

(10) In subsection (3), at the end of paragraph (c) omit "or", and after that paragraph insert—

"(ca) to secure compliance with the duties of trustees under Chapter 6 of Part 2 of the Pension Schemes Act 2026, or".

(11) Regulations under this section are subject to the affirmative procedure.

56 Crown application

(1) This Chapter applies to a pension scheme managed by or on behalf of the Crown as it applies to other pension schemes.

(2) Accordingly, references in this Chapter to a person in their capacity as a trustee or manager of a pension scheme include the Crown, or a person acting on behalf of the Crown, in that capacity.

(3) This Chapter applies to persons employed by or under the Crown as it applies to persons employed by a private person.

57 Interpretation of Chapter

In this Chapter—

"default pension benefit solution" has the meaning given by section 50(3);

"eligible member" has the meaning given by section 50(7);

"money purchase benefits" has the same meaning as in the Pension Schemes Act 1993 (see section 181 of that Act);

"occupational pension scheme" has the same meaning as in the Pension Schemes Act 1993 (see section 1(1) of that Act);

"pension benefit solution" has the meaning given by section 50(2);

"pension scheme" has the meaning given by section 1(5) of the Pension Schemes Act 1993;

"personal pension scheme" has the same meaning as in the Pension Schemes Act 1993 (see section 1(1) of that Act);

"prescribed" means prescribed by regulations;

"principal scheme" is to be interpreted in accordance with section 51(1);

"qualifying pension benefit solution" has the meaning given by section 51(9);

"registered pension scheme" has the meaning given in Part 4 of the Finance Act 2004;

"regulations" means regulations made by the Secretary of State under this Chapter;

"relevant scheme" has the meaning given by section 50(7);

"transferable member" is to be interpreted in accordance with section 51(1);

"trustees or managers", in relation to a pension scheme, means—

(a) where the scheme is established under a trust, the trustees of the scheme;

(b) in any other case, the managers of the scheme.

58 Corresponding provision in relation to FCA-regulated schemes

In the Financial Services and Markets Act 2000, before section 137FC insert—

"137FBD FCA general rules: guided retirement

(1) The FCA must make general rules for the purpose of ensuring that default or qualifying pension benefit solutions are made available to members of relevant pension schemes.

(2) In determining what provision to include in the rules, the FCA—

(a) must have regard to provision made by, and any provision made under, Chapter 6 of Part 2 of the Pension Schemes Act 2026 (guided retirement: schemes regulated by the Pensions Regulator), and

(b) must aim to ensure, so far as possible, that the outcomes achieved by the rules in relation to relevant pension schemes correspond to those achieved by that Chapter, and any regulations made under it, in relation to pension schemes to which that Chapter applies.

(3) In this section—

"default or qualifying pension benefit solution" means a pension benefit solution which—

(a) is designed for delivering money purchase benefits under a pension scheme to some or all of the members of the scheme,

(b) is designed to provide a regular income for the members concerned in their retirement (whether or not together with other benefits), and

(c) meets any other prescribed conditions;

"FCA-regulated pension scheme" means a pension scheme whose operation—

(a) is a regulated activity, and

(b) is carried on in the United Kingdom by an authorised person;

"money purchase benefits" has the same meaning as in the Pension Schemes Act 1993 (see section 181 of that Act);

"pension benefit solution", in relation to a pension scheme, means a contractual or other arrangement for making pension payments in respect of members' accrued rights;

"pension scheme" has the meaning given in section 1(5) of the Pension Schemes Act 1993;

"relevant pension scheme" means an FCA-regulated pension scheme that is—

(a) an auto-enrolment scheme,

(b) a workplace personal pension scheme that is not an auto-enrolment scheme, or

(c) a pension scheme of a prescribed description,

and for that purpose "auto-enrolment scheme" has the meaning given in section 117A(3) and "workplace personal pension scheme" has the meaning given in section 117A(5)."

PART 3

SUPERFUNDS

CHAPTER 1

INTRODUCTORY

59 Overview

(1) This Part—

(a) contains a regulatory framework for superfunds, and

(b) prohibits superfund transfers except where made in accordance with that framework.

(2) This Chapter defines key concepts such as "superfund scheme", "superfund", "superfund transfer" and "capital buffer".

(3) Chapter 2 allows for authorisation of superfunds by the Regulator, which is an initial step that must be taken before a scheme is eligible to receive superfund transfers.

(4) Chapter 3 requires the Regulator's approval for individual superfund transfers and sets out the criteria for granting approval.

(5) Chapter 4 sets out requirements that superfunds must meet on an ongoing basis once they have received a superfund transfer.

(6) Chapter 5 contains special procedures which apply if an "event of concern" (such as a superfund falling into financial difficulties or breaching regulatory requirements) takes place.

(7) Chapter 6 makes provision about interpretation of this Part and confers power to extend this Part to other similar structures.

60 Key concepts

(1) "Superfund scheme" means a trust-based occupational pension scheme—

(a) that has received a transfer of defined-benefit liabilities from another trust-based occupational pension scheme,

(b) that is supported by a capital buffer, and

(c) that is not supported by a substantive employer covenant,

or a trust-based occupational pension scheme that is managed or administered with a view to its becoming such a scheme.

(2) A trust-based occupational pension scheme is "supported by a capital buffer" if a contract or other legally binding arrangement has been entered into under which assets that are not assets of the scheme—

(a) must be held by a person in connection with the scheme, and

(b) must, in specified circumstances, be made available to the trustees for the purpose of satisfying liabilities of the scheme.

(3) "Capital buffer", in relation to a trust-based occupational pension scheme, means assets that are the subject of a contract or other arrangement of the kind described in subsection (2) in relation to the scheme.

(4) A trust-based occupational pension scheme is "not supported by a substantive employer covenant" if, based on the employer's financial position, there is no realistic prospect of the employer being able to provide the trustees with material financial support for the purpose of satisfying liabilities of the scheme. For that purpose the employer's "financial position" means its financial position ignoring—

(a) any capital buffer, and

(b) any financial support which it may obtain from another person but to which it is not entitled.

(5) "Superfund", in relation to a superfund scheme, means the scheme together with—

(a) any capital buffer, and

(b) any arrangements in place for the management and administration of the scheme or any capital buffer.

(6) "Superfund transfer" means a transfer of defined-benefit liabilities from a trust-based occupational pension scheme (whether or not itself a superfund scheme) to a superfund scheme.

61 Schemes divided into sections

(1) This section applies for the purposes of this Part (unless the context otherwise requires).

(2) Where a trust-based occupational pension scheme includes two or more sections—

(a) each section is treated as a separate scheme,

(b) the members of the scheme that are allocated to each section are treated as the members of that separate scheme,

(c) the assets and liabilities of the scheme that are allocated to each section are treated as the assets and liabilities of that separate scheme, and

(d) in the case of a superfund scheme, the assets of the capital buffer that are allocated to each section are treated as the capital buffer in relation to that separate scheme.

(3) Accordingly, in the case of a superfund scheme, any of the following is treated as a superfund transfer—

(a) the reallocation of members between sections;

(b) the combination of two or more sections;

(c) the division of one section into two or more.

(4) A "section" of a trust-based occupational pension scheme means arrangements—

(a) which have effect under the rules of the scheme (including, in the case of a superfund scheme, the capital buffer arrangement), and

(b) under which particular assets of the scheme (and, in the case of a superfund scheme, the capital buffer) may only be used to satisfy the scheme's liabilities to or in respect of members of the scheme of a particular description,

and those particular assets, liabilities and members are "allocated" to the section in question.

CHAPTER 2

AUTHORISATION OF SUPERFUNDS

62 Prohibition of unauthorised superfund activity

(1) Where a pension scheme is not part of an authorised superfund, a person may not—

(a) promote the scheme (generally or to a particular person) with a view to its receiving a superfund transfer,

(b) enter into any arrangements on behalf of the scheme with a view to its receiving a superfund transfer, or

(c) cause or permit such promotion to take place or such arrangements to be entered into.

(2) Subsection (1) does not apply where the person takes all reasonable steps to ensure—

(a) in relation to promotion of a scheme, that it is clear from the promotion that the scheme is not part of an authorised superfund;

(b) in relation to arrangements entered into, that it is clear to every party to the arrangements, as at the time when the arrangements are entered into, that the scheme is not part of an authorised superfund.

(3) A person who breaches subsection (1) commits an offence.

(4) A person who commits an offence under subsection (3) is liable—

(a) on summary conviction in England and Wales, to a fine;

(b) on summary conviction in Scotland, to a fine not exceeding the statutory maximum;

(c) on conviction on indictment, to imprisonment for a term not exceeding two years or a fine or both.

(5) Section 88A of the Pensions Act 2004 (financial penalties) applies to a person who breaches subsection (1) (but see subsection (10) of that section, which prevents a penalty from being imposed in respect of an act where the person has been convicted of an offence in respect of the same act, or where proceedings for such an offence are ongoing).

63 Authorisation of superfunds

(1) The Regulator may authorise a superfund if satisfied, based on the superfund's organisation, staff, plans, policies and procedures, that it is likely to comply with the requirements of Chapters 4 and 5 (ongoing requirements for superfunds).

(2) An application for authorisation must be made jointly by—

(a) the trustees of the superfund scheme, and

(b) a body corporate that is incorporated in the United Kingdom and that is involved in the scheme's management or administration.

(3) An application for authorisation must be made in the manner and form specified by the Regulator.

(4) The Secretary of State may by regulations make provision about applications for authorisation, including provision—

(a) about the documents and information that an application must include;

(b) requiring a fee to be paid to the Regulator in respect of an application.

(5) The Regulator must maintain and publish a list of authorised superfunds.

(6) Where a superfund has not yet received a superfund transfer, the Regulator may withdraw the superfund's authorisation if no longer satisfied as described in subsection (1).

(7) Regulations under subsection (4) are subject to the negative procedure.

64 Timing of decisions about authorisation

(1) The Regulator must decide an application under this Part before the end of the period of 6 months beginning with the day on which it received the application ("the decision period").

(2) If in a particular case the Regulator considers that the decision period is insufficient to enable it to decide the application, it may on one or more occasions extend that period by notice to the applicants; but it may not extend it beyond the end of the period of 9 months beginning with the day on which it received the application.

(3) Where an application received by the Regulator fails to comply with section 63 or regulations made under it (including where the applicants fail to pay a fee required in respect of the application) the references in subsections (1) and (2) to the day on which the Regulator receives the application are to the day on which the failure is remedied.

CHAPTER 3

APPROVAL OF SUPERFUND TRANSFERS

65 Prohibition of unapproved superfund transfers

(1) A person may not make or receive a superfund transfer, or cause or permit a superfund transfer to be made or received, unless the superfund transfer is approved under this Chapter.

(2) A person who breaches subsection (1) commits an offence.

(3) A person who commits an offence under subsection (2) is liable—

(a) on summary conviction in England and Wales, to a fine;

(b) on summary conviction in Scotland, to a fine not exceeding the statutory maximum;

(c) on conviction on indictment, to imprisonment for a term not exceeding 2 years or a fine or both.

(4) Section 88A of the Pensions Act 2004 (financial penalties) applies to a person who breaches subsection (1) (but see subsection (10) of that section, which prevents a penalty from being imposed in respect of an act where the person has been convicted of an offence in respect of the same act, or where proceedings for such an offence are ongoing).

66 Approval of superfund transfers

(1) The Regulator may approve a superfund transfer if—

(a) the receiving superfund is authorised,

(b) the ceding scheme does not have any active members, and

(c) the Regulator is satisfied, based on evidence provided by the trustees of the ceding scheme and by the responsible body of the receiving

superfund, that each of the onboarding conditions is met in relation to the transfer.

(2) For the purposes of this Part, "the onboarding conditions" in relation to a superfund transfer are—

(a) that, as at the date of the application, the financial position of the ceding scheme is not strong enough to enable the trustees to arrange an insurer buyout;

(b) that the superfund transfer will make it more likely that the transferred liabilities will be satisfied in full;

(c) that it is reasonable to expect that the capital adequacy threshold will be met in relation to the receiving superfund immediately following the superfund transfer;

(d) that it is reasonable to expect that the technical provisions threshold will be met in relation to the receiving superfund at the end of the period specified in regulations made by the Secretary of State;

(e) that the receiving superfund is likely to comply with the requirements of Chapters 4 and 5 (ongoing requirements of superfunds) after the superfund transfer takes place.

(3) Approval under this section may be given subject to conditions, including as to—

(a) the superfund transfer being made on terms of a specified description;

(b) the superfund transfer being made within a period of a specified description;

(c) any of the onboarding conditions continuing to be met for a period of a specified description after approval is given but before the superfund transfer is made.

(4) The Secretary of State may by regulations amend this section for the purpose of substituting another condition relating to the financial position of the ceding scheme for the onboarding condition for the time being in subsection (2)(a).

(5) The Secretary of State may by regulations make provision about the onboarding conditions, including provision about—

(a) the information and evidence that the trustees of the ceding scheme and the responsible body of the receiving superfund must provide for the purpose of satisfying the Regulator that an onboarding condition is met;

(b) how the Regulator is to assess whether an onboarding condition is met;

(c) the conditions that may or must be imposed under subsection (3).

(6) The Secretary of State may by regulations modify subsection (2) in its application to a superfund transfer of a kind described in section 61(3) (merger of sections etc).

(7) In relation to a superfund transfer—

"the ceding scheme" means the scheme from which the transferred liabilities are transferred (or intended to be transferred);

"the receiving superfund" means the superfund that includes the superfund scheme to which the transferred liabilities are transferred (or intended to be transferred);

"the transferred liabilities" means the liabilities that are transferred (or intended to be transferred).

(8) In subsection (1), "active members" has the same meaning as in Part 1 of the Pensions Act 1995 (see section 124 of that Act).

(9) Regulations under subsection (2)(d) are subject to the negative procedure.

(10) Regulations under subsection (4) or (5) are subject to the affirmative procedure.

(11) Regulations under subsection (6) are subject to the negative procedure.

(12) See also section 67 (which makes special provision in relation to schemes that are being wound up in particular circumstances).

67 Special provision for certain schemes coming out of assessment period

Where in relation to a superfund transfer the ceding scheme is required to be wound up, or its winding up is required to continue, under section 154(1) of the Pensions Act 2004 (pension protection: requirement to wind up schemes with sufficient assets to meet protected liabilities), section 66(2) has effect as though—

(a) paragraph (a) were omitted, and

(b) for paragraph (b) there were substituted—

"(b) that the superfund transfer—

(i) will increase the proportion of the transferred liabilities likely to be satisfied, and

(ii) will not lead to any member of the ceding scheme being worse off than they would be if the superfund transfer were not made;".

68 Applications for approval

(1) An application for approval under section 66 must be made jointly by—

(a) the trustees of the ceding scheme, and

(b) the responsible body of the receiving superfund.

(2) The application must be made in the manner and form specified by the Regulator.

(3) The Regulator must decide whether or not to approve a superfund transfer, and must notify the applicants of its decision, as soon as reasonably practicable after receiving the application.

(4) The Secretary of State may by regulations make provision about applications for approval, including about the documents and information that must be included in an application.

(5) Regulations under subsection (4) are subject to the negative procedure.

CHAPTER 4

ONGOING REQUIREMENTS OF OPERATING SUPERFUNDS

Governance and organisation

69 Governance and structure

(1) The responsible body of an operating superfund must ensure, so far as reasonably practicable, that the superfund has policies and procedures in place—

(a) that allow for the superfund to be managed and administered effectively in the interests of members of the superfund scheme,

(b) that ensure the superfund's compliance with the requirements of this Part and any other legislation relating to pensions, and

(c) that are proportionate to the scale and nature of the superfund's activities.

(2) Those policies and procedures must, in particular, address the following matters—

(a) how the responsible body, the other members of the superfund group, and the trustees of the superfund scheme are to interact with each other, and how any conflicts are to be resolved;

(b) how investment decisions are to be taken in relation to the capital buffer and the superfund scheme;

(c) the implications of receiving new superfund transfers;

(d) the management of risks.

(3) The responsible body of an operating superfund must ensure that the superfund meets any conditions specified in regulations made by the Secretary of State as to—

(a) the corporate form, jurisdiction of incorporation or jurisdiction of tax residence of a member of the superfund group;

(b) the structure of the superfund group;

(c) the terms of the capital buffer arrangement (including as to how, by whom, in what jurisdiction and on what terms the capital buffer may be held);

(d) compliance with tax legislation.

(4) Section 10 of the Pensions Act 1995 (civil penalties) applies to the responsible body if it breaches subsection (1) or (3).

(5) The Secretary of State may by regulations amend this section for the purpose of adding, removing or varying a matter which the policies and procedures mentioned in subsection (1) must address.

(6) Regulations under subsection (3) or (5) are subject to the affirmative procedure.

70 Management documents

(1) The responsible body of an operating superfund must ensure that each of the management documents—

(a) is prepared in relation to the superfund,

(b) complies with any requirements as to form or content specified in regulations made by the Secretary of State, and

(c) is kept under review and revised if appropriate.

(2) The responsible body of an operating superfund must ensure, so far as reasonably practicable, that the superfund is managed and administered in accordance with the management documents.

(3) "The management documents" means—

(a) a business plan;

(b) a governance manual;

(c) a continuity strategy;

(d) a fees and expenses policy.

(4) In subsection (3)—

"continuity strategy" means a strategy for protecting the interests of members of the superfund scheme if an event of concern occurs;

"fees and expenses policy" means a document setting out how fees and expenses incurred by the superfund will be funded;

"governance manual" means a document setting out how and by whom the superfund is managed and administered.

(5) Section 10 of the Pensions Act 1995 (civil penalties) applies to the responsible body if it breaches subsection (1) or (2).

(6) The Secretary of State may by regulations amend this section for the purpose of adding, removing or varying a management document in subsection (3).

(7) Regulations under subsection (1)(b) are subject to the negative procedure.

(8) Regulations under subsection (6) are subject to the affirmative procedure.

Funding and investment

71 Duty to monitor financial thresholds

(1) The responsible body of an operating superfund must ensure that the superfund has adequate policies and procedures in place for monitoring whether each financial threshold is met.

(2) Section 10 of the Pensions Act 1995 (civil penalties) applies to the responsible body if it breaches subsection (1).

(3) See also Chapter 5 (events of concern) for the consequences of a financial threshold ceasing to be met.

72 "Financial thresholds"

(1) "The financial thresholds" means—
(a) the capital adequacy threshold,
(b) the technical provisions threshold,
(c) the protected liabilities threshold, and
(d) the scheme solvency threshold.

(2) "The capital adequacy threshold" is met in relation to a superfund if the total value of the assets of the scheme and the capital buffer is such that there is a very high likelihood that the liabilities of the scheme to and in respect of its members will be satisfied in full.

(3) "The technical provisions threshold" is met in relation to a superfund if the total value of the assets of the scheme and the capital buffer is greater than or equal to the scheme's technical provisions.

(4) "The protected liabilities threshold" is met in relation to a superfund if the total value of the assets of the scheme and the capital buffer exceeds a specified percentage of the amount of the scheme's protected liabilities.

(5) "The scheme solvency threshold" is met in relation to a superfund on a given day if there is no material likelihood that the scheme will fail to satisfy all the liabilities to and in respect of members that it is required to satisfy during the 6 months beginning with that day.

(6) In this section—
"protected liabilities" has the same meaning as in Chapter 3 of Part 2 of the Pensions Act 2004 (see section 131 of that Act);
"specified" means specified in regulations made by the Secretary of State;
"technical provisions" has the same meaning as in section 222 of the Pensions Act 2004 (and a superfund scheme's technical provisions are to be calculated for the purposes of this section in the same way as its technical provisions would be calculated for the purposes of that section).

(7) The Secretary of State may by regulations make provision about how to determine whether any of the financial thresholds is met, including about—
(a) how and by whom the value of the assets, liabilities or protected liabilities of the scheme, or the value of the capital buffer, is to be determined;
(b) how and by whom the likelihood of something happening is to be assessed;

(c) what constitutes a "very high" or "material" likelihood (including provision defining those expressions by reference to particular percentages or particular criteria).

(8) Regulations under subsection (7) may confer a discretion.

(9) Regulations under subsection (4) or (7) are subject to the affirmative procedure.

73 Capital buffer: compulsory release to trustees

(1) A person that is a party to the capital buffer arrangement in relation to an operating superfund must ensure, so far as it is in their power to do so, that the capital buffer arrangement requires the release of the capital buffer to the trustees of the superfund scheme if and to the extent that the release is required by—

(a) an approved response plan (see sections 88 and 89), or

(b) a direction of the Regulator under section 90 (direction-making powers following event of concern).

(2) The capital buffer is "released" to the extent that it is transferred or made available to any person otherwise than—

(a) in the ordinary course of the investment of the capital buffer, or

(b) in payment of fees, expenses, taxes or other charges incurred (in each case) in connection with the management or administration of the capital buffer.

(3) Section 88A of the Pensions Act 2004 (civil penalties) applies to the person if they breach subsection (1).

74 Capital buffer: permitted release to other persons

(1) A person that is a party to the capital buffer arrangement in relation to an operating superfund must ensure, so far as it is in their power to do so, that the capital buffer arrangement does not permit the release of the capital buffer to a person other than the trustees of the superfund scheme except in accordance with subsection (2) or (3).

(2) The capital buffer arrangement may permit the release of the whole capital buffer if—

(a) the superfund scheme has satisfied all of its liabilities to and in respect of its members, or

(b) an insurer buyout has taken effect in relation to the superfund scheme.

(3) The capital buffer arrangement may permit the release of an amount of the capital buffer to the extent that the release is a permitted profit extraction.

(4) "Permitted profit extraction", in relation to a superfund, means a release of the capital buffer—

(a) that takes place at a time when the capital adequacy threshold is exceeded to an extent, and has been exceeded for a period of time, specified in regulations made by the Secretary of State,

(b) that is made to a person of a description specified in the regulations, and

(c) in relation to which any other requirements specified in the regulations are met (which may include a requirement for the Regulator's consent),

and for the purposes of paragraph (a) the capital adequacy threshold is "exceeded" if and to the extent that the total value of the assets of the scheme and the capital buffer is greater than the amount required in order for that threshold to be met.

(5) A person commits an offence if they cause or permit the capital buffer to be released (to any extent)—

(a) to a person other than the trustees of the superfund scheme, and

(b) otherwise than in accordance with the capital buffer arrangement.

(6) A person guilty of an offence under subsection (5) is liable—

(a) on summary conviction in England and Wales, to a fine;

(b) on summary conviction in Scotland, to a fine not exceeding the statutory maximum;

(c) on conviction on indictment, to imprisonment for a term not exceeding seven years or a fine or both.

(7) Section 88A of the Pensions Act 2004 (civil penalties) applies to a person who causes or permits the capital buffer to be released (to any extent)—

(a) to a person other than the trustees of the superfund scheme, and

(b) otherwise than in accordance with the capital buffer arrangement

(but see subsection (10) of that section, which prevents a penalty from being imposed in respect of an act where the person has been convicted of an offence in respect of the same act, or where proceedings for such an offence are ongoing).

(8) Section 10 of the Pensions Act 1995 (civil penalties) applies to a person who breaches subsection (1).

(9) Regulations under subsection (4) are subject to the affirmative procedure.

75 Capital buffer: investment

(1) The responsible body of an operating superfund must ensure that this section is complied with.

(2) The capital buffer must be invested in accordance with a strategy prepared by or under the supervision of the responsible body ("the capital buffer investment strategy").

(3) The capital buffer investment strategy must comply with any requirements specified in regulations made by the Secretary of State.

(4) The requirements that may be specified by virtue of subsection (3) include requirements as to—

(a) the principles to be followed, and the matters to be taken into account, in investing the capital buffer;

(b) the form and content of the capital buffer investment strategy.

(5) The capital buffer investment strategy may not be materially altered except with the agreement of the trustees of the superfund scheme.

(6) The Secretary of State may by regulations make provision about what counts as a "material" alteration for the purposes of subsection (5).

(7) Section 10 of the Pensions Act 1995 (civil penalties) applies to the responsible body if it breaches subsection (1).

(8) Regulations under subsection (3) are subject to the affirmative procedure.

(9) Regulations under subsection (6) are subject to the negative procedure.

76 Capital buffer: verification of valuations

(1) The responsible body of an operating superfund must appoint a person to be responsible for verifying valuations of the capital buffer that are carried out by or on behalf of the responsible body.

(2) The responsible body must ensure that the person appointed verifies such a valuation at least once in every period of 12 months.

(3) The responsible body must also ensure that the person appointed verifies such a valuation—

(a) if asked to do so by the trustees of the superfund scheme, and

(b) where otherwise required by virtue of this Part.

(4) The person appointed—

(a) must not be employed by, or involved in the management or administration of, a member of the superfund group, and

(b) must be a person who, in the reasonable opinion of the responsible body, has the appropriate qualifications and experience.

(5) A person may not be appointed without the consent of the trustees of the superfund scheme.

(6) Section 10 of the Pensions Act 1995 (civil penalties) applies to the responsible body if it breaches this section.

Approval and certification of key personnel

77 Key functions

(1) The responsible body of an operating superfund must ensure that there is at all times at least one individual responsible for each key function.

(2) Each of the following activities is a "key function" in relation to a superfund—

(a) taking management decisions;

(b) taking financial decisions;

(c) taking investment decisions;

(d) risk management;

(e) internal audit;

(f) marketing and promotion.

(3) An activity is not a key function so far as it relates only to the superfund scheme and not to any other part of the superfund.

(4) Section 10 of the Pensions Act 1995 (civil penalties) applies to the responsible body if it breaches this section.

(5) The Secretary of State may by regulations amend this section for the purpose of adding, removing or varying a key function in subsection (2).

(6) Regulations under subsection (5) are subject to the affirmative procedure.

78 Approval of individuals responsible for key functions

(1) An individual may not be responsible for a key function in relation to an operating superfund unless they are approved by the Regulator to be responsible for that key function in relation to the superfund.

(2) The Regulator may approve an individual only if satisfied that they are a fit and proper person to be responsible for that key function in relation to the superfund.

(3) In deciding whether it is so satisfied the Regulator must take into account, in particular, any matters specified in regulations made by the Secretary of State.

(4) The Regulator may not approve an individual to be responsible for risk management if the individual is already responsible for taking investment decisions, and vice versa.

(5) An application for approval must be made in the manner and form specified by the Regulator.

(6) Approval may be given for a specified period or subject to specified conditions (in which case the person is only approved to be responsible for the key function in question for that period or while those conditions are met).

(7) Approval may be given in advance of the superfund being authorised or becoming an operating superfund.

(8) If no longer satisfied as described in subsection (2) in relation to an individual, the Regulator may by notice to the responsible body—

(a) suspend its approval in relation to the individual for a period specified in the notice, or

(b) revoke its approval in relation to the individual with effect from a date specified in the notice.

(9) Subsection (1) does not apply to an individual while—

(a) they are responsible for a key function on a temporary basis, and

(b) the Regulator agrees, in light of the particular circumstances of the case, to the person's being responsible for the key function on that basis without approval.

(10) If an individual is responsible for a key function in relation to an operating superfund in breach of subsection (1), section 10 of the Pensions Act 1995 (civil penalties) applies to—

(a) the individual, and

(b) the responsible body.

(11) Regulations under subsection (3) are subject to the negative procedure.

79 Certification of staff supporting individuals responsible for key functions

(1) The responsible body of an operating superfund must ensure, so far as reasonably practicable, that no individual carries out a key function in relation to the superfund unless the responsible body—

(a) is satisfied, having conducted due diligence in relation to the individual, that the individual is a fit and proper person to carry out the key function, and

(b) has issued a certificate to the individual confirming that it is so satisfied.

(2) The responsible body must keep a register of certificates issued under subsection (1).

(3) In deciding whether it is satisfied as described in subsection (1)(a), the responsible body must take into account, in particular, any matters specified in regulations made by the Secretary of State.

(4) The Secretary of State may by regulations make provision about certificates issued under subsection (1), including about the period of time for which a certificate is valid.

(5) Section 10 of the Pensions Act 1995 (civil penalties) applies to the responsible body if it breaches subsection (1).

(6) Regulations under subsection (3) or (4) are subject to the negative procedure.

80 Approval of superfund scheme trustees

(1) A person may not be a trustee of an operating superfund scheme unless they are approved by the Regulator to be a trustee of the scheme.

(2) The Regulator may approve a person to be a trustee of a superfund scheme only if satisfied they are a fit and proper person to be a trustee of the scheme.

(3) In assessing whether a person is a fit and proper person, the Regulator must take into account, in particular, any matters specified in regulations made by the Secretary of State.

(4) The Regulator may not approve a person to be a trustee of a superfund scheme if the person is employed by, or involved in the management or administration of, a member of the superfund group.

(5) An application for approval must be made in the manner and form specified by the Regulator.

(6) Approval may be given for a specified period or subject to specified conditions (in which case the person is approved to be a trustee only for that period or only while those conditions are met).

(7) Approval may be given in advance of the superfund being authorised or becoming an operating superfund.

(8) If no longer satisfied as described in subsection (2) in relation to a person, the Regulator may by notice to the person—

(a) suspend its approval in relation to the person for a period specified in the notice, or

(b) revoke its approval in relation to the person with effect from a date specified in the notice.

(9) Subsection (1) does not apply to a person while—

(a) they serve as a trustee of a superfund scheme on a temporary basis, and

(b) the Regulator agrees, in light of the particular circumstances of the case, to their being a trustee on that basis without approval.

(10) If a person becomes a trustee of an operating superfund scheme in breach of subsection (1), section 10 of the Pensions Act 1995 applies to—

(a) the person, and

(b) the person who appointed them.

(11) Regulations under subsection (3) are subject to the negative procedure.

Information and reporting

81 Events to be notified to the Regulator

(1) The responsible body of an operating superfund must notify the Regulator of any of the following—

(a) a material deterioration in the investment performance of the capital buffer;

(b) a material change to any of the management documents;

(c) a material change to the capital buffer arrangement;

(d) a release of any of the capital buffer by way of permitted profit extraction;

(e) the bringing of proceedings against, or the launching of an investigation by a public body into, a member of the superfund group;

(f) a breach of any requirement of this Chapter.

(2) The trustees of an operating superfund scheme must notify the Regulator of any of the following—

(a) a material deterioration in the investment performance of the scheme;

(b) a material change to the rules of the scheme;

(c) the bringing of proceedings against, or the launching of an investigation by a public body into, the trustees.

(3) A notification under this section must be made—

(a) where the person responsible for the notification is aware in advance that the event in question is to take place, as soon as reasonably practicable after it becomes so aware;

(b) otherwise, as soon as reasonably practicable after the event takes place.

(4) A notification under this section must be made in the manner and form specified by the Regulator.

(5) Section 10 of the Pensions Act 1995 (civil penalties) applies to a person who breaches this section.

(6) The Secretary of State may by regulations make provision (including provision amending this section)—

(a) for the purpose of adding, removing or varying a matter to be notified under subsection (1) or (2);

(b) about what counts as "material" for the purposes of any paragraph of subsection (1) or (2).

(7) Regulations under subsection (6) are subject to the affirmative procedure.

82 Regular reporting

(1) The trustees of an operating superfund scheme must provide the Regulator with regular reports about the financial position of the superfund.

(2) The reports must comply with any requirements specified in regulations made by the Secretary of State, which may in particular include requirements as to—

(a) the form and content of reports;

(b) the times at which, and intervals at which, reports are to be provided.

(3) Section 10 of the Pensions Act 1995 (civil penalties) applies to the trustees if they breach this section.

(4) Regulations under subsection (2) are subject to the negative procedure.

83 Returns

(1) The Regulator may, by notice to the responsible body of an operating superfund, require the responsible body to submit a return to the Regulator for the purpose of enabling the Regulator to monitor—

(a) the financial position of the superfund, or

(b) the superfund's compliance with the requirements of this Chapter.

(2) The notice must specify—

(a) the period within which the return must be submitted, and

(b) the information (or description of information) which the return must contain.

(3) The Regulator may not require the responsible body to submit a return more than once in any period of 12 months.

(4) Section 10 of the Pensions Act 1995 (civil penalties) applies to the responsible body if it fails to submit a return in accordance with a notice under this section.

84 Reports in relation to alleged compliance breaches

(1) If the Regulator considers or suspects that a requirement of this Chapter has been breached in relation to an operating superfund, it may give the responsible body notice of its intention to appoint a person to prepare a report about the issue to which the alleged breach relates.

(2) Where such notice is given, the responsible body—

(a) must provide the person appointed with whatever assistance the person reasonably requires, and

(b) must meet the Regulator's reasonable costs in respect of the report.

(3) Section 10 of the Pensions Act 1995 (civil penalties) applies to the responsible body if it fails to comply with subsection (2).

85 Provision of information by responsible body to trustees

(1) The responsible body of an operating superfund must provide the trustees of the superfund scheme with whatever information relating to the superfund the trustees may reasonably request to enable the trustees to comply with any legislation relating to pensions that applies to them in respect of the superfund scheme.

(2) Section 10 of the Pensions Act 1995 (civil penalties) applies to the responsible body if it fails to comply with subsection (1).

CHAPTER 5

EVENTS OF CONCERN

86 "Event of concern" and "period of concern"

(1) An "event of concern" takes place in relation to a superfund if any of the following takes place—

(a) any one of the financial thresholds ceases to be met (subject to subsection (4));

(b) a debt falls due to the trustees of the superfund scheme under section 75 of the Pensions Act 1995;

(c) the capital buffer is released otherwise than in accordance with the capital buffer arrangement;

(d) an insolvency event becomes, in the opinion of the directors of the responsible body, likely to occur in relation to the responsible body;

(e) an insolvency event occurs in relation to a member of the superfund group;

(f) the responsible body notifies the Regulator that it wishes to cease to be the responsible body;

(g) a material transaction takes place;

(h) a superfund transfer is made to the superfund scheme without approval under Chapter 3;

(i) an application is made under Chapter 3 for approval of a superfund transfer in relation to which the ceding scheme is itself a superfund scheme;

(j) an application is made under Chapter 3 for approval of a superfund transfer of a kind described in section 61(3) (merger of sections etc);

(k) the responsible body or the trustees of the superfund scheme receive a notice from the Regulator stating that, in the Regulator's opinion, the recipient of the notice—

(i) has breached a requirement of this Part or of any other legislation relating to pensions that applies to them in respect of the superfund, or

(ii) is likely to breach such a requirement if remedial action is not taken;

(l) the Regulator withdraws the superfund's authorisation under section 94.

(2) "Period of concern", in relation to an event of concern, means the period beginning when the event takes place and ending—

(a) when the Regulator gives the responsible body a notice under section 88(5) (event of concern resolved) in respect of the event, or

(b) when the superfund scheme is wound up.

(3) In subsection (1)(g) "material transaction" means—

(a) a change in the person or persons who have control of the responsible body, or

(b) a sale by a member of the superfund group of all or substantially all of its assets.

(4) The Secretary of State may by regulations provide that an event of concern within subsection (1)(a) does not take place—

(a) unless the Regulator is satisfied that the financial threshold in question is not met, or

(b) unless the threshold is not met for a period, or in circumstances, specified in the regulations (and for that purpose the period or circumstances specified may involve the exercise of a discretion by the Regulator).

(5) The Secretary of State may by regulations amend this section for the purpose of adding, removing or varying—

(a) an event of concern in subsection (1);

(b) a material transaction in subsection (3).

(6) In this section—

"control" has the same meaning as in section 435 of the Insolvency Act 1986;

"director" includes any person occupying the position of director, by whatever name called;

"insolvency event" has the same meaning as in Part 2 of the Pensions Act 2004 (see section 121 of that Act).

(7) Regulations under this section are subject to the affirmative procedure.

87 Notification of Regulator in respect of events of concern

(1) A relevant person in relation to an operating superfund must notify the Regulator as soon as reasonably practicable after becoming aware that an event of concern—

(a) will or is likely to take place in relation to the superfund, or

(b) has already taken place in relation to the superfund.

(2) No notification need be given if the relevant person knows the Regulator already to be aware of the circumstances to be notified.

(3) The following are "relevant persons" in relation to an operating superfund—

(a) the responsible body;

(b) the trustees of the superfund scheme;

(c) in relation to the event of concern in section 86(1)(a), the actuary appointed under section 47(1)(b) of the Pensions Act 1995 in relation to the superfund scheme.

88 Responding to events of concern

(1) If an event of concern takes place in relation to an operating superfund, the Regulator must require the responsible body or the trustees of the superfund scheme, or both jointly, to propose a plan for responding to the event of concern (a "response plan") within a period specified by the Regulator.

(2) The Regulator must approve a proposed response plan if satisfied, having regard to the interests of members of the superfund scheme, that the response plan—

(a) meets the requirements of section 89 (content of response plan), and

(b) is an appropriate plan for responding to the event of concern.

(3) If, having received a proposed response plan, the Regulator is not so satisfied—

(a) it must explain to the person that proposed the plan why not, and

(b) that person must propose another response plan, within the period required by the Regulator, that takes account of that explanation.

(4) An approved response plan may be amended, or replaced with a new approved response plan, by agreement between the person that proposed the plan and the Regulator.

(5) If the Regulator is satisfied—

(a) that an approved response plan has been carried out, and

(b) that the event of concern in question has been adequately resolved,

it must give a notice to that effect to the person that proposed the plan.

(6) In subsections (2) and (3), "proposed response plan" means a response plan proposed by virtue of subsection (1) or (3)(b).

89 Content of response plan

(1) The requirements mentioned in section 88(2)(a) are the following.

(2) A response plan must specify—

(a) the outcome which the plan is intended to achieve,

(b) the key steps which are to be taken to achieve that outcome,

(c) when and by whom those steps are to be taken, and

(d) how members of the superfund scheme are to be kept informed about the carrying out of the plan.

(3) Where the event of concern is the technical provisions threshold ceasing to be met, the response plan must require the whole of the capital buffer to be released to the trustees.

(4) Where the event of concern is the scheme solvency threshold ceasing to be met, the response plan must require so much of the capital buffer to be released to the trustees as equals the lower of the following—

(a) the amount that would enable the superfund scheme to meet the requirement in section 222(1) of the Pensions Act 2004 (requirement to cover technical provisions);

(b) the total value of the capital buffer.

(5) Where the event of concern is a debt falling due to the trustees of the superfund scheme under section 75 of the Pensions Act 1995, the response plan must require so much of the capital buffer to be released to the trustees as equals the lower of the following—

(a) the amount of the debt;

(b) the total value of the capital buffer.

(6) Where the event of concern is the protected liabilities threshold ceasing to be met, the response plan must require the immediate winding up of the superfund scheme.

(7) A response plan must take account of the superfund's continuity strategy (but may deviate from it if, in the opinion of the person proposing the plan, the course of action contemplated by the continuity strategy is not appropriate in the circumstances).

(8) A response plan must not require the release of the capital buffer (to any extent) except as set out in subsection (3), (4) or (5).

(9) A response plan must meet any other requirements specified in regulations made by the Secretary of State, including in particular as to how the value of the capital buffer, or of any assets released from it, is to be determined for the purposes of a requirement within subsection (4) or (5).

(10) Regulations under subsection (9) are subject to the negative procedure.

90 Regulator's direction-making powers during period of concern

(1) The Regulator may during a period of concern direct a member of the superfund group or the trustees of the superfund scheme to do any or all of the following—

(a) take a specified step that an approved response plan identifies as one which they are to take;

(b) take a specified step that the Regulator considers likely to enable or facilitate the carrying out of an approved response plan;

(c) if a person has failed to comply with section 88(1) or (3)(b) (requirement to propose response plan or revised response plan), take a specified step that the Regulator considers necessary or expedient for the purpose of responding to the event of concern in the interests of members of the superfund scheme;

(d) ensure that for a specified period—

(i) no payments are made out of the assets of the superfund scheme to or in respect of members;

(ii) no transfers of liabilities are made from the superfund scheme.

(2) A direction under subsection (1)(c) may not require the provision of financial support to the superfund scheme.

(3) A member of the superfund group, and the trustees of the superfund scheme, must comply with a direction given to them by the Regulator under this section; and if compliance with a direction results in a breach of the rules of the scheme, the breach is to be disregarded for all purposes.

(4) If an approved response plan contemplates that a person will become the responsible body of a superfund, and that person agrees to become the responsible body, the Regulator may direct that that person is to become the responsible body from a specified time.

(5) In this section, "specified" means specified (or of a description specified) in the direction.

(6) See section 91 for further provision about directions under subsection (1)(d).

91 Directions to pause payments or transfers of liabilities: supplementary provision

(1) This section applies to a direction under section 90(1)(d) (a "pause direction").

(2) The Regulator may make a pause direction only if satisfied that doing so is reasonably necessary to protect the interests of members of the superfund scheme.

(3) A pause direction may make different provision for different purposes.

(4) The Regulator must cancel a pause direction if no longer satisfied as described in subsection (2).

(5) A pause direction, so far as not already cancelled, ceases to have effect when the period of concern to which it relates comes to an end.

(6) A payment that would have fallen due but for a pause direction falls due when the pause direction ceases to have effect.

(7) A pause direction within section 90(1)(d)(ii) (no transfers of liabilities) does not affect an order or provision falling within section 28(1) of the Welfare Reform and Pensions Act 1999 (pension sharing orders or provisions).

(8) The Secretary of State may by regulations modify any provision of Part 4ZA of the Pension Schemes Act 1993 (transfer rights etc) in its application to a superfund scheme in relation to which a pause direction has effect containing provision within section 90(1)(d)(ii) (no transfer of liabilities).

(9) Regulations under subsection (8) are subject to the affirmative procedure.

92 Fixed penalty notices

(1) The Regulator may issue a fixed penalty notice to a person if it considers that the person has failed to comply with a requirement imposed by or under section 87, 88 or 90.

(2) A "fixed penalty notice" is a notice requiring the person to whom it is issued to pay a penalty within the period specified in the notice.

(3) The penalty—

(a) is to be determined in accordance with regulations made by the Secretary of State, and

(b) must not exceed £100,000.

(4) A fixed penalty notice must—

(a) state the amount of the penalty,

(b) state the date before which the penalty must be paid, which must be at least 28 days after the date on which the notice is issued,

(c) specify the failure to which the penalty relates,

(d) state that the Regulator may issue an escalating penalty notice under section 93 if the person fails to comply with the requirement in question, and

(e) notify the person to whom the notice is issued of the review process under section 43 of the Pensions Act 2008 and the right of referral to a tribunal under section 44 of that Act (as applied by subsection (5)).

(5) The following sections of the Pensions Act 2008 apply to a penalty notice under this section as they apply to a penalty notice under section 40 of that Act—

(a) section 42 (penalty notices: recovery);

(b) section 43 (review of penalty notices);

(c) section 44 (references to First-tier Tribunal or Upper Tribunal).

(6) Regulations under subsection (3)(a) are subject to the negative procedure.

93 Escalating penalty notices

(1) The Regulator may issue an escalating penalty notice to a person if—

(a) it considers that the person has failed to comply with a requirement imposed by virtue of section 87, 88 or 90,

(b) it has already issued the person with a fixed penalty notice under section 92 in respect of that failure, and

(c) the period for paying the penalty specified in that notice has passed without the requirement to which that notice related being complied with.

(2) An "escalating penalty notice" is a notice requiring a person to pay a penalty calculated by reference to a daily rate if the person fails before a specified date to comply with the requirement to which the notice relates.

(3) The daily rate—

(a) is to be determined in accordance with regulations made by the Secretary of State, and

(b) must not exceed £20,000.

(4) The Regulator may not issue an escalating penalty notice to a person if—

(a) the person has exercised the right of referral to a tribunal under section 44 of the Pensions Act 2008 (as applied by section 92(5)) in respect of a fixed penalty notice issued under section 92,

(b) the escalating penalty notice relates to the same failure as the fixed penalty notice, and

(c) the reference in respect of the fixed penalty notice has not been determined.

(5) An escalating penalty notice must—

(a) specify the failure to which the penalty relates,

(b) state that, if the person fails to comply with the requirement to which the notice relates before a specified date, the person will be liable to pay an escalating penalty,

(c) state the daily rate of the escalating penalty and the way in which the penalty is calculated,

(d) state the date from which the escalating penalty will be payable,

(e) state that the escalating penalty will continue to be payable at the daily rate until the date on which the person complies with the requirement to which the notice relates or an earlier date specified in the notice, and

(f) notify the person to whom the notice is issued of the review process under section 43 of the Pensions Act 2008 and the right of referral to a tribunal under section 44 of that Act (as applied by subsection (6)).

(6) The following sections of the Pensions Act 2008 apply to an escalating penalty notice under this section as they apply to an escalating penalty notice under section 41 of that Act—

(a) section 42 (penalty notices: recovery);

(b) section 43 (review of penalty notices);

(c) section 44 (references to First-tier Tribunal or Upper Tribunal).

(7) Regulations under subsection (3)(a) are subject to the negative procedure.

94 Withdrawal of authorisation

The Regulator may during a period of concern withdraw authorisation from a superfund if satisfied that the superfund has failed to comply with the requirements of Chapter 4 or this Chapter.

95 Release of capital buffer treated as reducing employer debt

Where some or all of the capital buffer is released in consequence of a debt falling due to the trustees of the superfund scheme under section 75 of the Pensions Act 1995, the debt due under that section is treated as reduced by the value of the assets released (as calculated in accordance with regulations under section 89(9)).

CHAPTER 6

GENERAL PROVISION AND INTERPRETATION

96 Power to extend superfunds legislation to similar structures

(1) The Secretary of State may by regulations—

(a) apply any superfunds legislation, with or without modifications, to a similar structure;

(b) make, in relation to a similar structure, provision that is similar to or that corresponds to any superfunds legislation.

(2) "Superfunds legislation" means provision made by this Act (including provision amending other legislation) so far as it applies in relation to superfunds.

(3) "Similar structure" means arrangements to which this Part does not (ignoring this section) apply but that involve a trust-based occupational pension scheme—

(a) that has defined-benefit liabilities, and

(b) that is not supported by a substantive employer covenant

(whether or not the scheme receives, or is managed or administered with a view to its receiving, transfers of defined-benefit liabilities from other schemes).

(4) The power under subsection (1) can be exercised so as to amend an Act.

(5) Regulations under subsection (1) are subject to the affirmative procedure.

97 Construction of "occupational pension scheme" and "employer" in relation to superfund schemes

(1) This section applies to a pension scheme—

(a) that is established for the purpose of receiving superfund transfers, and

(b) that, immediately after it is established, is capable of having effect so as to provide benefits to or in respect of people with service in employment of a description.

(2) For the purposes of the definition of "occupational pension scheme" in section 1(1) of the Pension Schemes Act 1993, the scheme is assumed to meet the condition in paragraph (a) of that definition (condition that scheme be established by employer for the purpose of providing benefits to employees).

(3) For the purposes of the definitions of "employer" in section 124(1) of the Pensions Act 1995, section 318(1)(a) of the Pensions Act 2004 and section 100 of this Act, the scheme is assumed to relate to the description of employment mentioned in subsection (1)(b) above (in addition to any other description of employment to which it relates).

(4) If—

(a) the scheme includes more than one section, and

(b) a section of the scheme is, immediately after the section comes into being, capable of having effect so as to provide benefits to or in respect of people with service in employment of a description,

then for the purposes of the definitions mentioned in subsection (3), both the section and the scheme are assumed to relate to the description of employment mentioned in paragraph (b) (in addition to any other description of employment to which they relate).

98 Consequential amendments

(1) In the Pensions Act 1995, in section 75 (deficiencies in the assets), after subsection (1A) insert—

"(1B) In relation to a superfund scheme, section 61(2) of the Pension Schemes Act 2026 (sections treated as separate schemes) applies for the purposes of this section as it applies for the purposes of Part 3 of that Act."

(2) In the Occupational Pension Schemes (Preservation of Benefit) Regulations 1991 (S.I. 1991/167), in regulation 12 (transfer of member's accrued rights without consent), after paragraph (1) insert—

"(1ZA) Where—

(a) the transferring scheme is required to be wound up, or its winding up is required to continue, under section 154(1) of the Pensions Act 2004 (requirement to wind up schemes with sufficient assets to meet protected liabilities), and

(b) the receiving scheme is a superfund scheme within the meaning of Part 3 of the Pension Schemes Act 2026 (see section 100 of that Act),

paragraph (1) of this regulation has effect as though for "the conditions set out in paragraphs (2) and (3) of this regulation are" there were substituted "the condition set out in paragraph (2) of this regulation is"."

(3) See also the Schedule, which contains amendments to the Pensions Act 2004 that (in some cases) are consequential on this Part.

99 Transitional provision

(1) The provision that may be made by virtue of section 133(13)(a) (power to make transitional or saving provision in connection with coming into force of Act) includes special provision in relation to a superfund that has been authorised under the interim regime; for example, provision—

(a) for a provision of this Part not to apply to, or to apply differently in respect of, a superfund that has been authorised under the interim regime;

(b) for a superfund that has been authorised under the interim regime to be treated for the purposes of any provision of Chapter 4 or 5 as an operating superfund.

(2) For the purposes of subsection (1), a superfund is "authorised under the interim regime" if its name has been published on the Regulator's website as a result of its having made a successful application to the Regulator under the arrangements for the assessment and supervision of superfunds operated by the Regulator before the coming into force of this Part.

100 Interpretation of Part

(1) In this Part—

"approved response plan" means a response plan which has been approved by the Regulator under section 88;

"assets", in relation to the capital buffer, includes cash;

"associate", in relation to a body corporate, has the meaning given in section 435(6) of the Insolvency Act 1986 (read with section 435(11));

"authorised", in relation to a superfund, means authorised under Chapter 2 (except in section 99);

"the capital adequacy threshold" has the meaning given by section 72(2);

"capital buffer" has the meaning given by section 60(3);

"the capital buffer arrangement", in relation to the capital buffer, means the contract or other arrangement referred to in section 60(2);

"the ceding scheme" has the meaning given by section 66(7);

"continuity strategy" has the meaning given by section 70(4);

"defined benefits" has the same meaning as in Part 1 of the Pensions Act 2008 (see section 99 of that Act);

"defined-benefit liability" means a liability to pay defined benefits to a member of a pension scheme;

"the employer", in relation to an occupational pension scheme, means the employer of persons in the description of employment to which the scheme in question relates (and see also section 97);

"event of concern" has the meaning given by section 86(1);

"the financial thresholds" has the meaning given by section 72(1);

"insurer buyout", in relation to a pension scheme, means an arrangement under which an insurer takes on responsibility for satisfying all the liabilities of the scheme in full;

"key function" has the meaning given by section 77(2) and (3);

"liabilities", in relation to a pension scheme, includes present and future liabilities;

"the management documents" has the meaning given by section 70(3);

"not supported by a substantive employer covenant" has the meaning given by section 60(4);

"occupational pension scheme" has the same meaning as in the Pension Schemes Act 1993 (see section 1 of that Act and section 97 above);

"the onboarding conditions" has the meaning given by section 66(2) (read with any regulations under section 66(4));

"operating superfund" means a superfund of which the superfund scheme is an operating superfund scheme;

"operating superfund scheme" means a superfund scheme—

(a) that is part of an authorised superfund or of a superfund whose authorisation has been withdrawn under section 94, and

(b) to which one or more superfund transfers have been made;

"pension scheme" has the meaning given by section 1(5) of the Pension Schemes Act 1993;

"period of concern" has the meaning given by section 86(2);

"permitted profit extraction" has the meaning given by section 74(4);

"the protected liabilities threshold" has the meaning given by section 72(4);

"the receiving superfund" has the meaning given by section 66(7);

"the Regulator" means the Pensions Regulator;

"release", in relation to the capital buffer, has the meaning given by section 73(2);

"response plan" has the meaning given by section 88(1);

"the responsible body", in relation to an authorised superfund, means—

(a) the body corporate that applied for the superfund to be authorised (see section 63(2)), or

(b) where the Regulator has directed under section 90(4) that another person is to become the responsible body, that other person;

"the rules of the scheme", in relation to a trust-based occupational pension scheme, includes the trust deed;

"the scheme solvency threshold" has the meaning given by section 72(5);

"section" has the meaning given by section 61;

"superfund" has the meaning given by section 60(5);

"superfund group", in relation to a superfund, means the responsible body and every body corporate—

(a) that is involved in the management or administration of the superfund, and

(b) that is an associate of the responsible body;

"superfund scheme" has the meaning given by section 60(1) (read with section 61);

"superfund transfer" has the meaning given by section 60(6);

"supported by a capital buffer" has the meaning given by section 60(2);

"the technical provisions threshold" has the meaning given by section 72(3);

"transfer", in relation to liabilities of a pension scheme, is to be read with subsection (2);

"the transferred liabilities" has the meaning given by section 66(7);

"trust-based occupational pension scheme" means an occupational pension scheme established under a trust.

(2) References in this Part to a transfer of liabilities from one pension scheme to another are to any transaction whereby—

(a) a person who has present or future rights to receive defined benefits under the first scheme ceases to have those rights, and

(b) that person instead acquires present or future rights to receive defined benefits under the second scheme.

(3) The Secretary of State may by regulations amend this section for the purpose of changing the definition of "superfund group".

(4) Regulations under subsection (3) are subject to the affirmative procedure.

PART 4

MISCELLANEOUS

CHAPTER 1

VALIDITY OF CERTAIN ALTERATIONS TO SALARY-RELATED CONTRACTED-OUT PENSION SCHEMES

Schemes in Great Britain

101 Sections 101 to 104: interpretation and scope

(1) The following provisions of this section have effect for the purposes of this section and sections 102 to 104.

(2) "GB scheme" means an occupational pension scheme that was a salary-related contracted-out scheme in England and Wales or Scotland; and for this purpose an occupational pension scheme was a salary-related contracted-out scheme in England and Wales or Scotland at any time if the scheme was contracted-out at that time by virtue of satisfying section 9(2) of the Pension Schemes Act 1993 (as it then had effect).

(3) "Scheme actuary", in relation to a GB scheme, means—

(a) the person for the time being appointed as actuary for the scheme under section 47 of the Pensions Act 1995 (professional advisers), or

(b) if there is no person so appointed, a Fellow of the Institute and Faculty of Actuaries appointed by the trustees or managers of the scheme to carry out the functions of the scheme actuary under section 102.

(4) "Section 37(1)" refers to section 37(1) of the Pension Schemes Act 1993 (prohibition of alterations to rules of contracted-out schemes in certain circumstances).

(5) "Regulation 42" refers to regulation 42 of the Occupational Pension Schemes (Contracting-out) Regulations 1996 (S.I. 1996/1172) (requirements for alterations to rules of contracted-out schemes).

(6) References to non-compliance with the requirements of paragraph (2)(a) and (b) of regulation 42 include non-compliance with the requirement in either paragraph (2)(a) or (2)(b) (as well as with both requirements).

(7) An alteration purporting to have been made to the rules of a GB scheme is a "potentially remediable alteration" if—

(a) by virtue of section 37(1) and paragraphs (1) and (2) of regulation 42 (as they had effect at the time), the alteration could not be made unless the requirements of paragraph (2)(a), (b) and (c) of regulation 42 (as they then had effect) had been met,

(b) it was treated by the trustees or managers of the scheme, after it was purportedly made, as a valid alteration,

(c) no positive action has been taken by the trustees or managers of the scheme on the basis that they consider the alteration to be void (and so of no legal effect) by reason of non-compliance with the requirements of paragraph (2)(a) and (b) of regulation 42, and

(d) it is not excluded from the scope of remediation under sections 102 and 103 (see subsection (9)).

(8) In subsection (7)(c) "positive action", in relation to the purported alteration, means—

(a) notifying any members of the scheme in writing to the effect that the trustees or managers consider the alteration to be void (by reason of non-compliance with the requirements of paragraph (2)(a) and (b) of regulation 42) and that the scheme will be administered on the basis that it has no legal effect, or

(b) notifying any members of the scheme in writing (in consequence of the trustees or managers being of the view mentioned in subsection (7)(c)) to the effect that the trustees or managers are taking (or have taken) any other step in relation to the administration of the scheme which has (or will have) the effect of altering payments to or in respect of members of the scheme.

(9) An alteration purporting to have been made to the rules of a GB scheme is excluded from the scope of remediation under sections 102 and 103 if any question relating to the validity of the alteration, so far as relating to the requirements of paragraph (2)(a) and (b) of regulation 42—

(a) has, before this section comes into force, been determined by the court in qualifying legal proceedings,

(b) was in issue on or before 5 June 2025 in qualifying legal proceedings, but has been settled by agreement between the parties at any time before this section comes into force, or

(c) was in issue on or before 5 June 2025 in qualifying legal proceedings and remains in issue in those proceedings when this section comes into force.

(10) In subsection (9) "legal proceedings" means proceedings for the determination of a dispute that have been brought before a court in the United Kingdom; and such proceedings are "qualifying legal proceedings" if —

(a) they will determine a dispute as to the rules of the scheme, and

(b) the parties are (or include)—

(i) the trustees or managers of the scheme, and

(ii) one or more members or other beneficiaries of the scheme (or a person acting on behalf of one or more members or other beneficiaries).

102 Validity of certain alterations to GB salary-related contracted-out pension schemes: subsisting schemes

(1) This section applies to any potentially remediable alteration purportedly made to a GB scheme other than a potentially remediable alteration to which section 103 applies.

(2) If the conditions mentioned in subsection (3) are met in relation to it, the alteration is to be treated for all purposes as having met the requirements of paragraph (2)(a) and (b) of regulation 42 before it was purportedly made, and so as having always been a valid alteration so far as those requirements are concerned.

(3) The conditions are—

(a) that the trustees or managers of the scheme have made a request in writing to the scheme actuary for the actuary to consider whether or not, on the assumption that it was validly made, the alteration would have prevented the scheme from continuing to satisfy the statutory standard, and

(b) that the scheme actuary has confirmed to the trustees or managers in writing that in the actuary's opinion it is reasonable to conclude that, on the assumption that it was validly made, the alteration would not have prevented the scheme from continuing to satisfy the statutory standard.

In this subsection "the statutory standard" means the statutory standard for a contracted-out scheme under section 12A of the Pension Schemes Act 1993 as it had effect at the time the alteration was purportedly made.

(4) A scheme actuary who has received a request as mentioned in subsection (3)(a) in relation to a potentially remediable alteration to a scheme—

(a) may act on the basis of the information available to the actuary, as long as the actuary considers it sufficient for the purpose of forming an opinion on the subject-matter of the request;

(b) may take any professional approach (including making assumptions or relying on presumptions) that is open to the actuary in all the circumstances of the case.

(5) A condition mentioned in subsection (3) may be met by action taken before (as well as action taken after) this section comes into force.

(6) Subsection (7) applies to a scheme if –

(a) there is an assessment period in relation to the scheme within the meaning of Part 2 of the Pensions Act 2004, or

(b) the scheme is operating as a closed scheme under section 153 of that Act.

(7) The powers of the Board of the Pension Protection Fund under section 134 and section 155 of the Pensions Act 2004 to give directions includes power to give a direction to the trustees or managers of the scheme requiring them –

(a) to make a request under subsection (3)(a) above in relation to a potentially remediable alteration to the scheme, and

(b) to take any necessary action to enable or facilitate the making of a decision by the scheme actuary as to whether to give the confirmation described in subsection (3)(b) above in relation to that alteration.

(8) This section has effect, in relation to a potentially remediable alteration purportedly made to a public service scheme, as if the references in subsections (3) and (7) to the trustees or managers of the scheme were references to the responsible authority.

(9) In subsection (8) –

"public service scheme" means –

(a) a pension scheme established under section 1 of the Public Service Pensions Act 2013, or

(b) a statutory pension scheme which is connected with a scheme referred to in paragraph (a) (and for this purpose "statutory pension scheme" and "connected" have the meanings given in that Act);

"responsible authority", in relation to a public service scheme, means the authority that is the responsible authority for the scheme by virtue of section 2 of, and Schedule 2 to, that Act.

103 Validity of certain alterations to GB salary-related contracted-out pension schemes: wound up schemes and other special cases

(1) This section applies to any potentially remediable alteration purportedly made to the rules of –

(a) a GB scheme, or a part of a GB scheme, which has been wound up before this section comes into force,

(b) a GB scheme, or a part of a GB scheme, for which the Board of the Pension Protection Fund has, before this section comes into force, assumed responsibility in accordance with Chapter 3 of Part 2 of the Pensions Act 2004 (see section 161 of that Act), or

(c) a GB scheme which is a qualifying pension scheme for the purposes of regulation 9 of the Financial Assistance Scheme Regulations 2005 (S.I. 2005/1986) and in respect of which payments are required to be made under section 286 of the Pensions Act 2004.

(2) The alteration is to be treated for all purposes as having met the requirements of paragraph (2)(a) and (b) of regulation 42 before it was purportedly made and so as having always been a valid alteration so far as those requirements are concerned.

104 Powers to amend provisions of Chapter 1 etc: Great Britain

(1) The Secretary of State may by regulations amend any of sections 101, 102 and 103 for the purpose of providing for purported alterations of any specified description to be outside the scope of remediation under either or both of sections 102 and 103.

(2) In subsection (1) "specified" means specified in the regulations; and a specified description of purported alterations may be framed by reference to features of the alterations or of the schemes purportedly altered by them (or a combination of both).

(3) Regulations under subsection (1) are subject to the negative procedure.

(4) The Secretary of State may by regulations make incidental, supplementary, consequential or transitional provision in connection with any provision of this Chapter (other than this section and section 108).

(5) Regulations under subsection (4) may amend any Act passed before or in the same Session as this Act.

(6) Regulations under subsection (4) are subject to the affirmative procedure if they contain provision made under subsection (5); otherwise they are subject to the negative procedure.

Schemes in Northern Ireland

105 Sections 105 to 108: interpretation and scope

(1) The provisions of this section have effect for the purposes of this section and sections 106 to 108.

(2) "NI scheme" means an occupational pension scheme that was a salary-related contracted-out scheme in Northern Ireland; and for this purpose an occupational pension scheme was a salary-related contracted-out scheme in Northern Ireland at any time if the scheme was contracted-out at that time

by virtue of satisfying section 5(2) of the Pension Schemes (Northern Ireland) Act 1993 (as it then had effect).

(3) "Scheme actuary", in relation to an NI scheme, means—

(a) the person for the time being appointed as actuary for the scheme under Article 47 of the Pensions (Northern Ireland) Order 1995 (S.I. 1995/3213 (N.I. 22)) (professional advisers), or

(b) if there is no person so appointed, a Fellow of the Institute and Faculty of Actuaries appointed by the trustees or managers of the scheme to carry out the functions of the scheme actuary under section 106.

(4) "Section 33(1)" refers to section 33(1) of the Pension Schemes (Northern Ireland) Act 1993 (prohibition of alterations to rules of contracted-out schemes in certain circumstances).

(5) "Regulation 42" refers to regulation 42 of the Occupational Pension Schemes (Contracting-out) Regulations (Northern Ireland) 1996 (S.R. (N.I.) 1996 No. 493).

(6) References to non-compliance with the requirements of paragraph (2)(a) and (b) of regulation 42 include non-compliance with the requirement in either paragraph (2)(a) or (2)(b) (as well as with both requirements).

(7) An alteration purporting to have been made to the rules of an NI scheme is a "potentially remediable alteration" if—

(a) by virtue of section 33(1) and paragraphs (1) and (2) of regulation 42 (as they had effect at the time), the alteration could not be made unless the requirements of paragraph (2)(a), (b) and (c) of regulation 42 (as they then had effect) had been met,

(b) it was treated by the trustees or managers of the scheme, after it was purportedly made, as a valid alteration,

(c) no positive action has been taken by the trustees or managers of the scheme on the basis that they consider the alteration to be void (and so of no legal effect) by reason of non-compliance with the requirements of paragraph (2)(a) and (b) of regulation 42, and

(d) it is not excluded from the scope of remediation under sections 106 and 107 (see subsection (9)).

(8) In subsection (7)(c) "positive action", in relation to the purported alteration, means—

(a) notifying any members of the scheme in writing to the effect that the trustees or managers consider the alteration to be void (by reason of non-compliance with the requirements of paragraph (2)(a) and (b) of regulation 42) and that the scheme will be administered on the basis that it has no legal effect, or

(b) notifying any members of the scheme in writing (in consequence of the trustees or managers being of the view mentioned in subsection (7)(c)) to the effect that the trustees or managers are taking (or have taken) any other step in relation to the administration of the scheme

which has (or will have) the effect of altering payments to or in respect of members of the scheme.

(9) An alteration purporting to have been made to the rules of an NI scheme is excluded from the scope of remediation under sections 106 and 107 if any question relating to the validity of the alteration, so far as relating to the requirements of paragraph (2)(a) and (b) of regulation 42—

(a) has, before this section comes into force, been determined by the court in qualifying legal proceedings,

(b) was in issue on or before 5 June 2025 in qualifying legal proceedings, but has been settled by agreement between the parties at any time before this section comes into force, or

(c) was in issue on or before 5 June 2025 in qualifying legal proceedings and remains in issue in those proceedings when this section comes into force.

(10) In subsection (9) "legal proceedings" means proceedings for the determination of a dispute that have been brought before a court in the United Kingdom; and such proceedings are "qualifying legal proceedings" if—

(a) they will determine a dispute as to the rules of the scheme, and

(b) the parties are (or include)—

(i) the trustees or managers of the scheme, and

(ii) one or more members or other beneficiaries of the scheme (or a person acting on behalf of one or more members or other beneficiaries).

106 Validity of certain alterations to NI salary-related contracted-out pension schemes: subsisting schemes

(1) This section applies to any potentially remediable alteration purportedly made to an NI scheme other than a potentially remediable alteration to which section 107 applies.

(2) If the conditions mentioned in subsection (3) are met in relation to it, the alteration is to be treated for all purposes as having met the requirements of paragraph (2)(a) and (b) of regulation 42 before it was purportedly made, and so as having always been a valid alteration so far as those requirements are concerned.

(3) The conditions are—

(a) that the trustees or managers of the scheme have made a request in writing to the scheme actuary for the actuary to consider whether or not, on the assumption that it was validly made, the alteration would have prevented the scheme from continuing to satisfy the statutory standard, and

(b) that the scheme actuary has confirmed to the trustees or managers in writing that in the actuary's opinion it is reasonable to conclude that, on the assumption that it was validly made, the alteration would not

have prevented the scheme from continuing to satisfy the statutory standard.

In this subsection "the statutory standard" means the statutory standard for a contracted-out scheme under section 8A of the Pension Schemes (Northern Ireland) Act 1993 as it had effect at the time the alteration was purportedly made.

(4) A scheme actuary who has received a request as mentioned in subsection (3)(a) in relation to a potentially remediable alteration to a scheme—

(a) may act on the basis of the information available to the actuary, as long as the actuary considers it sufficient for the purpose of forming an opinion on the subject-matter of the request;

(b) may take any professional approach (including making assumptions or relying on presumptions) that is open to the actuary in all the circumstances of the case.

(5) A condition mentioned in subsection (3) may be met by action taken before (as well as action taken after) this section comes into force.

(6) Subsection (7) applies to an NI scheme if —

(a) there is an assessment period in relation to the scheme within the meaning of Part 3 of the Pensions (Northern Ireland) Order 2005 (S.I. 2005/255 (N.I. 1)), or

(b) the scheme is operating as a closed scheme under Article 137 of that Order.

(7) The powers of the Board of the Pension Protection Fund under Article 118 and 139 of the Pensions (Northern Ireland) Order 2005 to give directions include power to give a direction to the trustees or managers of the scheme requiring them—

(a) to make a request under subsection (3)(a) in relation to a potentially remediable alteration to the scheme, and

(b) to take any necessary action to enable or facilitate the making of a decision by the actuary as to whether to give the confirmation described in subsection (3)(b) in relation to that alteration.

(8) This section has effect, in relation to a potentially remediable alteration purportedly made to a public service scheme, as if the references in subsections (3) and (7) to the trustees or managers of the scheme were references to the responsible authority.

(9) In subsection (8)—

"public service scheme" means—

(a) a pension scheme established under section 1 of the Public Service Pensions (Northern Ireland) Act 2014 (2014 c. 2), or

(b) a statutory pension scheme which is connected with a scheme referred to in paragraph (a) (and for this purpose "statutory pension scheme" and "connected" have the meanings given in that Act);

"responsible authority", in relation to a public service scheme, means the authority that is the responsible authority for the scheme by virtue of section 2 of and Schedule 2 to that Act.

107 Validity of certain alterations to NI salary-related contracted-out pension schemes: wound up schemes and other special cases

(1) This section applies to any potentially remediable alteration purportedly made to the rules of—

(a) an NI scheme, or a part of an NI scheme, which has been wound up before this section comes into force,

(b) an NI scheme, or a part of an NI scheme, for which the Board of the Pension Protection Fund has, before this section comes into force, assumed responsibility in accordance with Chapter 3 of Part 3 of the Pensions (Northern Ireland) Order 2005 (see Article 145 of that Order), or

(c) an NI scheme which is a qualifying pension scheme for the purposes of regulation 9 of the Financial Assistance Scheme Regulations 2005 (S.I. 2005/1986) and in respect of which payments are required to be made under section 286 of the Pensions Act 2004.

(2) The alteration is be treated for all purposes as having met the requirements of paragraph (2)(a) and (b) of regulation 42 before it was purportedly made and so as having always been a valid alteration so far as those requirements are concerned.

108 Powers to amend Chapter 1 etc: Northern Ireland

(1) The Department for Communities in Northern Ireland may by regulations amend any of sections 105, 106 and 107 for the purpose of providing for purported alterations of any specified description to be outside the scope of remediation under either or both of sections 106 and 107.

(2) In subsection (1) "specified" means specified in the regulations; and a specified description of purported alterations may be framed by reference to features of the alterations or of the schemes purportedly altered by them (or a combination of both).

(3) Regulations under subsection (1) are subject to negative resolution.

(4) The Department for Communities in Northern Ireland may by regulations make incidental, supplementary, consequential or transitional provision in connection with any provision of this Chapter (other than section 104 and this section).

(5) Regulations under subsection (4) may amend Northern Ireland legislation, or an Act of Parliament, passed or made before or in the same Session as this Act.

(6) Regulations under subsection (4) which contain provision made under subsection (5)—

(a) must be laid before the Northern Ireland Assembly after being made,

(b) take effect on such date as may be specified in the regulations, and

(c) cease to have effect on the expiry of the period of six months beginning with the day on which they take effect, unless the regulations have been approved during that period by resolution of the Assembly.

Paragraph (c) is without prejudice to the validity of anything done under the regulations or to the making of new regulations.

(7) Regulations under subsection (4) which do not contain provision made under subsection (5) are subject to negative resolution.

(8) In this section "subject to negative resolution" has the meaning given by section 41(6) of the Interpretation Act (Northern Ireland) 1954.

(9) The power of the Department for Communities in Northern Ireland to make regulations under this section is exercisable by statutory rule for the purposes of the Statutory Rules (Northern Ireland) Order 1979 (S.I. 1979/1573 (N.I. 12)).

CHAPTER 2

PENSION COMPENSATION: INDEXATION

109 Indexation of periodic compensation for pre-1997 service: Great Britain

(1) Schedule 7 to the Pensions Act 2004 (pension compensation provisions) is amended in accordance with subsections (2) and (3).

(2) In paragraph 28—

(a) for sub-paragraph (2) substitute—

"(2) Where a person is entitled to periodic compensation under any of those paragraphs, the person is entitled, on the indexation date, to an increase under this paragraph of—

(a) where sub-paragraph (2A) applies, the aggregate of the amount mentioned in sub-paragraph (2C) and the amount mentioned in sub-paragraph (2E);

(b) where sub-paragraph (2B) applies, the aggregate of the amount mentioned in sub-paragraph (2D) and the amount mentioned in sub-paragraph (2E);

(c) in any other case, the amount mentioned in sub-paragraph (2E).

(2A) This sub-paragraph applies where, immediately before the assessment date—

(a) the admissible rules of the scheme included a requirement for all or any part of so much of the annual rate of a pension in payment under the

scheme as is attributable to a person's pre-1997 service to be increased annually,

(b) that requirement did not apply only in relation to a guaranteed minimum pension provided by the scheme or for the purposes of complying with a GMP equalisation obligation, and

(c) that requirement applied in relation to pre-1997 service in respect of which the compensation is payable.

(2B) This sub-paragraph applies where—

(a) the scheme provided a guaranteed minimum pension that accrued during the GMP indexation period,

(b) that accrual was in relation to GMP indexed service in respect of which the compensation is payable, and

(c) sub-paragraph (2A) does not apply.

(2C) The amount mentioned in this sub-paragraph is—

(a) the appropriate percentage of the amount of the pre-1997 underlying rate immediately before the indexation date, or

(b) where the person first became entitled to the periodic compensation during the period of 12 months ending immediately before that date, 1/12th of that amount for each full month for which the person was so entitled.

(2D) The amount mentioned in this sub-paragraph is—

(a) the appropriate percentage of the amount of the notional pre-1997 underlying rate immediately before the indexation date, or

(b) where the person first became entitled to the periodic compensation during the period of 12 months ending immediately before that date, 1/12th of that amount for each full month for which the person was so entitled.

(2E) The amount mentioned in this sub-paragraph is—

(a) the appropriate percentage of the amount of the post-1997 underlying rate immediately before the indexation date, or

(b) where the person first became entitled to the periodic compensation during the period of 12 months ending immediately before that date, 1/12th of that amount for each full month for which the person was so entitled.

(2F) In any case where it is unclear to the Board whether, immediately before the assessment date, the admissible rules of the scheme included a requirement of the kind mentioned

in sub-paragraph (2A)(a), this paragraph has effect as if the scheme included such a requirement.

(2G) In any case where it is unclear to the Board whether, immediately before the assessment date, a requirement of the scheme of a kind mentioned in sub-paragraph (2A)(a) (including such a requirement included by virtue of sub-paragraph (2F)) applied in relation to particular pre-1997 service, this paragraph has effect as if the requirement applied in relation to such service.

(2H) In any case where it is unclear to the Board whether the scheme provided a guaranteed minimum pension that accrued during the GMP indexation period, this paragraph has effect as if the scheme so provided.

(2I) In any case where it is unclear to the Board whether the accrual of a guaranteed minimum pension provided by the scheme (including by virtue of sub-paragraph (2H)) was in relation to particular GMP indexed service, this paragraph has effect as if the accrual was in relation to such service.";

(b) in sub-paragraph (3)—

(i) in the opening words for "sub-paragraph (2)" substitute "sub-paragraphs (2) to (2E)";

(ii) for both definitions of "underlying rate" substitute—

""notional pre-1997 underlying rate" means, in the case of periodic compensation under paragraph 3 or 22, the aggregate of—

(a) a prescribed percentage of so much of the amount mentioned in sub-paragraph (3)(a) of the paragraph in question as is attributable to pre-1997 service, and

(b) so much of the amount within sub-paragraph (3)(b) of that paragraph as is referable to the amount within paragraph (a) of this definition immediately before the indexation date;

"notional pre-1997 underlying rate" means, in the case of periodic compensation under paragraph 5, 8, 11 or 15, the aggregate of—

(a) a prescribed percentage of so much of the amount mentioned in sub-paragraph (3)(a) of the paragraph in question as is attributable to pre-1997 service,

(b) a prescribed percentage of so much of the amount mentioned in sub-paragraph (3)(aa) of the paragraph in question as is attributable to pre-1997 service, and

(c) so much of the amount within sub-paragraph (3)(b) of that paragraph as is referable to the amounts within paragraphs (a) and (b) of this definition immediately before the indexation date;

"post-1997 underlying rate" means, in the case of periodic compensation under paragraph 3 or 22, the aggregate of—

(a) so much of the amount mentioned in sub-paragraph (3)(a) of the paragraph in question as is attributable to post-1997 service, and

(b) so much of the amount within sub-paragraph (3)(b) of that paragraph as is referable to the amount within paragraph (a) of this definition immediately before the indexation date;

"post-1997 underlying rate" means, in the case of periodic compensation under paragraph 5, 8, 11 or 15, the aggregate of—

(a) so much of the amount mentioned in sub-paragraph (3)(a) of the paragraph in question as is attributable to post-1997 service,

(b) so much of the amount mentioned in sub-paragraph (3)(aa) of the paragraph in question as is attributable to post-1997 service, and

(c) so much of the amount within sub-paragraph (3)(b) of that paragraph as is referable to the amounts within paragraphs (a) and (b) of this definition immediately before the indexation date;

"pre-1997 underlying rate" means, in the case of periodic compensation under paragraph 3 or 22, the aggregate of—

(a) so much of the amount mentioned in sub-paragraph (3)(a) of the paragraph in question as is attributable to pre-1997 service, and

(b) so much of the amount within sub-paragraph (3)(b) of that paragraph as is referable to the amount within paragraph (a) of this definition immediately before the indexation date;

"pre-1997 underlying rate" means, in the case of periodic compensation under paragraph 5, 8, 11 or 15, the aggregate of—

(a) so much of the amount mentioned in sub-paragraph (3)(a) of the paragraph in question as is attributable to pre-1997 service,

(b) so much of the amount mentioned in sub-paragraph (3)(aa) of the paragraph in question as is attributable to pre-1997 service, and

(c) so much of the amount within sub-paragraph (3)(b) of that paragraph as is referable to the amounts within paragraphs (a) and (b) of this definition immediately before the indexation date.";

(c) in sub-paragraph (5)—

(i) in paragraph (a), for "sub-paragraph (2), each definition of "underlying rate"" substitute "sub-paragraphs (2C) to (2E), each definition of "notional pre-1997 underlying rate", "post-1997 underlying rate" and "pre-1997 underlying rate"";

(ii) in paragraph (c), for "sub-paragraph (2), the definition of "underlying rate"" substitute "sub-paragraphs (2C) to (2E), the definition of "notional pre-1997 underlying rate", the definition of "post-1997 underlying rate" and the definition of "pre-1997 underlying rate"";

(d) in sub-paragraph (6), before the definition of "post-1997 service" insert—

""GMP equalisation obligation" means any obligation under an enactment, a rule of law or the scheme rules which relates to the removal of inequalities as between men and women in respect of the provision of a guaranteed minimum pension;

"GMP indexation period" means the period beginning with 6 April 1988 and ending with 5 April 1997;

"GMP indexed service" means—

(a) pensionable service which is within paragraph 36(4)(a) and occurs during the GMP indexation period, or

(b) pensionable service which is within paragraph 36(4)(b) and meets such requirements as may be prescribed;

"guaranteed minimum pension" has the same meaning as in the Pension Schemes Act 1993 (see section 8(2) of that Act);";

(e) in sub-paragraph (7), for "and "pre-1997 service"" substitute ", "pre-1997 service" and "GMP indexed service"".

(3) In paragraph 29, for sub-paragraph (2) substitute—

"(2) The Board may also determine the percentage that is to be—

(a) the appropriate percentage for the purposes of sub-paragraphs (2C) and (2D) of paragraph 28;

(b) the appropriate percentage for the purposes of sub-paragraph (2E) of that paragraph,

(and where it does so, the definition of "appropriate percentage" in paragraph 28(3) does not apply in relation to the sub-paragraph in question)."

(4) Schedule 5 to the Pensions Act 2008 (pension compensation payable on discharge of pension compensation credit) is amended in accordance with subsections (5) and (6).

(5) In paragraph 17—

(a) for sub-paragraph (2) substitute—

"(2) Subject to sub-paragraph (3), the transferee is entitled, on each indexation date, to an increase of—

(a) where sub-paragraph (2A) applies, the amount mentioned in sub-paragraph (2E);

(b) where sub-paragraph (2B) applies, the amount mentioned in sub-paragraph (2F);

(c) where sub-paragraph (2C) applies, the amount mentioned in sub-paragraph (2G);

(d) where sub-paragraph (2D) applies, the amount mentioned in sub-paragraph (2H).

(2A) This sub-paragraph applies where—

(a) the transferor's PPF compensation is payable in accordance with paragraph 3, 5, 8, 11, 15 or 22 of Schedule 7 to the Pensions Act 2004 ("the relevant Schedule 7 provisions"), and

(b) immediately before the assessment date—

(i) the admissible rules of the scheme in respect of which that compensation is payable included a requirement for all or any part of so much of the annual rate of a pension in payment under the scheme as is attributable to a person's pre-1997 service to be increased annually,

(ii) that requirement did not apply only in relation to a guaranteed minimum pension provided by the scheme or for the purposes of complying with a GMP equalisation obligation, and

(iii) that requirement applied in relation to pre-1997 service in respect of which that compensation is payable.

(2B) This sub-paragraph applies where—

(a) the transferor's PPF compensation is payable in accordance with the relevant Schedule 7 provisions,

(b) the scheme in respect of which that compensation is payable provided a guaranteed minimum pension that accrued during the GMP indexation period,

(c) that accrual was in relation to GMP indexed service in respect of which that compensation is payable, and

(d) sub-paragraph (2A) does not apply.

(2C) This sub-paragraph applies where—

(a) the transferor's PPF compensation is payable in accordance with the relevant Schedule 7 provisions, and

(b) neither sub-paragraph (2A) nor sub-paragraph (2B) applies.

(2D) This sub-paragraph applies where the transferor's PPF compensation is payable otherwise than in accordance with the relevant Schedule 7 provisions.

(2E) The amount mentioned in this sub-paragraph is the aggregate of the appropriate percentage of the pre-1997 underlying rate and the appropriate percentage of the post-1997 underlying rate.

(2F) The amount mentioned in this sub-paragraph is the aggregate of the appropriate percentage of the notional pre-1997 underlying rate and the appropriate percentage of the post-1997 underlying rate.

(2G) The amount mentioned in this sub-paragraph is the appropriate percentage of the post-1997 underlying rate.

(2H) The amount mentioned in this sub-paragraph is the appropriate percentage of the general underlying rate.";

(b) in sub-paragraph (3), for "(2)" substitute "(2E), (2F), (2G) or (2H) (as the case may be)";

(c) after sub-paragraph (3) insert—

"(3A) For the purposes of sub-paragraphs (2A) to (2C)—

(a) in any case where it is unclear to the Board whether, immediately before the assessment date, the admissible rules of the scheme included a requirement of the kind mentioned in sub-paragraph (2A)(b)(i), those sub-paragraphs have effect as if the scheme included such a requirement;

(b) in any case where it is unclear to the Board whether, immediately before the assessment date, a requirement of the scheme of a kind mentioned in sub-paragraph (2A)(b)(i) (including such a requirement included by virtue of paragraph (a)) applied in relation to particular pre-1997 service, those

sub-paragraphs have effect as if the requirement applied in relation to such service;

(c) in any case where it is unclear to the Board whether the scheme provided a guaranteed minimum pension that accrued during the GMP indexation period, those sub-paragraphs have effect as if the scheme so provided;

(d) in any case where it is unclear to the Board whether the accrual of a guaranteed minimum pension provided by the scheme (including by virtue of paragraph (c)) was in relation to particular GMP indexed service, those sub-paragraphs have effect as if the accrual was in relation to such service.";

(d) in sub-paragraph (4)—

(i) in the opening words, for "sub-paragraph (2)" substitute "sub-paragraphs (2) to (2H)";

(ii) for the definition of "the underlying rate" substitute—

""the general underlying rate", as at an indexation date, is the aggregate of—

(a) the general indexed proportion of the aggregate of the initial annual rate of compensation and (in the case of compensation payable under paragraph 6), the revaluation amount,

(b) so much of any actuarial increase under paragraph 16A as relates to the amount in paragraph (a), and

(c) so much of any annual increase to which the transferee is entitled under this paragraph in respect of earlier indexation dates as relates to the amounts in paragraphs (a) and (b);

"the notional pre-1997 underlying rate", as at an indexation date, is the aggregate of—

(a) the notional pre-1997 indexed proportion of the aggregate of the initial annual rate of compensation and (in the case of compensation payable under paragraph 6), the revaluation amount,

(b) so much of any actuarial increase under paragraph 16A as relates to the amount in paragraph (a), and

(c) so much of any annual increase to which the transferee is entitled under this paragraph in respect of earlier indexation dates as relates to the amounts in paragraphs (a) and (b);

"the post-1997 underlying rate", as at an indexation date, is the aggregate of—

(a) the post-1997 indexed proportion of the aggregate of the initial annual rate of compensation and (in the case of compensation payable under paragraph 6), the revaluation amount,

(b) so much of any actuarial increase under paragraph 16A as relates to the amount in paragraph (a), and

(c) so much of any annual increase to which the transferee is entitled under this paragraph in respect of earlier indexation dates as relates to the amounts in paragraphs (a) and (b);

"the pre-1997 underlying rate", as at an indexation date, is the aggregate of—

(a) the pre-1997 indexed proportion of the aggregate of the initial annual rate of compensation and (in the case of compensation payable under paragraph 6), the revaluation amount,

(b) so much of any actuarial increase under paragraph 16A as relates to the amount in paragraph (a), and

(c) so much of any annual increase to which the transferee is entitled under this paragraph in respect of earlier indexation dates as relates to the amounts in paragraphs (a) and (b).";

(e) omit sub-paragraphs (5) and (6);

(f) before sub-paragraph (7) insert—

"(6A) For the purposes of paragraph (a) of the definition of "the general underlying rate", "the general indexed proportion" is such proportion as is determined in accordance with regulations made by the Secretary of State.

(6B) For the purposes of paragraph (a) of the definition of "the notional pre-1997 underlying rate", "the notional pre-1997 indexed proportion" is such proportion of the amount mentioned in sub-paragraph (3)(a) of the paragraph of Schedule 7 to the Pensions Act 2004 under which the transferor's PPF compensation is payable that is attributable to pre-1997 service as may be prescribed.

(6C) For the purposes of paragraph (a) of the definition of "the post-1997 underlying rate", "the post-1997 indexed proportion" is the proportion of the amount mentioned in sub-paragraph (3)(a) of the paragraph of that Schedule under which the transferor's PPF compensation is payable that is attributable to post-1997 service.

(6D) For the purposes of paragraph (a) of the definition of "the pre-1997 underlying rate", "the pre-1997 indexed proportion" is the proportion of the amount mentioned in sub-paragraph (3)(a) of the paragraph of that Schedule under which the transferor's PPF compensation is payable that is attributable to pre-1997 service.";

(g) in sub-paragraph (7), for ""the underlying rate"" substitute ""the general underlying rate", the definition of "the notional pre-1997 underlying rate", the definition of "the post-1997 underlying rate" and the definition of "the pre-1997 underlying rate"";

(h) in sub-paragraph (9), for the definition of "post-1997 service" substitute –

""GMP equalisation obligation" has the same meaning as in paragraph 28 of Schedule 7 to the Pensions Act 2004 (annual increase in periodic pension compensation);

"GMP indexation period" means the period beginning with 6 April 1988 and ending with 5 April 1997;

"guaranteed minimum pension" has the same meaning as in the Pension Schemes Act 1993 (see section 8(2) of that Act);

"post-1997 service", "pre-1997 service" and "GMP indexed service" have the same meaning as in paragraph 28 of Schedule 7 to the Pensions Act 2004;

"the assessment date" and "admissible rules", in relation to a pension scheme, have the same meaning as in that Schedule (see paragraphs 2 and 35 of that Schedule);".

(6) In paragraph 20, in sub-paragraph (1)(b), for "for the purposes of paragraph 17(2)" substitute "–

(i) of the pre-1997 underlying rate and of the notional pre-1997 underlying rate for the purposes of sub-paragraphs (2E) and (2F) of paragraph 17;

(ii) of the post-1997 underlying rate for the purposes of sub-paragraphs (2E), (2F) and (2G) of that paragraph;

(iii) of the general underlying rate for the purposes of sub-paragraph (2H) of that paragraph."

110 Indexation of periodic compensation for pre-1997 service: Northern Ireland

(1) Schedule 6 to the Pensions (Northern Ireland) Order 2005 (S.I. 2005/255 (N.I. 1)) (pension compensation provisions) is amended in accordance with subsections (2) and (3).

(2) In paragraph 28 –

(a) for sub-paragraph (2) substitute—

"(2) Where a person is entitled to periodic compensation under any of those paragraphs, the person is entitled, on the indexation date, to an increase under this paragraph of—

(a) where sub-paragraph (2A) applies, the aggregate of the amount mentioned in sub-paragraph (2C) and the amount mentioned in sub-paragraph (2E);

(b) where sub-paragraph (2B) applies, the aggregate of the amount mentioned in sub-paragraph (2D) and the amount mentioned in sub-paragraph (2E);

(c) in any other case, the amount mentioned in sub-paragraph (2E).

(2A) This sub-paragraph applies where, immediately before the assessment date—

(a) the admissible rules of the scheme included a requirement for all or any part of so much of the annual rate of a pension in payment under the scheme as is attributable to a person's pre-1997 service to be increased annually,

(b) that requirement did not apply only in relation to a guaranteed minimum pension provided by the scheme or for the purposes of complying with a GMP equalisation obligation, and

(c) that requirement applied in relation to pre-1997 service in respect of which the compensation is payable.

(2B) This sub-paragraph applies where—

(a) the scheme provided a guaranteed minimum pension that accrued during the GMP indexation period,

(b) that accrual was in relation to GMP indexed service in respect of which the compensation is payable, and

(c) sub-paragraph (2A) does not apply.

(2C) The amount mentioned in this sub-paragraph is—

(a) the appropriate percentage of the amount of the pre-1997 underlying rate immediately before the indexation date, or

(b) where the person first became entitled to the periodic compensation during the period of 12 months ending immediately before that date, 1/12th of that amount for each full month for which the person was so entitled.

(2D) The amount mentioned in this sub-paragraph is—

(a) the appropriate percentage of the amount of the notional pre-1997 underlying rate immediately before the indexation date, or

(b) where the person first became entitled to the periodic compensation during the period of 12 months ending immediately before that date, 1/12th of that amount for each full month for which the person was so entitled.

(2E) The amount mentioned in this sub-paragraph is—

(a) the appropriate percentage of the amount of the post-1997 underlying rate immediately before the indexation date, or

(b) where the person first became entitled to the periodic compensation during the period of 12 months ending immediately before that date, 1/12th of that amount for each full month for which the person was so entitled.

(2F) In any case where it is unclear to the Board whether, immediately before the assessment date, the admissible rules of the scheme included a requirement of the kind mentioned in sub-paragraph (2A)(a), this paragraph has effect as if the scheme included such a requirement.

(2G) In any case where it is unclear to the Board whether, immediately before the assessment date, a requirement of the scheme of a kind mentioned in sub-paragraph (2A)(a) (including such a requirement included by virtue of sub-paragraph (2F)) applied in relation to particular pre-1997 service, this paragraph has effect as if the requirement applied in relation to such service.

(2H) In any case where it is unclear to the Board whether the scheme provided a guaranteed minimum pension that accrued during the GMP indexation period, this paragraph has effect as if the scheme so provided.

(2I) In any case where it is unclear to the Board whether the accrual of a guaranteed minimum pension provided by the scheme (including by virtue of sub-paragraph (2H)) was in relation to particular GMP indexed service, this paragraph has effect as if the accrual was in relation to such service.";

(b) in sub-paragraph (3)—

(i) in the opening words for "sub-paragraph (2)" substitute "sub-paragraphs (2) to (2E)";

(ii) for both definitions of "underlying rate" substitute—

""notional pre-1997 underlying rate" means, in the case of periodic compensation under paragraph 3 or 22, the aggregate of—

(a) a prescribed percentage of so much of the amount mentioned in sub-paragraph (3)(a) of the paragraph in question as is attributable to pre-1997 service, and

(b) so much of the amount within sub-paragraph (3)(b) of that paragraph as is referable to the amount within paragraph (a) of this definition immediately before the indexation date;

"notional pre-1997 underlying rate" means, in the case of periodic compensation under paragraph 5, 8, 11 or 15, the aggregate of—

(a) a prescribed percentage of so much of the amount mentioned in sub-paragraph (3)(a) of the paragraph in question as is attributable to pre-1997 service,

(b) a prescribed percentage of so much of the amount mentioned in sub-paragraph (3)(aa) of the paragraph in question as is attributable to pre-1997 service, and

(c) so much of the amount within sub-paragraph (3)(b) of that paragraph as is referable to the amounts within paragraphs (a) and (b) of this definition immediately before the indexation date;

"post-1997 underlying rate" means, in the case of periodic compensation under paragraph 3 or 22, the aggregate of—

(a) so much of the amount mentioned in sub-paragraph (3)(a) of the paragraph in question as is attributable to post-1997 service, and

(b) so much of the amount within sub-paragraph (3)(b) of that paragraph as is referable to the amount within paragraph (a) of this definition immediately before the indexation date;

"post-1997 underlying rate" means, in the case of periodic compensation under paragraph 5, 8, 11 or 15, the aggregate of—

(a) so much of the amount mentioned in sub-paragraph (3)(a) of the paragraph in question as is attributable to post-1997 service,

(b) so much of the amount mentioned in sub-paragraph (3)(aa) of the paragraph in question as is attributable to post-1997 service, and

(c) so much of the amount within sub-paragraph (3)(b) of that paragraph as is referable to the

amounts within paragraphs (a) and (b) of this definition immediately before the indexation date;

"pre-1997 underlying rate" means, in the case of periodic compensation under paragraph 3 or 22, the aggregate of—

(a) so much of the amount mentioned in sub-paragraph (3)(a) of the paragraph in question as is attributable to pre-1997 service, and

(b) so much of the amount within sub-paragraph (3)(b) of that paragraph as is referable to the amount within paragraph (a) of this definition immediately before the indexation date;

"pre-1997 underlying rate" means, in the case of periodic compensation under paragraph 5, 8, 11 or 15, the aggregate of—

(a) so much of the amount mentioned in sub-paragraph (3)(a) of the paragraph in question as is attributable to pre-1997 service,

(b) so much of the amount mentioned in sub-paragraph (3)(aa) of the paragraph in question as is attributable to pre-1997 service, and

(c) so much of the amount within sub-paragraph (3)(b) of that paragraph as is referable to the amounts within paragraphs (a) and (b) of this definition immediately before the indexation date.";

(c) in sub-paragraph (5)—

(i) in paragraph (a), for "sub-paragraph (2), each definition of "underlying rate"" substitute "sub-paragraphs (2C) to (2E), each definition of "notional pre-1997 underlying rate", "post-1997 underlying rate" and "pre-1997 underlying rate"";

(ii) in paragraph (c), for "sub-paragraph (2), the definition of "underlying rate"" substitute "sub-paragraphs (2C) to (2E), the definition of "notional pre-1997 underlying rate", the definition of "post-1997 underlying rate" and the definition of "pre-1997 underlying rate"";

(d) in sub-paragraph (6), before the definition of "post-1997 service" insert—

""GMP equalisation obligation" means any obligation under an enactment, a rule of law or the scheme rules which relates to the removal of inequalities as between men and women in respect of the provision of a guaranteed minimum pension;

"GMP indexation period" means the period beginning with 6 April 1988 and ending with 5 April 1997;

"GMP indexed service" means—

(a) pensionable service which is within paragraph 36(4)(a) and occurs during the GMP indexation period, or

(b) pensionable service which is within paragraph 36(4)(b) and meets such requirements as may be prescribed;

"guaranteed minimum pension" has the same meaning as in the Pension Schemes Act (see section 4(2) of that Act);";

(e) in sub-paragraph (7), for "and "pre-1997 service"" substitute ", "pre-1997 service" and "GMP indexed service"".

(3) In paragraph 29, for sub-paragraph (2) substitute—

"(2) The Board may also determine the percentage that is to be—

(a) the appropriate percentage for the purposes of sub-paragraphs (2C) and (2D) of paragraph 28;

(b) the appropriate percentage for the purposes of sub-paragraph (2E) of that paragraph,

(and where it does so, the definition of "appropriate percentage" in paragraph 28(3) does not apply in relation to the sub-paragraph in question)."

(4) Schedule 4 to the Pensions (No.2) Act (Northern Ireland) 2008 (pension compensation payable on discharge of pension compensation credit) is amended in accordance with subsections (5) and (6).

(5) In paragraph 17—

(a) for sub-paragraph (2) substitute—

"(2) Subject to sub-paragraph (3), the transferee is entitled, on each indexation date, to an increase of—

(a) where sub-paragraph (2A) applies, the amount mentioned in sub-paragraph (2E);

(b) where sub-paragraph (2B) applies, the amount mentioned in sub-paragraph (2F);

(c) where sub-paragraph (2C) applies, the amount mentioned in sub-paragraph (2G);

(d) where sub-paragraph (2D) applies, the amount mentioned in sub-paragraph (2H).

(2A) This sub-paragraph applies where—

(a) the transferor's PPF compensation is payable in accordance with paragraph 3, 5, 8, 11, 15 or 22 of Schedule 6 to the 2005 Order ("the relevant Schedule 6 provisions"), and

(b) immediately before the assessment date —

(i) the admissible rules of the scheme in respect of which that compensation is payable

included a requirement for all or any part of so much of the annual rate of a pension in payment under the scheme as is attributable to a person's pre-1997 service to be increased annually,

(ii) that requirement did not apply only in relation to a guaranteed minimum pension provided by the scheme or for the purposes of complying with a GMP equalisation obligation, and

(iii) that requirement applied in relation to pre-1997 service in respect of which that compensation is payable.

(2B) This sub-paragraph applies where—

(a) the transferor's PPF compensation is payable in accordance with the relevant Schedule 6 provisions,

(b) the scheme in respect of which that compensation is payable provided a guaranteed minimum pension that accrued during the GMP indexation period,

(c) that accrual was in relation to GMP indexed service in respect of which that compensation is payable, and

(d) sub-paragraph (2A) does not apply.

(2C) This sub-paragraph applies where—

(a) the transferor's PPF compensation is payable in accordance with the relevant Schedule 6 provisions, and

(b) neither sub-paragraph (2A) nor sub-paragraph (2B) applies.

(2D) This sub-paragraph applies where the transferor's PPF compensation is payable otherwise than in accordance with the relevant Schedule 6 provisions.

(2E) The amount mentioned in this sub-paragraph is the aggregate of the appropriate percentage of the pre-1997 underlying rate and the appropriate percentage of the post-1997 underlying rate.

(2F) The amount mentioned in this sub-paragraph is the aggregate of the appropriate percentage of the notional pre-1997 underlying rate and the appropriate percentage of the post-1997 underlying rate.

(2G) The amount mentioned in this sub-paragraph is the appropriate percentage of the post-1997 underlying rate.

(2H) The amount mentioned in this sub-paragraph is the appropriate percentage of the general underlying rate.";

(b) in sub-paragraph (3), for "(2)" substitute "(2E), (2F), (2G) or (2H) (as the case may be)";

(c) after sub-paragraph (3) insert—

"(3A) For the purposes of sub-paragraphs (2A) to (2C)—

(a) in any case where it is unclear to the Board whether, immediately before the assessment date, the admissible rules of the scheme included a requirement of the kind mentioned in sub-paragraph (2A)(b)(i), those sub-paragraphs have effect as if the scheme included such a requirement;

(b) in any case where it is unclear to the Board whether, immediately before the assessment date, a requirement of the scheme of a kind mentioned in sub-paragraph (2A)(b)(i) (including such a requirement included by virtue of paragraph (a)) applied in relation to particular pre-1997 service, those sub-paragraphs have effect as if the requirement applied in relation to such service;

(c) in any case where it is unclear to the Board whether the scheme provided a guaranteed minimum pension that accrued during the GMP indexation period, those sub-paragraphs have effect as if the scheme so provided;

(d) in any case where it is unclear to the Board whether the accrual of a guaranteed minimum pension provided by the scheme (including by virtue of paragraph (c)) was in relation to particular GMP indexed service, those sub-paragraphs have effect as if the accrual was in relation to such service.";

(d) in sub-paragraph (4)—

(i) in the opening words, for "sub-paragraph (2)" substitute "sub-paragraphs (2) to (2H)";

(ii) for the definition of "the underlying rate" substitute—

""the general underlying rate", as at an indexation date, is the aggregate of—

(a) the general indexed proportion of the aggregate of the initial annual rate of compensation and (in the case of compensation payable under paragraph 6), the revaluation amount,

(b) so much of any actuarial increase under paragraph 16A as relates to the amount in paragraph (a), and

(c) so much of any annual increase to which the transferee is entitled under this paragraph in respect of earlier indexation dates as relates to the amounts in paragraphs (a) and (b);

"the notional pre-1997 underlying rate", as at an indexation date, is the aggregate of—

(a) the notional pre-1997 indexed proportion of the aggregate of the initial annual rate of compensation and (in the case of compensation payable under paragraph 6), the revaluation amount,

(b) so much of any actuarial increase under paragraph 16A as relates to the amount in paragraph (a), and

(c) so much of any annual increase to which the transferee is entitled under this paragraph in respect of earlier indexation dates as relates to the amounts in paragraphs (a) and (b);

"the post-1997 underlying rate", as at an indexation date, is the aggregate of—

(a) the post-1997 indexed proportion of the aggregate of the initial annual rate of compensation and (in the case of compensation payable under paragraph 6), the revaluation amount,

(b) so much of any actuarial increase under paragraph 16A as relates to the amount in paragraph (a), and

(c) so much of any annual increase to which the transferee is entitled under this paragraph in respect of earlier indexation dates as relates to the amounts in paragraphs (a) and (b);

"the pre-1997 underlying rate", as at an indexation date, is the aggregate of—

(a) the pre-1997 indexed proportion of the aggregate of the initial annual rate of compensation and (in the case of compensation payable under paragraph 6), the revaluation amount,

(b) so much of any actuarial increase under paragraph 16A as relates to the amount in paragraph (a), and

(c) so much of any annual increase to which the transferee is entitled under this paragraph in respect of earlier indexation dates as relates to the amounts in paragraphs (a) and (b).";

(e) omit sub-paragraphs (5) and (6);

(f) before sub-paragraph (7) insert—

"(6A) For the purposes of paragraph (a) of the definition of "the general underlying rate", "the general indexed proportion"

is such proportion as is determined in accordance with regulations made by the Department.

(6B) For the purposes of paragraph (a) of the definition of "the notional pre-1997 underlying rate", "the notional pre-1997 indexed proportion" is such proportion of the amount mentioned in sub-paragraph (3)(a) of the paragraph of Schedule 6 to the 2005 Order under which the transferor's PPF compensation is payable that is attributable to pre-1997 service as may be prescribed.

(6C) For the purposes of paragraph (a) of the definition of "the post-1997 underlying rate", "the post-1997 indexed proportion" is the proportion of the amount mentioned in sub-paragraph (3)(a) of the paragraph of that Schedule under which the transferor's PPF compensation is payable that is attributable to post-1997 service.

(6D) For the purposes of paragraph (a) of the definition of "the pre-1997 underlying rate", "the pre-1997 indexed proportion" is the proportion of the amount mentioned in sub-paragraph (3)(a) of the paragraph of that Schedule under which the transferor's PPF compensation is payable that is attributable to pre-1997 service.";

(g) in sub-paragraph (7), for ""the underlying rate"" substitute ""the general underlying rate", the definition of "the notional pre-1997 underlying rate", the definition of "the post-1997 underlying rate" and the definition of "the pre-1997 underlying rate"";

(h) for sub-paragraph (9) substitute—

"(9) In this paragraph—

"GMP equalisation obligation" has the same meaning as in paragraph 28 of Schedule 6 to the 2005 Order (annual increase in periodic pension compensation);

"GMP indexation period" means the period beginning with 6 April 1988 and ending with 5 April 1997;

"guaranteed minimum pension" has the same meaning as in the Pension Schemes Act (see section 4(2) of that Act);

"post-1997 service", "pre-1997 service" and "GMP indexed service" have the same meaning as in paragraph 28 of Schedule 6 to the 2005 Order;

"the assessment date" and "admissible rules", in relation to a pension scheme, have the same meaning as in that Schedule (see paragraphs 2 and 35 of that Schedule)."

(6) In paragraph 20, in sub-paragraph (1)(b), for "for the purposes of paragraph 17(2)" substitute "—

(i) of the pre-1997 underlying rate and of the notional pre-1997 underlying rate for the purposes of sub-paragraphs (2E) and (2F) of paragraph 17;

(ii) of the post-1997 underlying rate for the purposes of sub-paragraphs (2E), (2F) and (2G) of that paragraph;

(iii) of the general underlying rate for the purposes of sub-paragraph (2H) of that paragraph."

111 Financial Assistance Scheme: indexation of payments for pre-1997 service

(1) The Financial Assistance Scheme Regulations 2005 (S.I. 2005/1986) are amended as follows.

(2) In paragraph 7(1)(b) of Schedule 2 (determination of annual and initial payments), after "(b)(i)" insert ", (ia) and (ib)".

(3) Paragraph 9 of that Schedule is amended in accordance with subsections (4) to (6).

(4) In sub-paragraph (2)—

(a) in paragraph (a) of the definition of "underlying rate", after sub-paragraph (i) insert—

"(ia) where sub-paragraph (2A) applies, the product of X multiplied by so much of the expected pension as is attributable to pre-1997 service;

(ib) where sub-paragraph (2B) applies, the product of X multiplied by the relevant percentage of so much of the expected pension as is attributable to pre-1997 service;";

(b) in paragraph (b) of the definition of "underlying rate"—

(i) omit the "and" at the end of sub-paragraph (i);

(ii) after that sub-paragraph insert—

"(ia) where sub-paragraph (2A) applies, so much of the expected pension as is, proportionally, attributable to pre-1997 service;

(ib) where sub-paragraph (2B) applies, the relevant percentage of so much of the expected pension as is, proportionally, attributable to pre-1997 service; and";

(c) after the definition of "post-1997 service" insert—

""pre-1997 service" means—

(a) pensionable service (whether actual or notional) which occurs before 6th April 1997; or

(b) where the annual payment is payable to, or in respect of, a qualifying member who is, or was, a pension credit member of the scheme, pension credit rights deriving from rights attributable to service (whether actual or notional) which occurred before 6th April 1997;

"relevant percentage" means such percentage as may be determined by the Secretary of State;".

(5) After sub-paragraph (2) insert—

"(2A) This sub-paragraph applies where, immediately before the qualifying pension scheme began to wind up—

(a) the scheme rules included a requirement for all or any part of so much of the annual rate of a pension in payment under the scheme as is attributable to a person's pre-1997 service to be increased annually,

(b) that requirement did not apply only in relation to a guaranteed minimum pension provided by the scheme or for the purposes of complying with a GMP equalisation obligation, and

(c) that requirement applied in relation to pre-1997 service in respect of which the annual payment is payable.

(2B) This sub-paragraph applies where—

(a) the qualifying pension scheme provided a guaranteed minimum pension that accrued during the GMP indexation period,

(b) that accrual was in relation to GMP indexed service in respect of which the annual payment is payable, and

(c) sub-paragraph (2A) does not apply.

(2C) For the purposes of sub-paragraphs (2A) and (2B)—

(a) in any case where it is unclear to the scheme manager whether, immediately before the scheme began to wind up, the scheme rules included a requirement of the kind mentioned in sub-paragraph (2A)(a), those sub-paragraphs have effect as if the scheme included such a requirement;

(b) in any case where it is unclear to the scheme manager whether, immediately before the scheme began to wind up, a requirement of the scheme of a kind mentioned in sub-paragraph (2A)(a) (including such a requirement included by virtue of paragraph (a)) applied in relation to particular pre-1997 service, those sub-paragraphs have effect as if the requirement applied in relation to such service;

(c) in any case where it is unclear to the scheme manager whether the scheme provided a guaranteed minimum pension that accrued during the GMP indexation period, those sub-paragraphs have effect as if the scheme so provided;

(d) in any case where it is unclear to the scheme manager whether the accrual of a guaranteed minimum pension provided by the scheme (including by virtue of paragraph (c)) was in relation to particular GMP indexed service, those sub-paragraphs have effect as if the accrual was in relation to such service.

(2D) In sub-paragraphs (2A) to (2C)—

"GMP equalisation obligation" means any obligation under an enactment, a rule of law or the scheme rules which relates to the removal of inequalities as between men and women in respect of the provision of a guaranteed minimum pension;

"GMP indexation period" means the period beginning with 6 April 1988 and ending with 5 April 1997;

"GMP indexed service" means—

(a) pensionable service (whether actual or notional) which occurs during the GMP indexation period; or

(b) where the annual payment is payable to, or in respect of, a qualifying member who is, or was, a pension credit member of the scheme, pension credit rights deriving from rights attributable to service (whether actual or notional) which occurred during the GMP indexation period."

(6) In sub-paragraph (3)—

(a) after "attributable to" insert "pre-1997 service or";

(b) for "that amount" substitute "the amount in question".

(7) In paragraph 7(1)(b) of Schedule 2A (determination of ill health and interim ill health payments), after "(b)(i)" insert ", (ia) and (ib)".

(8) Paragraph 9 of that Schedule is amended in accordance with subsections (9) to (11).

(9) In sub-paragraph (2)—

(a) after the definition of "E" insert—

""EA" means so much of the expected pension as is attributable to pre-1997 service;

"EB" means the relevant percentage of so much of the expected pension as is attributable to pre-1997 service;";

(b) after the definition of "post-1997 service" insert—

""pre-1997 service" means—

(a) pensionable service (whether actual or notional) which occurs before 6th April 1997; or

(b) where the ill health payment is payable to, or in respect of, a qualifying member who is, or was, a pension credit member of the scheme, pension credit rights deriving

from rights attributable to service (whether actual or notional) which occurred before 6th April 1997;

"relevant percentage" means such percentage as may be determined by the Secretary of State;";

(c) in paragraph (a) of the definition of "underlying rate", after sub-paragraph (i) insert—

"(ia) where sub-paragraph (2A) applies, the product of X multiplied by (C x EA);

(ib) where sub-paragraph (2B) applies, the product of X multiplied by (C x EB);";

(d) in paragraph (b) of the definition of "underlying rate"—

(i) omit the "and" at the end of sub-paragraph (i);

(ii) after that sub-paragraph insert—

"(ia) where sub-paragraph (2A) applies, so much of the amount "A" for the purposes of paragraph 2 as is, proportionately, attributable to pre-1997 service;

(ib) where sub-paragraph (2B) applies, the relevant percentage of so much of the amount "A" for the purposes of paragraph 2 as is, proportionately, attributable to pre-1997 service; and".

(10) After sub-paragraph (2) insert—

"(2A) This sub-paragraph applies where immediately before the qualifying pension scheme began to wind up—

(a) the scheme rules included a requirement for all or any part of so much of the annual rate of a pension in payment under the scheme as is attributable to a person's pre-1997 service to be increased annually,

(b) that requirement did not apply only in relation to a guaranteed minimum pension provided by the scheme or for the purposes of complying with a GMP equalisation obligation, and

(c) that requirement applied in relation to pre-1997 service in respect of which the ill health payment is payable.

(2B) This sub-paragraph applies where—

(a) the qualifying pension scheme provided a guaranteed minimum pension that accrued during the GMP indexation period,

(b) that accrual was in relation to GMP indexed service in respect of which the ill health payment is payable, and

(c) sub-paragraph (2A) does not apply.

(2C) For the purposes of sub-paragraphs (2A) and (2B)—

(a) in any case where it is unclear to the scheme manager whether, immediately before the scheme began to wind up, the scheme rules included a requirement of the kind mentioned in sub-paragraph (2A)(a), those sub-paragraphs have effect as if the scheme included such a requirement;

(b) in any case where it is unclear to the scheme manager whether, immediately before the scheme began to wind up, a requirement of the scheme of a kind mentioned in sub-paragraph (2A)(a) (including such a requirement included by virtue of paragraph (a)) applied in relation to particular pre-1997 service, those sub-paragraphs have effect as if the requirement applied in relation to such service;

(c) in any case where it is unclear to the scheme manager whether the scheme provided a guaranteed minimum pension that accrued during the GMP indexation period, those sub-paragraphs have effect as if the scheme so provided;

(d) in any case where it is unclear to the scheme manager whether the accrual of a guaranteed minimum pension provided by the scheme (including by virtue of paragraph (c)) was in relation to particular GMP indexed service, those sub-paragraphs have effect as if the accrual was in relation to such service.

(2D) In sub-paragraphs (2A) to (2C)—

"GMP equalisation obligation" means any obligation under an enactment, a rule of law or the scheme rules which relates to the removal of inequalities as between men and women in respect of the provision of a guaranteed minimum pension;

"GMP indexation period" means the period beginning with 6 April 1988 and ending with 5 April 1997;

"GMP indexed service" means—

(a) pensionable service (whether actual or notional) which occurs during the GMP indexation period; or

(b) where the ill health payment is payable to, or in respect of, a qualifying member who is, or was, a pension credit member of the scheme, pension credit rights deriving from rights attributable to service (whether actual or notional) which occurred during the GMP indexation period;

"guaranteed minimum pension" has the meaning given in section 8(2) of the 1993 Act."

(11) In sub-paragraph (3)—

(a) after "attributable to" insert "pre-1997 service or";

(b) for "that amount" substitute "the amount in question".

CHAPTER 3

AWE PENSION SCHEME

New public pension schemes

112 Establishment of new public schemes and transfer of rights

(1) The Secretary of State may by regulations establish one or more schemes ("new public schemes") which provide for pensions or other benefits to be payable to or in respect of persons who are or have been members of the AWE Pension Scheme ("qualifying persons").

(2) The Secretary of State may by regulations make provision for the transfer of qualifying accrued rights to a new public scheme (without the need for any approval or consent of the trustee company or AWE PLC, or any other person, to the transfer).

(3) Regulations under subsection (2) may include provision for the discharge of liabilities in respect of qualifying accrued rights that are transferred.

(4) In this Chapter—

"qualifying accrued rights" means—

(a) any right to future benefits under the AWE Pension Scheme which, at the qualifying time, has accrued to or in respect of a qualifying person,

(b) any entitlement under the AWE Pension Scheme to the present payment of a pension or other benefit which a qualifying person has at the qualifying time, or

(c) any entitlement to benefits, or right to future benefits, under the AWE Pension Scheme which a survivor of a qualifying person has at the qualifying time in respect of the qualifying person;

"the qualifying time" means the time immediately before the date specified or described in regulations.

(5) For the purposes of the definition of "qualifying accrued rights"—

(a) references to pensions or other benefits (including future benefits) includes money purchase benefits, and

(b) references to a right include a pension credit right.

(6) Regulations under subsection (4) specifying or describing a date for the purposes of the definition of "the qualifying time" may make provision for the purposes of transfers of qualifying accrued rights generally, transfers of a particular description or a particular transfer.

113 New public schemes: further provision

(1) A new public scheme may include provision—

(a) for pensions or other benefits to be payable to or in respect of some or all persons described in section 112(1);
(b) for the provision of money purchase benefits or benefits that are not money purchase benefits (or both);
(c) for increasing in particular circumstances the amounts payable in respect of qualifying accrued rights;
(d) for the payment or receipt of transfer values or other lump sum payments for the purpose of creating rights to benefits under a new public scheme or otherwise;
(e) in relation to any persons who are active members of the AWE Pension Scheme which differs from the provision made in relation to persons who are deferred members of the AWE Pension Scheme, other than provision in relation to qualifying accrued rights.

(2) Regulations under section 112(1) may—
(a) provide for a new public scheme to be treated as an occupational pension scheme, a previously contracted-out scheme or another type of occupational pension scheme for the purposes of an enactment specified or described in the regulations;
(b) provide for the enactment to apply in relation to a new public scheme subject to modifications specified in the regulations.

(3) Regulations under section 112(1) amending a new public scheme may make retrospective provision.

(4) Regulations under section 112(1) may—
(a) confer functions on the Secretary of State or another person;
(b) provide for a person to exercise a discretion in dealing with a matter.

(5) The Secretary of State may—
(a) make arrangements for a new public scheme to be administered by any person;
(b) delegate to any person a function exercisable by the Secretary of State under a new public scheme.

(6) In this section, a "previously contracted-out scheme" means a scheme that before 6 April 2016 was a salary related contracted-out scheme within the meaning of Part 3 of the Pension Schemes Act 1993.

114 Protection against adverse treatment: transfer of rights

(1) When making regulations under section 112 which transfer qualifying accrued rights to a new public scheme, the Secretary of State must ensure that the following requirements are met in respect of each person whose qualifying accrued rights are transferred—
(a) the general scheme requirement (see subsection (2)), and
(b) where the qualifying accrued rights transferred are a person's rights or entitlements to money purchase benefits other than pensions in payment, the money purchase requirement (see subsection (3)).

(2) The general scheme requirement is that, so far as relevant to the qualifying accrued rights transferred by the regulations, the provision in the new public scheme immediately after the regulations are made is in all material respects at least as good as the provision in the AWE Pension Scheme immediately before that time.

(3) The money purchase requirement is that the value of the rights or entitlements to money purchase benefits, other than pensions in payment, that a person has under the new public scheme immediately after, and as a result of, the transfer is at least equivalent to the value of the qualifying accrued rights of the person that are transferred.

(4) The Secretary of State may by regulations make provision about the determination of the value of rights or entitlements for the purposes of subsection (3).

(5) Regulations under subsection (4) may, among other things—

(a) make provision about the person by whom, and the manner in which, the value of rights or entitlements is to be determined,

(b) make provision about the date or period by reference to which the value of the qualifying accrued rights transferred is to be determined (subject to subsection (6)), and

(c) make provision that applies generally or only for a specific purpose (for example, in relation to a particular transfer).

(6) Regulations under subsection (4) may not make provision for the value of the qualifying accrued rights transferred to be determined by reference to a date which falls, or a period which ends, more than three months before the transfer.

(7) Subsection (1) does not require provision to be included in a new public scheme if the Secretary of State is of the opinion that the provision would be incompatible with an enactment (including an enactment applying as a result of any provision made by or under this Chapter).

(8) Nothing in subsections (1) to (3) is to be read as—

(a) requiring particular provisions of a new public scheme to take a particular form,

(b) requiring a new public scheme to be established in a particular way,

(c) requiring any power or duty conferred or imposed by a new public scheme to be exercised or performed in a particular way, or

(d) affecting any power of any person to amend a new public scheme.

115 Protection against adverse treatment: amendment of new public schemes

(1) The Secretary of State may not make regulations under section 112 amending a new public scheme unless—

(a) in a case where the amendment, on coming into force, would or might adversely affect subsisting rights at that time, the consent requirements

or the procedure requirements are satisfied in relation to the amendment, or

(b) in any other case, the consultation requirements are satisfied in relation to the amendment.

(2) The consent requirements are requirements specified or described in regulations made by the Secretary of State for the purpose of obtaining the consent of interested persons, or their representatives, to amendment of a new public scheme.

(3) The consultation requirements are requirements specified or described in regulations made by the Secretary of State for the purpose of consulting interested persons, or their representatives, about amendment of a new public scheme.

(4) The procedure requirements are requirements which—

(a) are specified or described in regulations made by the Secretary of State for steps to be taken before amending a new public scheme, and

(b) are not requirements for the purpose of obtaining the consent of, or consulting, interested persons or their representatives.

(5) In this section, "subsisting rights", in relation to any time, means—

(a) any right to future benefits under a new public scheme which, at that time, has accrued to or in respect of a member of the scheme,

(b) any entitlement under a new public scheme to the present payment of a pension or other benefit which a member of the scheme has at that time, or

(c) any entitlement to benefits, or rights to future benefits, under a new public scheme which a survivor of a member of the scheme has at that time in respect of the member.

(6) For the purposes of the definition of "subsisting rights"—

(a) references to pensions or other benefits (including future benefits) include money purchase benefits, and

(b) references to a right include a pension credit right.

(7) In this section, "interested persons", in relation to an amendment of a scheme, means persons who appear to the Secretary of State to be likely to be affected by the amendment.

116 Transfer of assets and liabilities

(1) The Secretary of State may by regulations provide for the transfer of assets or liabilities of the AWE Pension Scheme (without the need for any approval or consent of the trustee company or AWE PLC, or any other person, to the transfer) to—

(a) the Secretary of State,

(b) a nominee of the Secretary of State or the Treasury, or

(c) a company established by the Secretary of State or the Treasury for the purpose of holding the assets or the liabilities pending their disposal or discharge.

(2) Where any assets of the AWE Pension Scheme are transferred before regulations under section 112(2) are made, regulations under this section must make provision for the purposes of—

(a) securing the ability of the trustee company to meet any liability it has, or may have, or

(b) securing that any such liability is to be met by the Secretary of State or the Treasury.

(3) The regulations may in connection with those purposes, or otherwise in connection with a transfer of assets or liabilities under the regulations—

(a) make provision for the Secretary of State or the Treasury to give directions to the trustee company or AWE PLC;

(b) exempt the trustee company, or AWE PLC, from liability in connection with acts or omissions pursuant to any such directions;

(c) disapply (to such extent as is specified) any specified statutory provision or rule of law;

(d) provide for any specified statutory provision to apply (whether or not it would otherwise apply) with specified modifications;

(e) impose a moratorium on the commencement or continuation of proceedings or other legal processes of any specified description.

(4) "Specified" means specified in the regulations.

(5) Regulations under this section may include provision for the making of payments into the Consolidated Fund.

Supplementary

117 Taxation

(1) The Treasury may by regulations make provision for varying the way in which any relevant tax would, apart from the regulations, have effect in relation to—

(a) a new public scheme;

(b) members of a new public scheme;

(c) persons who have survived a member of a new public scheme and who have an entitlement to benefits, or a right to future benefits, under the scheme in respect of the member;

(d) a person within section 116(1)(a), (b) or (c).

(2) Regulations under subsection (1) may include provision for treating a new public scheme as a registered pension scheme.

(3) The Treasury may by regulations make provision for varying the way in which any relevant tax would, apart from the regulations, have effect in

relation to, or in connection with, anything done by or under, or in consequence of, regulations made under this Chapter in relation to—

(a) the AWE Pension Scheme;
(b) the trustee company;
(c) AWE PLC;
(d) the Secretary of State;
(e) a qualifying person;
(f) a person who has survived a qualifying person and who has an entitlement to benefits, or a right to future benefits, under the scheme in respect of the qualifying person.

(4) Regulations under subsection (1) or (3) may include provision for any of the following—

(a) a tax provision not to apply or to apply with modifications;
(b) anything done to have or not to have a specified consequence for the purposes of a tax provision;
(c) the withdrawal of relief and the charging of a relevant tax.

(5) Provision made by regulations under subsection (1) or (3), other than provision withdrawing a relief or charging a relevant tax, may make retrospective provision.

(6) In this section—

"relevant tax" means—

(a) income tax;
(b) capital gains tax;
(c) corporation tax;
(d) inheritance tax;
(e) stamp duty and stamp duty reserve tax;
(f) stamp duty land tax;

"registered pension scheme" has the meaning given in Part 4 of the Finance Act 2004;

"tax provision" means any provision made by or under an enactment relating to a relevant tax.

118 Information

(1) The Secretary of State may by regulations make provision requiring a person specified or described in the regulations to give the Secretary of State a document or other information specified or described in the regulations.

(2) Regulations under subsection (1) may only make provision in respect of documents or other information which the Secretary of State reasonably requires for the purposes of—

(a) making regulations under this Chapter, or
(b) establishing or administering a new public scheme, including transferring qualifying accrued rights to such a scheme.

(3) Regulations under subsection (1) may, among other things, include—

(a) provision about the time when the document or other information must be given;

(b) provision about the form and manner in which it must be given;

(c) provision for the imposition of a financial penalty on a person who, without reasonable excuse, fails to comply with a requirement imposed by the regulations (including provision for appeals to a court or tribunal).

(4) For the purposes of facilitating the establishment or administration of a new public scheme, including the transfer of qualifying accrued rights to such a scheme, information described in subsection (5) may be shared among the following persons—

(a) the Secretary of State;

(b) the Treasury;

(c) a trustee company of the AWE Pension Scheme;

(d) a person who exercises functions under the AWE Pension Scheme;

(e) AWE PLC;

(f) a person who administers, or exercises functions under, a new public scheme.

(5) The information is information relating to—

(a) rights or entitlements to pensions or other benefits under the AWE Pension Scheme;

(b) the administration of the AWE Pension Scheme;

(c) rights or entitlements to pensions or other benefits under a new public scheme, so far as they are rights or entitlements of, or in respect of, qualifying persons;

(d) the administration of a new public scheme.

(6) The disclosure of information in accordance with this section, or regulations made under this section, does not breach—

(a) any obligation of confidence owed by a person in relation to that information, or

(b) any other restriction on the disclosure of information (however imposed).

119 Regulations

(1) The Secretary of State must consult the trustee company before making—

(a) regulations under section 112 which establish a new public scheme or transfer qualifying accrued rights to a new public scheme, or

(b) regulations under section 116 which make provision for the transfer of assets or liabilities.

(2) The Secretary of State may not make regulations under any provision of this Chapter, other than under section 118(1), unless the Treasury have consented to the making of the regulations.

(3) Regulations under section 112 are subject to the affirmative procedure if—

(a) the making of the regulations is subject to the consent requirements (see section 115), or

(b) the regulations make provision which has retrospective effect.

(4) Regulations under section 116 are subject to the affirmative procedure if they make provision falling with subsection (3)(c), (d) or (e) of that section.

(5) Regulations under section 118(1) are subject to the affirmative procedure if they make provision about the amount of a financial penalty.

(6) A statutory instrument containing regulations under section 117 is subject to annulment in pursuance of a resolution of the House of Commons.

(7) Any other regulations under this Chapter are subject to the negative procedure.

120 Interpretation

In this Chapter—

"active member" has the meaning given by section 124(1) of the Pensions Act 1995;

"deferred member" has the meaning given by section 124(1) of the Pensions Act 1995;

"enactment" includes—

(a) an enactment comprised in subordinate legislation (within the meaning given by section 21 of the Interpretation Act 1978),

(b) an enactment comprised in, or in an instrument made under, a Measure or Act of Senedd Cymru,

(c) an enactment comprised in, or in an instrument made under, an Act of the Scottish Parliament,

(d) an enactment comprised in, or in an instrument made under, Northern Ireland legislation;

"member" has the meaning given by section 124(1) of the Pensions Act 1995;

"money purchase benefits" has the meaning given by section 181 of the Pension Schemes Act 1993;

"new public scheme" has the meaning given by section 112(1);

"occupational pension scheme" has the meaning given by section 1 of the Pension Schemes Act 1993;

"pension credit right" has the meaning given by section 124(1) of the Pensions Act 1995;

"qualifying person" has the meaning given by section 112(1);

"the trustee company" means AWE Pension Trustees Ltd.

CHAPTER 4

OTHER MISCELLANEOUS PROVISION

121 Alienation or forfeiture of occupational pension

(1) The Pensions Act 1995 is amended in accordance with subsections (2) and (3).

(2) In section 91 (inalienability of occupational pension)—

(a) in subsection (6), in the words after paragraph (b)—

(i) for "there is a dispute as to its amount" substitute "a dispute has arisen as to the amount of the monetary obligation in question";

(ii) for the words from "the obligation in question" to the end substitute "one of the following conditions is met.";

(b) after subsection (6) insert—

"(6A) The conditions mentioned in subsection (6) are—

(a) that the dispute has been resolved by the parties to it;

(b) that the Pensions Ombudsman has made a determination under Part 10 of the Pension Schemes Act 1993 or Part 10 of the Pension Schemes (Northern Ireland) Act 1993 (investigations) as to the amount of the monetary obligation in question;

(c) that the monetary obligation in question has become enforceable—

(i) under an order of a competent court, or

(ii) in consequence of an award of an arbitrator or, in Scotland, an arbiter to be appointed (failing agreement between the parties) by the sheriff."

(3) In section 93 (forfeiture by reference to obligation to employer), in subsection (3)—

(a) for "there is a dispute" substitute "a dispute has arisen";

(b) for the words from "the obligation has become" to the end substitute "—

(a) the dispute has been resolved by the parties to it,

(b) the Pensions Ombudsman has made a determination under Part 10 of the Pension Schemes Act 1993 or Part 10 of the Pension Schemes (Northern Ireland) Act 1993 (investigations) as to the amount of the monetary obligation in question, or

(c) the monetary obligation in question has become enforceable—

(i) under an order of a competent court, or

(ii) in consequence of an award of an arbitrator or, in Scotland, an arbiter to be appointed (failing agreement between the parties) by the sheriff."

(4) The Pensions (Northern Ireland) Order 1995 is amended in accordance with subsections (5) and (6).

(5) In Article 89 (inalienability of occupational pension)—

(a) in paragraph (6), in the words after sub-paragraph (b)—

(i) for "there is a dispute as to its amount" substitute "a dispute has arisen as to the amount of the monetary obligation in question";

(ii) for the words from "the obligation in question" to the end substitute "one of the following conditions is met.";

(b) after paragraph (6) insert—

"(6A) The conditions mentioned in paragraph (6) are—

(a) that the dispute has been resolved by the parties to it;

(b) that the Pensions Ombudsman has made a determination under Part 10 of the Pension Schemes (Northern Ireland) Act 1993 or Part 10 of the Pension Schemes Act 1993 (investigations) as to the amount of the monetary obligation in question;

(c) that the monetary obligation in question has become enforceable—

(i) under an order of a competent court, or

(ii) in consequence of an award of an arbitrator."

(6) In Article 91 (forfeiture by reference to obligation to employer), in paragraph (3)—

(a) for "there is a dispute" substitute "a dispute has arisen";

(b) for the words from "the obligation has become" to the end substitute "—

(a) the dispute has been resolved by the parties to it,

(b) the Pensions Ombudsman has made a determination under Part 10 of the Pension Schemes (Northern Ireland) Act 1993 or Part 10 of the Pension Schemes Act 1993 (investigations) as to the amount of the monetary obligation in question, or

(c) the monetary obligation in question has become enforceable—

(i) under an order of a competent court, or

(ii) in consequence of an award of an arbitrator."

122 Terminal illness

In the following provisions (which relate to the life expectancy required for a person to be regarded as "terminally ill" for purposes relating to compensation or assistance from the Pension Protection Fund or Financial Assistance Scheme), for "6 months" or "six months" substitute "12 months"—

(a) in the Pensions Act 2004, in Schedule 7, paragraph 25B(3);

(b) in the Pensions (Northern Ireland) Order 2005 (S.I. 2005/255 (N.I. 1)), in Schedule 6, paragraph 25B(3);

(c) in the Pensions Act 2008, in Schedule 5, paragraph 12(3);

(d) in the Pensions (No. 2) Act (Northern Ireland) 2008 (c.13 (N.I.)), in Schedule 4, paragraph 12(3);

(e) in the Financial Assistance Scheme Regulations 2005 (S.I. 2005/1986), regulations 2(9) and 17(3D)(b)(i).

123 Pension protection levies

(1) The Pensions Act 2004 is amended as follows.

(2) In section 113 (investment of funds), in subsection (2)(b), omit "174 or".

(3) For the italic heading before section 174 substitute "Pension protection levies".

(4) Omit section 174 (initial levy).

(5) In section 175 (pension protection levies)—

(a) for subsection (1) substitute—

"(1) For each financial year, the Board—

(a) may impose a risk-based pension protection levy in respect of a description of eligible scheme (or in respect of all eligible schemes), and

(b) if it does so, may also impose a scheme-based pension protection levy in respect of the same or a different description of eligible scheme (or in respect of all eligible schemes).

In this Chapter "pension protection levy" means a levy imposed in accordance with this section.";

(b) in subsection (3), after paragraph (a) insert—

"(aa) the risks associated with a description of scheme which the Board considers is not supported by a substantive employer covenant;";

(c) in subsection (5), in the words before paragraph (a), after "financial year" insert "for which it decides to impose the pension protection levies (or one of them)";

(d) omit subsection (7);

(e) before subsection (8) insert—

"(7A) For the purposes of subsection (3)(aa), a scheme is "not supported by a substantive employer covenant" if, based on the financial position of the employer, there is no realistic prospect of the employer being able to provide the trustees or managers with material financial support for the purpose of satisfying liabilities of the scheme.
For that purpose the employer's "financial position" means its financial position ignoring—

(a) any capital buffer (within the meaning of Part 3 of the Pension Schemes Act 2026), and

(b) any financial support which it may obtain from another person but to which it is not entitled.";

(f) in subsection (8), omit the definition of "initial period";

(g) in subsection (10)—

(i) in the words before paragraph (a), for "duty" substitute "power";

(ii) omit paragraph (b) and the "and" before it.

(6) In section 176 (supplementary provisions about pension protection levies)—

(a) in subsection (1)—

(i) for paragraph (a) substitute—

"(a) no pension protection levies were imposed in the previous financial year, or";

(ii) in paragraph (b), for "the pension protection levies" substitute "any pension protection levies";

(iii) omit paragraph (c) and the "or" before it;

(b) for subsection (2) substitute—

"(2) The Board must publish in the prescribed manner details of—

(a) any decision to impose, or not to impose, the levies for a financial year in respect of a description of scheme;

(b) any determination under section 175(5)."

(7) In section 177 (amounts to be raised by the pension protection levies)—

(a) at the beginning insert—

"(A1) Subsections (1) to (5) apply where the Board decides to impose one or both of the pension protection levies for a financial year.";

(b) in each of subsections (1), (2) and (3), for "a financial year" substitute "the financial year";

(c) omit subsection (4);

(d) for subsection (5) substitute—

"(5) The Board must impose pension protection levies for the financial year in a form which it estimates will raise an amount which does not exceed the sum of—

(a) the amount estimated under subsection (1) in respect of any pension protection levies imposed for the previous financial year, and

(b) 25% of the levy ceiling for the previous financial year.";

(e) in subsection (8), for the words from "Regulations" to "(6)," substitute "An order under subsection (6)";

(f) in subsection (9), omit paragraph (b) and the "and" before it.

(8) In section 178 (levy ceiling)—

(a) in subsection (1), omit "for which levies are required to be imposed under section 175";

(b) omit subsection (2);

(c) in subsection (3), in the words before paragraph (a), omit "after the first year for which levies are imposed under section 175".

(9) Omit section 180 (transitional provision now spent).

(10) In section 181 (calculation, collection and recovery of levies), in subsection (1), omit paragraph (a) and the "and" after it.

(11) In section 316 (parliamentary control of subordinate legislation), in subsection (2), omit paragraph (c).

124 Pensions dashboards

(1) In section 4A of the Financial Guidance and Claims Act 2018 (specific functions included in the pensions guidance function)—

(a) in subsection (2)—

(i) omit the "and" after paragraph (b);

(ii) after paragraph (c) insert—

"(d) the Pension Protection Fund, including information relating to an individual, and

(e) the financial assistance scheme, including information relating to an individual.";

(b) in subsection (6), at the appropriate place insert—

""financial assistance scheme" means the scheme provided for by regulations under section 286 of the Pensions Act 2004 (financial assistance scheme for members of certain pension schemes);".

(2) The Pensions Act 2004 is amended as follows.

(3) In section 203 (provision of information relating to the Pension Protection Fund to members of schemes etc)—

(a) in subsection (1)(a), after "times" insert "or in prescribed circumstances";

(b) after subsection (1) insert—

"(1A) Regulations under subsection (1)(a) may make provision about how information is to be provided, including provision requiring—

(a) the use of electronic communications;

(b) the use of facilities or services specified or of a description specified in the regulations;

(c) information to be provided in such a way that it can subsequently be provided by means of—

(i) a qualifying pensions dashboard service, or

(ii) the pensions dashboard service provided by the Money and Pensions Service.

(1B) In subsection (1A)—

"pensions dashboard service" means a pensions dashboard service within the meaning of section 238A(1);

"qualifying pensions dashboard service" has the meaning given by section 238A(2)."

(4) In section 238A (qualifying pensions dashboard service), in subsection (4), after paragraph (b) insert—

"(ba) information of a prescribed description about—

(i) the Pension Protection Fund;

(ii) the financial assistance scheme;

(bb) Pension Protection Fund information relating to the individual in question of such description as may be prescribed;

(bc) financial assistance scheme information relating to the individual in question of such description as may be prescribed;".

(5) In section 238C (interpretation), in subsection (4), at the appropriate place insert—

""financial assistance scheme" means the scheme provided for by regulations under section 286 (financial assistance scheme for members of certain pension schemes);".

125 Information to be given to pension schemes by employers

(1) Part 1 of the Pensions Act 2008 (pension scheme membership for jobholders) is amended as follows.

(2) After section 11 (information to be given to the Pensions Regulator) insert—

"11A Information to be given to pension schemes

(1) The Secretary of State may make regulations requiring employers to provide information relating to—

(a) jobholders who are active members of a qualifying scheme, or

(b) workers who are active members of a pension scheme that satisfies the requirements of section 9,

to the trustees or managers of the scheme (where the scheme is an occupational pension scheme) or the provider of the scheme (where the scheme is a personal pension scheme).

(2) Regulations under this section may make provision—

(a) specifying the information to be provided;

(b) about when, or the frequency with which, the information (or a particular item of information) is to be provided;

(c) about how and in what form the information is to be provided.

(3) The information that regulations under this section may require employers to provide includes information about persons ceasing to be jobholders or workers within subsection (1)(a) or (b)."

(3) In section 34 (effect of failure to comply), in subsection (3), for "11" substitute "11A".

126 Funding of the Board of the Pension Protection Fund

(1) The Pensions Act 2004 is amended in accordance with subsections (2) to (5).

(2) Omit section 116 (power of Secretary of State to pay grants to Board of Pension Protection Fund).

(3) Omit section 117 (power of Secretary of State to impose administration levy on pension schemes).

(4) In section 173 (Pension Protection Fund), in subsection (3), before paragraph (a) insert—

"(za) any sums required to meet expenditure of the Board that is attributable to the operation or administration of the Pension Protection Fund,".

(5) In section 188 (fraud compensation fund), in subsection (3), before paragraph (a) insert—

"(za) any sums required to meet expenditure of the Board that is attributable to the operation or administration of the Fraud Compensation Fund,".

(6) No amount is payable to the Secretary of State by virtue of section 117 of the Pensions Act 2004 (administration levy) in respect of the financial years beginning with 1 April 2023 and 1 April 2024.

(7) In the Pensions Act 2008, in Schedule 10 (interest on late payment of levies), omit paragraph 3 (which makes an amendment about interest for late payment of the administration levy that has not been brought into force).

127 Funding of the Ombudsman for the Board of the Pension Protection Fund

(1) In the Pension Schemes Act 1993, in section 175(1) (general levy)—

(a) omit the "or" at the end of paragraph (d);

(b) after that paragraph insert—

"(da) of the Secretary of State under section 209(6) of the Pensions Act 2004 (payments to PPF Ombudsman), or".

(2) In section 209 of the Pensions Act 2004 (ombudsman for the Board of the Pension Protection Fund), omit subsections (7) and (8).

128 Public service pension schemes

(1) The Government Actuary must, before the end of the period of 12 months beginning with the day on which this section comes into force—

(a) prepare and publish a document setting out cash flow projections for each of the next 50 years that cover the public service pension schemes within subsection (4);

(b) provide the document to the Treasury and the Office for Budget Responsibility.

(2) The Treasury must lay the document before Parliament.

(3) For the purposes of this section "cash flow" means—

(a) expenditure on benefits, and

(b) income from member contributions.

(4) The following public service pension schemes are within this subsection—

(a) any scheme under section 1 of the Public Service Pensions Act 2013 (schemes for persons in public service) which—

(i) is a defined benefits scheme (within the meaning of that Act), and

(ii) is not a scheme for local government workers (within the meaning of that Act);

(b) any scheme under section 1 of the Public Service Pensions Act (Northern Ireland) 2014 (schemes for persons in public service) which—

(i) is a defined benefits scheme (within the meaning of that Act), and

(ii) is not a scheme for local government workers (within the meaning of that Act).

PART 5

GENERAL

129 Amendments of Pensions Act 2004

The Schedule amends the Pensions Act 2004 in consequence of or in connection with this Act.

130 Regulations: general

(1) Regulations under this Act are to be made by statutory instrument.

(2) A power to make regulations under this Act includes power to make incidental, supplementary, consequential or transitional provision.

(3) A power to make regulations under this Act may be exercised—

(a) either in relation to all cases to which the power extends, or in relation to those cases subject to specified exceptions, or in relation to any specified cases or classes of case;

(b) so as to make, as respects the cases in relation to which it is exercised—

(i) the full provision to which the power extends or any less provision (whether by way of exception or otherwise),

(ii) the same provision for all cases in relation to which the power is exercised, or different provision for different cases or different classes of case or different provision as respects the same case or class of case for different purposes of this Act, or

(iii) any such provision either unconditionally or subject to any specified condition.

(4) A power to make regulations under any provision of this Act does not restrict the width of any power to make regulations under any other provision of this Act or under any other enactment.

(5) This section does not apply to regulations under section 133.

131 Regulations: procedure

(1) Where regulations under this Act are subject to "the affirmative procedure", the regulations may not be made unless a draft of the statutory instrument containing them has been laid before, and approved by a resolution of, each House of Parliament.

(2) Where regulations under this Act are subject to "the negative procedure", the statutory instrument containing them is subject to annulment in pursuance of a resolution of either House of Parliament.

(3) Any provision that may be made by regulations under this Act subject to the negative procedure may instead be made by regulations subject to the affirmative procedure.

132 Extent

(1) Subject as follows, this Act extends to England and Wales and Scotland only.

(2) Sections 105 to 108 extend to Northern Ireland only.

(3) Chapter 3 of Part 4 extends to England and Wales, Scotland and Northern Ireland.

(4) Section 128 extends to England and Wales, Scotland and Northern Ireland.

(5) Any amendment, repeal or revocation made by this Act has the same extent as the provision amended, repealed or revoked.

133 Commencement

(1) Any provision of or amendment made by this Act, so far as it confers a power to make subordinate legislation, comes into force on the day on which this Act is passed.

(2) So far as not brought into force under subsection (1), this Act comes into force as follows.

(3) Part 1 comes into force on such day as the Secretary of State may by regulations appoint.

(4) Part 2 comes into force as follows—

(a) Chapter 1 comes into force on such day as the Secretary of State may by regulations appoint;

(b) Chapter 2 comes into force on the day on which this Act is passed;

(c) Chapter 3 comes into force as follows—

(i) section 40, in respect of the insertion of section 28K of the Pensions Act 2008 (report about effects of pension scheme consolidation), comes into force on the day on which this Act is passed;

(ii) the remaining provisions of Chapter 3 come into force on such day as the Secretary of State may by regulations appoint;

(d) Chapter 4 comes into force on such day as the Secretary of State and the Treasury jointly may by regulations appoint;

(e) Chapter 5 comes into force on such day as the Treasury may by regulations appoint;

(f) Chapter 6 comes into force on such day as the Secretary of State may by regulations appoint.

(5) Regulations under subsection (4)(c) may not provide for the following to come into force before 1 January 2030—

(a) section 40(4), in respect of the insertion of Condition 1 in section 20(1A) of the Pensions Act 2008 (Master Trusts to be subject to scale requirement);

(b) section 40(8), in respect of the insertion of section 26(7A) of that Act (group personal pension schemes to be subject to scale requirement)

(but nothing in this subsection prevents section 40 from being brought into force before that date in respect of the insertion in that Act of other provision related to that mentioned in paragraph (a) or (b)).

(6) If section 40 has not been brought into force before the end of 2032 in respect of the insertion of—

(a) Condition 2 in section 20(1A) of the Pensions Act 2008 (asset allocation requirement: Master Trusts), and

(b) subsection (7B) in section 26 of the Pensions Act 2008 (asset allocation requirement: group personal pension schemes),

section 40 is repealed at the end of that year in respect of the insertion of those provisions.

(7) Part 3 comes into force on such day as the Secretary of State may by regulations appoint.

(8) Chapter 1 of Part 4 comes into force on the day on which this Act is passed.

(9) Chapter 2 of Part 4 comes into force on such day as the Secretary of State may by regulations appoint.

(10) Chapter 3 of Part 4 comes into force on the day on which this Act is passed (to the extent this is not already the case as a result of subsection (1)).

(11) Chapter 4 of Part 4 comes into force as follows—

(a) sections 121 and 122 come into force at the end of the period of two months beginning with the day on which this Act is passed;

(b) section 123 comes into force on such day as the Secretary of State may by regulations appoint;

(c) sections 124 and 125 come into force on the day on which this Act is passed;

(d) section 126—

(i) comes into force on 1 April 2026, or,

(ii) if this Act is passed after that date, is treated as having come into force on that date;

(e) section 127 is treated as having come into force on 1 April 2007;

(f) section 128 comes into force on the day on which this Act is passed.

(12) This Part comes into force as follows—

(a) sections 129 to 134 come into force on the day on which this Act is passed;

(b) the Schedule comes into force on such day as the Secretary of State may by regulations appoint.

(13) Transitional or saving provision may by regulations be made—

(a) by the Secretary of State in connection with the coming into force of any provision of this Act except Chapter 5 of Part 2;

(b) by the Treasury in connection with the coming into force of any provision of Chapter 5 of Part 2.

(14) Regulations under this section—
(a) may make different provision for different purposes;
(b) are to be made by statutory instrument.

134 Short title

This Act may be cited as the Pension Schemes Act 2026.

SCHEDULE

Section 129

AMENDMENTS OF PENSIONS ACT 2004

1 The Pensions Act 2004 is amended as follows.

2 In section 10 (functions exercisable by the Determinations Panel), in subsection (6), at the end insert—

"(m) section 63 of the Pension Schemes Act 2026 (application for authorisation of a superfund);

(n) section 66 of that Act (application for approval of a superfund transfer);

(o) section 78 of that Act (application for approval of individual to be responsible for key function in relation to superfund);

(p) section 80 of that Act (application to approve a person to be a trustee of a superfund scheme)."

3 In section 13 (improvement notices) in subsection (7), after paragraph (i) insert—

"(j) Chapter 1, 2, 4 or 6 of Part 2 of, or any provision of Part 3 of, the Pension Schemes Act 2026."

4 In section 70 (duty to report breaches of the law), in subsection (1), at the end insert—

"(g) in relation to an operating superfund—

(i) a member of the superfund group;

(ii) a person who is responsible for a key function."

5 In section 72 (provision of information) subsection (2), after paragraph (c) (but before the "and" that follows it) insert—

"(ca) in relation to an operating superfund—

(i) a member of the superfund group, and

(ii) a person who is responsible for a key function,".

6 (1) In section 73 (inspection of premises), subsection (2) is amended as follows.

(2) Before paragraph (da) insert—

"(dza) sections 28A to 28G of the Pensions Act 2008 (scale and asset allocation);".

(3) After paragraph (dc) insert—

"(dd) any of the following provisions of the Pension Schemes Act 2026—

(i) Chapters 1, 2, 4 and 6 of Part 2;

(ii) Part 3;".

(4) In paragraph (e), for "(dc)" substitute "(dd)".

7 In section 76 (inspection of premises: supplementary), in subsection (3)(a), after "of this Act," insert "section 92 or 93 of the Pension Schemes Act 2026,".

8 In section 77A (fixed penalty notices), at the end insert—

"(7) Where the recipient of the notice is—

(a) a trustee of an operating superfund scheme,

(b) the responsible body of an operating superfund, or

(c) a person responsible for a key function in relation to an operating superfund,

subsection (3)(b) has effect as though the figure mentioned there were £100,000."

9 In section 77B (escalating penalty notices), at the end insert—

"(9) Where the recipient of the notice is—

(a) a trustee of an operating superfund scheme,

(b) the responsible body of an operating superfund, or

(c) a person responsible for a key function in relation to an operating superfund,

subsection (5)(b) has effect as though the figure mentioned there were £20,000."

10 In section 80 (offences of providing false or misleading information), in subsection (1)(c)—

(a) in the words before sub-paragraph (i), after "under" insert "or by virtue of any of the following";

(b) omit the "or" after sub-paragraph (v);

(c) each of sub-paragraphs (i) to (vi) becomes an unnumbered paragraph;

(d) at the end insert—

"Chapter 1, 2, 4 or 6 of Part 2 of, or any provision of Part 3 of, the Pension Schemes Act 2026".

11 In section 80A (financial penalty for providing false or misleading information to Regulator), in subsection (2)(c)—

(a) in the words before sub-paragraph (i), after "under" insert "or by virtue of any of the following";

(b) omit the "or" after sub-paragraph (v);

(c) each of sub-paragraphs (i) to (vi) becomes an unnumbered paragraph;

(d) at the end insert—

"Chapter 1, 2, 4 or 6 of Part 2 of, or any provision of Part 3 of, the Pension Schemes Act 2026".

12 (1) Section 90 (codes of practice issued by Regulator) is amended as follows.

(2) In subsection (2), after paragraph (jd) insert—

"(je) the process for making—

(i) an application for authorisation of a superfund under Chapter 2 of Part 3 of the Pension Schemes Act 2026;

(ii) an application for approval of a superfund transfer under Chapter 3 of that Part of that Act;

(jf) the matters that the Pensions Regulator expects to take into account in deciding—

(i) whether it is satisfied as described in section 63(1) of the Pension Schemes Act 2026 (condition for superfund to be authorised);

(ii) whether it is satisfied as described in section 66(1)(c) of that Act ("onboarding conditions" for superfund transfers);

(jg) the discharge of the duties imposed by Chapters 4 and 5 of Part 3 of the Pension Schemes Act 2026 (ongoing requirements for operating superfunds);".

(3) In subsection (6), in the definition of "the pensions legislation"—

(a) after paragraph (d) insert—

"(da) sections 20, 26 and 28A to 28I of the Pensions Act 2008 (scale and the asset allocation requirement),";

(b) omit the "or" before paragraph (h) and after that paragraph insert—

"(i) Chapter 1, 2, 4 or 6 of Part 2 of, or any provision of Part 3 of, the Pension Schemes Act 2026."

13 In section 93 (Regulator's procedure in relation to its regulatory functions), in subsection (2), after paragraph (pe) (but before the "and" that follows it) insert—

"(pf) the power to issue a notice under section 86(1)(k) of the Pension Schemes Act 2026 (Regulator notice triggering event of concern for superfund);

(pg) the power to give a direction under section 90 of the Pension Schemes Act 2026 (directions in relation to superfund during period of concern);".

14 In section 97 (special procedure: applicable cases), in subsection (5), after paragraph (tk) insert—

"(tl) the power under section 63 or 94 of the Pension Schemes Act 2026 to withdraw authorisation from a superfund;

(tm) the power under section 78(8) or 80(8) of the Pension Schemes Act 2026 to suspend or revoke its approval for a person to be responsible for a key function in relation to a superfund or to be a trustee of a superfund scheme;

(tn) the power to issue a notice under section 86(1)(k) of the Pension Schemes Act 2026 (Regulator notice triggering event of concern for superfund);

(to) the power to give a direction under section 90 of the Pension Schemes Act 2026 (directions in relation to superfund during period of concern);".

15 In section 126 (pension protection: eligible schemes), after subsection (1A) insert—

"(1B) In relation to a superfund scheme, section 61(2) of the Pension Schemes Act 2026 (sections treated as separate schemes) applies for the purposes of this Part as it applies for the purposes of Part 3 of the Pension Schemes Act 2026."

16 In section 127 (pension protection: duty to assume responsibility for schemes following insolvency event), after subsection (4) insert—

"(4A) In relation to an eligible scheme that is a superfund scheme, if—

(a) an event of concern takes place in relation to the scheme by virtue of the protected liabilities threshold ceasing to be met, and

(b) no qualifying insolvency event occurred in relation to the employer before the event of concern took place,

this Chapter applies as though a qualifying insolvency event had occurred in relation to the employer immediately after the event of concern took place.

(4B) In subsection (4A), "the protected liabilities threshold" and "event of concern" have the same meaning as in Part 3 of the Pension Schemes Act 2026."

17 In section 222 (the statutory funding objective), after subsection (4) insert—

"(4A) Regulations may, in relation to a superfund scheme—

(a) provide that it is for the Regulator to determine which methods and assumptions are to be used in calculating a scheme's technical provisions, and

(b) require the Regulator, in making its determination, to take into account prescribed matters and follow prescribed principles."

18 (1) Section 224 (actuarial valuations and reports) is amended as follows.

(2) After subsection (7A) insert—

"(7B) Where the scheme in question is a superfund scheme, the trustees must, as soon as reasonably practicable after receiving an actuarial report, send a copy of it to the Regulator together with such other information as may be prescribed."

(3) In subsection (8), for "or (7A)" substitute ", (7A) or (7B)".

19 In section 256 (no indemnification for fines or civil penalties), in subsection (1)(b), at the end insert ", or section 18, 32 or 55 of the Pension Schemes Act 2026."

20 (1) In section 318 (general interpretation), in subsection (1), at the appropriate places insert—

""key function", in relation to a superfund, has the same meaning as in Part 3 of the Pension Schemes Act 2026 (see section 100 of that Act)";

""operating superfund" has the same meaning as in Part 3 of the Pension Schemes Act 2026 (see section 100 of that Act)";

""operating superfund scheme" has the same meaning as in Part 3 of the Pension Schemes Act 2026 (see section 100 of that Act)";

""responsible body", in relation to a superfund, has the same meaning as in Part 3 of the Pension Schemes Act 2026 (see section 100 of that Act)";

""superfund" has the same meaning as in Part 3 of the Pension Schemes Act 2026 (see section 100 of that Act)";

""superfund group" has the same meaning as in Part 3 of the Pension Schemes Act 2026 (see section 100 of that Act)";

""superfund scheme" has the same meaning as in Part 3 of the Pension Schemes Act 2026 (see section 100 of that Act)";

""superfund transfer" has the same meaning as in Part 3 of the Pension Schemes Act 2026 (see section 100 of that Act);".

21 (1) Schedule 2 (the reserved regulatory functions) is amended as follows.

(2) For the heading of Part 5 substitute "Functions under the Occupational and Personal Pension Schemes (Consultation by Employers and Miscellaneous Amendment) Regulations 2006 (S.I. 2006/349)".

(3) Parts 4A and 4B are moved to after Part 5 and are renumbered as (respectively) Parts 6 and 7.

(4) Accordingly, paragraphs 44A to 44O are renumbered as (respectively) paragraphs 46 to 60.

(5) After Part 7 (as moved and renumbered by sub-paragraph (3) above) insert—

"PART 8

FUNCTIONS UNDER THE PENSION SCHEMES ACT 2026

61 The power under section 63(1) to authorise a superfund.

62 The power under section 63(6) to withdraw authorisation from a superfund that has not yet received a superfund transfer.

63 The power under section 66 to approve a superfund transfer.

64 The power under section 78(1) to approve an individual to be responsible for a key function.

65 The power under section 78(8) to suspend or revoke an individual's approval to be responsible for a key function.

66 The power under section 80(1) to approve a person to be a trustee of a superfund scheme.

67 The power under section 80(8) to suspend or revoke a person's approval to be a trustee of a superfund scheme.

68 The power under section 94 to withdraw authorisation from an operating superfund."

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