Pensions developments: 2024 in review, and a look forward to 2025

Matthew Swynnerton and Megan Sumpster look back at the past year's major regulatory and legal pensions events, and their wishes for 2025

2024 was another eventful year in the world of pensions with significant changes to the regulatory regime, notable decisions from the courts and a new government keen to make its mark. There was even a pension scams storyline in *Eastenders* and the *Virgin Media* judgment was reported on in *The Sun.*

Key changes to the regulatory regime punctuated the year. In March, The Pensions Regulator's new General Code of Practice came into force, introducing requirements for trustees to establish and operate an "effective system of governance" and carry out a regular "own risk assessment". This was followed in April by the abolition of the lifetime allowance. In November, the new DB Funding Code came into force. This focuses on schemes' long-term funding and investment strategies and introduces a new fast-track valuation process.

2024 was also a bumper year for case law with significant High Court rulings in *Avon v Dalriada* (partially invalid scheme amendments), *Newell v Newell* (Courage provisos and final salary underpins) and *Ballard v Buzzard* (rectification); and material Court of Appeal decisions in *BBC v BBC* (fetters on amendment powers), *Virgin Media* (s.37 confirmations), and *Manolete Partners v White* (inalienability of pensions).

The new Labour government came into power last July. Inspired by the so-called 'megafunds' of Canada and Australia, the government is consulting on changes to consolidate DC schemes. The hope is that this would enable schemes to invest on a much larger scale and in a wider range of asset classes.

Will we be treated to a quieter year ahead? Here are the key issues that we expect trustees and employers to be considering in 2025.

First, continued improvements to DB scheme funding mean that, for many trustees and employers, endgame planning is now the focus. For most schemes, buyout remains the ultimate aim but, for some, running on in the interim, perhaps with a surplus, could be preferable. In Spring 2024, the tax charge payable on refunds of surplus was reduced from 35 per cent to 25 per cent and the former government launched a consultation on proposals to make the return of surplus from schemes more straightforward. We are still awaiting a response, and it will be interesting to see whether the new government takes forward any of the proposals.

Second, the Pension Schemes Bill will be laid in Parliament in 2025. The Bill will: provide for the automatic consolidation of small, deferred DC pots; introduce a new value for money framework for trust and contract-based DC schemes; place duties on trustees of occupational schemes to offer a retirement income solution, including default investment options, to their members; reaffirm the Pensions Ombudsman as a competent court; and expand the legislation on commercial DB superfunds.

Third, we hope that there may be an intervention from the DWP in response to the Court of Appeal's ruling in *Virgin Media* i.e. that a s.37 confirmation is needed in respect of rule amendments to section 9(2B) rights during the period from 6 April 1997 to 5 April 2016. Furthermore, a case listed in the High Court for February will, we understand, consider issues related to the *Virgin Media* decision. In the meantime, pressure from auditors on corporates to compel their scheme trustees to conduct reviews of scheme amendments increases and schemes must manage and respond to those requests.

Fourth, schemes should continue to prepare for pension dashboards. Whilst the initial timeline was delayed, The Pensions Regulator has continued to urge schemes to be "dashboard ready' and the first cohort of schemes is expected to connect to the 'ecosystem' in 2025.

Finally, we hope this year to see the outcome of the review of the Conditions for Transfer Regulations. These regulations give trustees greater power to stop transfers where there are scam concerns and to direct members to guidance from MoneyHelper when scam warning signs are identified. However, there has been some industry uncertainty and a lack of a consistent approach, particularly in relation to the amber flag relating to overseas investments, and the red flag relating to incentives. The Pension Scams Industry Group (PSIG) believes it is likely that updates to the regulations may be delayed because of other government priorities.

Wishing you, and your schemes, a very happy 2025!

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