2025: The year of the big pension overhaul

2025 has been a year of structural transformation and consolidation in UK pensions, driven by government reform, regulatory modernisation, and industry alignment toward long-term value. Paige Perrin looks back on the year

January

• Torsten Bell was appointed as Pensions Minister
• Prime Minister, Kier Starmer, and Chancellor, Rachel Reeves, announced plans to lift restrictions on how well-funded occupational DB pension schemes can invest their surplus funds

February

• The Pensions Regulator (TPR) confirmed that it will change its approach to supervision and regulation of the DC market to make master trusts the 'gold standard' in pension provision
• The Financial Conduct Authority (FCA) was urged to provide further clarity on how trust-based pension schemes will be able to confidently make the most of targeted support, as its targeted support consultation ended

March

• Bell confirmed his intention to lay the Pensions Bill in parliament before summer recess, with the final report on the Pension Investment Review to be finalised in "the coming weeks"
• The Department for Work and Pensions (DWP) wrote to the Work and Pensions Committee confirming that it is expecting to resolve all remaining state pension underpayment cases by the end of March 2027
• The Pensions Dashboards Programme confirmed that the first three pensions dashboards participants had completed their 'full end-to-end' connection
• Reeves delivered her Spring Statement with no significant changes announced in relation to pension policy or pension tax reliefs

April

• TPR announced that it will extend its oversight to include professional trustee firms as part of its move to a more prudential style of regulation
• The government shared its response to the WPC's report on DB pensions, confirming plans for a consultation on measures to improve scheme governance "later this year"
• Bell confirmed that the government is moving forward with its plans to extend collective defined contribution (CDC) to multi-employer schemes, with legislation set to be laid in parliament in the autumn

May

• The Mansion House Accord was announced, with 17 of the largest UK workplace pension providers expressing their intent to invest at least 10 per cent of their DC default funds in private markets by 2030, with 5 per cent of the total allocated to the UK
• The government shared the final Pension Investment Review report, confirming that it will take a reserve power in the Pension Schemes Bill (PSB) to set binding asset allocation targets. The report also confirmed the March 2026 deadline for Local Government Pension Scheme (LGPS) asset pooling, with a backstop power set to be taken in the PSB to protect the interests of LGPS members and local taxpayers
• The government launched a consultation on a range of proposals relating to the LGPS England and Wales
• The government shared its response to the 2024 Options for DB Pensions consultation

June

• The government published the new PSB
• The government outlined a pensions roadmap, an indicative timeline for the next five years of pension reform
• The government confirmed that it will introduce legislation to deal with issues arising from the *Virgin Media* judgment
• The FCA announced it is consulting on plans to allow firms to offer targeted support and provide suggestions to groups of consumers with common characteristics

July

• The Pensions and Lifetime Savings Association rebranded as Pensions UK
• Industry experts expressed their disappointment after Reeves failed to announce the launch of the second phase of the pensions review at her Mansion House speech
• The PSB returned to parliament for its second reading
• The government 'revived' the Pensions Commission as part of its work to

explore the barriers stopping people from saving enough for retirement
• The Pensions Ombudsman outlined plans to tackle the rising and "unprecedented" demand for its services
• MPs urged the government to commit to a UK-wide, cross-government strategy to tackle pensioner poverty
• Pensions industry representatives attended a roundtable to inform the forthcoming value for money consultation, publicly unveiling the Pound for Pound initiative for the first time
• The government confirmed that it will bring pensions into the scope of inheritance tax (IHT) from April 2027 although it made changes in response to industry feedback, deciding that lump sum death in service benefits are not to be brought into scope of the IHT regime
• The government launched a review into the state pension age (SPA)
• DWP released three reports - *Analysis of Automatic Enrolment Saving Levels, Analysis of Future Pension Incomes 2025 and Gender Pensions Gap in Private Pensions,* all relating to pensions adequacy

August
• The government's consultation on plans to improve fairness and tackle inequality in the LGPS closed
• The DWP launched a call for evidence to support its third SPA review
• HM Treasury confirmed that the upcoming changes that will see unused pensions come into the scope of IHT will apply to the pension pots of people who die before reaching the minimum pension age
• The FCA's targeted support consultation closed
• TPR confirmed it is making updates to the Trustee Toolkit

September
• The PSB began its Committee Stage in the Commons, where mandation, member safeguards, and indexation dominated debate
• Bell confirmed the government's intent to abolish the PPF's administration levy, with plans to include this in the next round of PSB amendments
• The PPF confirmed that it will not charge a conventional PPF levy for 2025/26
• HMRC and the FCA issued a statement clarifying the interaction between tax legislation and regulatory rules on pension cancellation rights

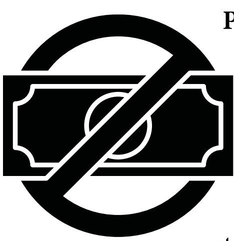
October
• The government gave the green light on regulations for multi-employer CDC pension schemes
• Concerns over the sustainability of the state pension triple lock continued to grow
• 20 of Britain's largest pension providers and insurers launched an investor-led partnership, the Sterling 20
• The government launched a consultation on four proposed changes to the LGPS in England and Wales, sharing the draft regulation for the first two changes alongside this
• Commissioner, Nick Pearce, announced that the Pensions Commission is expected to publish its interim report in the spring

November
• WPC launched a new inquiry on the transition to SPA ahead of the scheduled increase in SPA from 66 to 67 next year
• The government rejected calls for a new cross-departmental framework to tackle pensioner poverty
• The government announced it will revisit its decision not to provide compensation to women affected by state pension age changes, following the emergence of previously unseen evidence in ongoing legal proceedings
• The PPF launched a consultation on its plans for next year's levy, confirming its intent to maintain a zero levy for UK conventional DB schemes in 2026/27
• Reeves revealed in the Autumn Budget plans to charge National Insurance on salary sacrifice pensions above £2,000

The Pension Schemes Bill
Published in June this year, the Pension Schemes Bill provided further insight into the government's upcoming reforms, including its consolidation plans. These include introducing rules to create multi-employer DC scheme megafunds, consolidating the LGPS with assets to be held in six pools and consolidating pension pots worth £1,000 or less into one pension scheme. Additionally, the bill outlined plans to introduce a value-for-money framework, increase flexibility for DB schemes to release surplus funds and simplify retirement choices by requiring all schemes to provide default pathways for income in retirement, as well as other reforms. The bill passed through its first and second readings in the House of Commons (HoC) as well as the committee stage in September. Several amendments were proposed, including calls to extend the scope of the bill in certain areas, abolish the PPF admin levy, address pre-1997 indexation issues, and make changes to the proposed reserve power. The bill had its final stage in HoC in early December.

Mandation and the Mansion House Accord

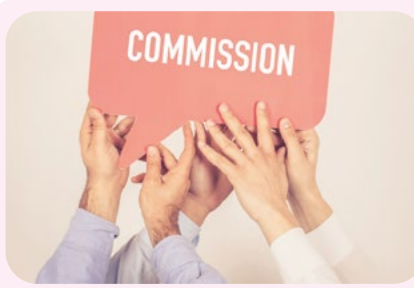
Arguably, the biggest topic of discussion this year has been born out of the Pension Schemes Bill's reserve power that would allow the government to set binding asset allocation targets for pension schemes. There has been much discussion about how the mere threat of mandation is the "worst of both worlds", and also that the government having this power would be a fundamental shift in the UK pensions framework, which risks undermining trustee independence, distorting investment strategy and eroding member confidence. It has also been highlighted that, in May 2025, 17 pension providers voluntarily signed up to the Mansion House Accord, which seeks commitment from DC providers to allocate at least 10 per cent of their DC default funds to private market assets by 2030, and for at least 5 per cent of that total allocated to UK private markets. However, when Bell was asked about the mandation power in October at the Pensions UK Annual Conference, he told the industry to "chillax", maintaining that the power was intended only to ensure the industry meets the commitments it has made, not to interfere with trustees' fiduciary duties.



Pension Protection Fund (PPF) Levy and Administration Levy

The PPF announced at the start of the year that it more than halved its levy estimate for 2025/26 to £45 million after the government confirmed plans to give the PPF greater flexibility to reduce the levy it collects from pension schemes by relaxing restrictions.

At the same time, the PPF introduced a new provision in its levy rules that would allow its board to calculate a zero levy if the necessary changes for greater flexibility in the PPF are brought forward. In August, the PPF put the 2025/26 levy invoicing on hold, leaving the door open for it to move to a zero levy for conventional schemes. And in September, the lifeboat confirmed that it will not charge a conventional levy for 2025/2026, due to the Pension Schemes Bill's recent parliamentary progress. Later in the month, the Pensions Minister announced that the government intended to abolish the PPF administration levy, with plans to include this as part of the next round of amendments to the Pension Schemes Bill. In November, the PPF launched a consultation on its plans for next year's levy, confirming its intent to maintain a zero levy for UK conventional DB schemes in 2026/27.



Pensions Commission

Another big policy movement this year has been the revived Pensions Commission. The commission is part of the government's work to explore the barriers stopping people from saving enough for retirement. The commission will examine why tomorrow's pensioners are on track to be poorer than today's and assess the pension system as a whole and look at what is required to build a future-proof pensions system that is strong, fair and sustainable. It will share its final report in 2027. The revival of the commission comes on the back of the previous commission, which the government said was a "huge success" in building a consensus for the roll-out of automatic enrolment into pension saving. It is made up of Baroness Jeannie Drake (a member of the original commission), Sir Ian Cheshire and Professor Nick Pearce, who will be responsible for steering its work. In October at the Pensions UK conference, Pearce announced that the commission is expected to publish its interim report in spring 2026, which will act as the "first staging post", setting out the evidence base and strategic direction for its work on assessing the UK's pension system.

State pension age review

Alongside the commission, the government has launched the third review of the state pension age (SPA). The government has commissioned two independent reports for the government to consider when deciding the SPA for future decades. The review is required by law and as part of the government's obligations under the Pensions Act 2014, which requires the government to review SPA every six years. Dr Suzy Morrissey will report on factors the government should consider relating to SPA, while the Government Actuary's Department will prepare a report on the proportion of adult life in retirement.

Local Government Pension Scheme (LGPS) pooling

Much of the big developments this year have built on Reeves' 2024 Mansion House speech proposals, which emphasised consolidation and greater investment in UK productive finance. For the LGPS, this meant proposals to streamline the eight existing pools into six, aimed at broadening investment opportunities and increasing UK productive finance allocations. In April, the government confirmed its support for six pools, while proposals from Access and Brunel were not approved. As a result, 21 funds that were previously part of Brunel and Access were asked to seek new pooling arrangements. Funds were required to make a final decision on new partners by the end of September, with most signalling their formal decisions in the weeks ahead of the deadline.

CDC

In April, Bell confirmed that the government is moving forward with its plans to extend CDC to multi-employer schemes, with legislation set to be laid in parliament in the autumn. In October, the government gave the green light on regulations for multi-employer CDC pension schemes. Industry experts welcomed the regulations, which intend to allow the expansion of CDCs to more employers and address a growing demand among workers to receive a more secure retirement income, but warned that their success will hinge on scheme design, fairness and communication.

Bulk purchase annuity (BPA) market

The BPA market, like previous years, has been busy. Indeed, research from LCP earlier this year showed that the BPA market is on track for a predicted 350 transactions this year, up from 293 last year, while volumes are expected to exceed £40 billion for the third consecutive year. In the first half of the year alone, over 150 buy-in and buyout transactions closed, mostly in the medium to small-sized side of the market. There are also now 11 insurers in the market, following Utmost Life and Pensions' confirmation of its entry into the UK BPA market earlier this year. In addition to this, there were also several acquisitions that have impacted the BPA market. Pan-European savings and retirement services group Athora Holding Limited agreed to acquire Pension Insurance Corporation (PIC) Group, and Brookfield Wealth Solutions announced plans to acquire Just Group. These acquisitions truly convey the amount of change the BPA market is experiencing with increased competition, more competitive pricing and greater choice due to an increased number of insurers now in the market.

Written by Paige Perrin