

Navigating pensions reform: Key priorities for trustees

Targeted Support regime

The FCA's consultation in June 2025 unveiled plans to introduce a Targeted Support regime, which is planned to launch in April 2026, with applications opening to financial services firms from March. The launch dates are subject to legislation being passed by parliament. This reform would allow authorised firms to provide tailored suggestions to groups of individuals with similar financial characteristics – bridging the gap between generic guidance and regulated financial advice. The goal is to make pension and investment support more accessible and affordable.

I welcome the initiative, albeit with some reservations. The new regime could help savers to get started and bridge the advice gap and may also encourage disengaged investors to make active choices and get better value from their investments. Targeted support could also help people to understand what is required to generate a desired level of income throughout retirement. However, by design, it's not holistic and won't consider all accumulated wealth or personal circumstances. For those with larger sums, regulated advice will remain essential, especially when planning for retirement income.

Understandably, there are concerns that targeted support could become targeted sales. Defining consumer characteristics and matching them to solutions will be critical and could become a legal minefield. The opportunity must be balanced with careful oversight to protect members.

The Pension Schemes Bill

The Pension Schemes Bill is progressing through parliament and is expected to

The UK pensions landscape has entered a decisive phase of reform, bringing significant implications for trustees, pension schemes, employers and members. Jonathan Watts-Lay examines the key developments for the year ahead and beyond and what they mean in practice

become law, possibly by mid-2026. The bill aims to tackle underperforming pension schemes and consolidate small pension pots. In addition, the bill requires defined contribution schemes to offer 'default pension benefit solutions' designed to convert members' savings into a retirement income. This approach is referred to in the legislation as 'guided retirement'.

On small pots, whilst auto-enrolment has successfully increased pension participation, it has also led to employees accumulating multiple small pots as they move between jobs. The Department for Work and Pensions estimates there are around 13 million deferred DC pots that are worth less than £1,000, with the number increasing by around one million a year.

Pension consolidation offers an effective remedy – providing members with a clear view of retirement savings and reducing the risk of lost pots. The Small Pots Delivery Group (a collaborative initiative between the government, regulators, and industry stakeholders) have been tasked with setting out how eligible pots will be moved to authorised consolidators. Legislation is likely to come into force around 2030 that require schemes to automatically transfer eligible small pots to authorised consolidators.

On the topic of default pension

benefit solutions, whilst the legislation terms this as 'guided retirement', in reality it's unclear how much actual support will be provided, given that the premise of offering default options is to remove the need for people to make an active choice. There is a real danger this could lead to a repeat of the issues seen with annuities pre-freedom and choice, where individuals defaulted into their providers annuity without exploring better options elsewhere. Retirement needs are highly individual. Some may have other significant assets, others may rely solely on their pension. Health, life expectancy and income preferences vary widely. A generic default solution cannot cater to this spectrum of needs and may result in tax inefficiencies and suboptimal income. Trustees must ensure members understand that the default is not the only option and may not be suitable for their needs. Providing financial education and one-to-one guidance is essential so members can make informed decisions.

Pensions dashboards

Throughout 2026, critical milestones will be faced with the Pensions Dashboards Programme, with the mandatory connection deadline set as 31 October – although exact connect dates will also depend on scheme type and number of active and deferred members. Beyond

the technical requirements, member engagement should be a focus by developing clear, and accessible communications and financial education that explains what dashboards are, how they will work, and the benefits of being able to view all pensions in one place. Proactive planning now will help deliver a smoother transition and enhance transparency.

The Pensions Commission

In July 2025, the government revived the Pensions Commission to examine adequacy and recommend reforms, noting risks that future retirees may be poorer than today's. While auto-enrolment is a success in participation terms, adequacy remains a key issue. Trustees and employers will play a central role in how reforms land within schemes and workplaces.

Whilst the commission's final report isn't due until 2027, it is expected to address issues such as contribution levels, coverage gaps, state pension age, demographic disparities, as well as analysis on how workplace pensions interact with ISAs and other savings products, aiming to create a more cohesive framework for long-term financial security.

Salary sacrifice: NI cap from April 2029

From 6 April 2029, employee pension contributions made via salary sacrifice will only be exempt from National Insurance (NI) on the first £2,000 per tax year. Amounts above the cap will attract employee and employer NI at standard rates. Income tax relief is unchanged with non-sacrifice employer pension contributions remaining free of NI.

The changes will affect savers differently depending on their earnings and contribution levels. Most basic-rate taxpayers contributing modest amounts via salary sacrifice will see little or no impact, as their annual contributions often fall below the £2,000 threshold.



Those contributing above £2,000 annually will start to lose NI savings, reducing the overall efficiency of salary sacrifice. They may need to increase contributions to maintain retirement targets. Individuals making significant contributions through salary sacrifice will be most affected. The loss of NI relief could substantially increase their cost of saving, potentially discouraging higher contributions. However, it may be wise to consider maximising pension contributions before the changes take place. Trustees should anticipate increased member queries as a result.

What can trustees do to prepare for all the changes ahead?

Now is the time to get ahead of change. Those who plan early and communicate clearly will be best placed to deliver the central ambition behind this reform wave of better outcomes for savers.

Strategies that empower members to understand their pensions and retirement options and make informed decisions should be prioritised. This includes providing accessible financial education programmes, interactive tools, and one-to-one guidance, as well as investment advice which all play a part in helping

members improve their retirement outcomes.

Diversifying savings options will remain important. Tax-efficient savings wrappers including Workplace ISAs continue to have a role alongside pensions. With ongoing updates to ISA rules and allowances, trustees and employers should work together to regularly review how workplace savings are communicated and integrated across total reward packages. A holistic approach ensures members can build financial resilience beyond traditional pension contributions.

Facilitating pension consolidation will also be essential in helping members gain clarity and control over their retirement savings.

However, ensuring robust due diligence with any provider shouldn't be overlooked. This means ensuring that any third-party providers meet rigorous standards including reviewing credentials, compliance frameworks, and service quality to safeguard members' interests.

WEALTH at work already support hundreds of organisations in helping their employees improve their financial future through financial education, one-to-one guidance and investment advice – complemented by our digital pension consolidation service and workplace ISA.

By prioritising financial engagement and education through partnering with trusted experts, trustees can join forces with employers to ensure these changes translate into meaningful benefits for savers. We look forward to supporting our clients through the successful implementation of these reforms and helping them deliver on the promise of a stronger, more secure retirement for all.



Written by WEALTH at work director, Jonathan Watts-Lay

In association with

WEALTH at work

part of the Wealth at Work group