

# Pensions Bulletin

## The Pensions Bill and Other Legislation

The Pension Schemes Bill received Royal Assent on 29 April 2026. It is one of the most significant reforms to the UK pensions system in decades. It aims to modernise how pensions are managed, invested, and delivered. The government has framed the reforms around:

- Improving retirement outcomes for workers.
- Improving value for money
- Increasing long-term investment returns
- Supporting UK economic growth through pension fund investment

And seeks to address longstanding structural issues of:

- fragmentation of pension pots,
- inconsistent investment performance, and
- limited engagement by individuals with their retirement savings

A central theme of the Bill is a move towards fewer, larger pension schemes (aka “consolidation”).

**For Defined Contribution (DC) Schemes**, the Bill introduces:

- A requirement for large schemes (“megafunds”) managing at least £25 billion in assets to operate within standard arrangements by 2030
- Measures to merge smaller schemes or encourage them to grow to scale
- The creation of more efficient, professionally managed funds with stronger governance

The rationale is that larger schemes benefit from economies of scale, enabling lower costs and access to a wider range of investments thereby potentially boosting returns.

## **Local Government Pension Scheme (LGPS)**

The Bill also promotes consolidation within the LGPS, encouraging pooling of assets into larger structures to improve efficiency and investment capacity.

## **Value for Money Framework**

Another major reform is the introduction of a “Value for Money” (VFM) framework across pension schemes.

- Schemes must regularly assess performance based on costs, returns, and service quality
- Poor-performing schemes may face pressure to improve or transfer members to better alternatives
- Greater transparency allows easier comparison between providers

This framework is intended to protect savers from being stuck in underperforming pensions and to stimulate competition within the pensions market.

### **Automatic Consolidation of Small Pots**

Workers often accumulate multiple small pots when changing jobs. The Bill enables automatic consolidation of pots worth around £1,000 or less into authorised schemes.

This reduces administrative costs and simplifies pension management for individuals.

This measure is designed to address inefficiencies associated with millions of dormant or forgotten pension accounts and give savers a clearer picture of their retirement savings.

### **Guided Retirement and Decumulation**

The Bill introduces provisions aimed at improving how individuals use their pension savings in retirement and states that pension providers must offer “default retirement income solutions” (known as “guided retirement”).

These solutions help individuals turn savings into a sustainable income stream and addresses concerns that many retirees struggle to make complex financial decisions about withdrawing or investing their pension funds.

### **Defined Benefit (DB) Scheme Reforms**

The Bill also reforms defined benefit pensions by:

- Allowing surplus funds in well-funded schemes to be shared with employers and potentially members
- Introducing a permanent legal framework for DB superfunds (consolidation vehicles for DB schemes)
- Facilitating more flexible management of scheme funding

### **Investment and Economic Growth**

A significant policy goal is to use pension savings to support the UK economy reflecting a broader strategy to align pension policy with national economic growth objectives.

- Larger, consolidated funds are expected to invest more in long-term UK assets (e.g. infrastructure, technology)
- The Bill includes powers that could allow government limited intervention in investment strategies

### **Governance, Regulation, and Oversight**

The Bill strengthens regulation and governance across the pensions sector by:

- Establishing clearer responsibilities for trustees and providers
- Enhancing the role of the Pensions Ombudsman, allowing enforcement without court orders in some cases
- Introducing safeguards when transferring members between schemes

These measures aim to improve accountability and protect savers.

The reforms are being introduced gradually, with many provisions scheduled for implementation between **2026 and 2030**. Despite broad support, the Bill has generated concerns about:

- Government influence over investment decisions
- Questions about whether consolidation could reduce competition

- Criticism that it does not fully address pension adequacy
- That environmental and other long-term risks (such as climate change) are not sufficiently addressed.

Overall, the GMB has welcomed the Bill as it improves transparency, strengthens governance and seeks to ensure that pension savings are better managed, deliver higher returns and focus on scale, efficiency, and long-term investment.

## **Pensions Dashboards**

There are just 6 months until the connection deadline for pensions dashboards. Pension providers and schemes in scope of legislation must have completed connection by 31 October 2026.

More than 1,000 providers and schemes and 60 million private pension records have already been connected alongside millions more State Pension records.

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