XPS Group

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XPS Insights

Quarterly Pensions Watch
Outlook for UK pensions in 2025

What you need to know

After a lot of legislative and regulatory activity in 2024 most pension schemes have a packed agenda heading into 2025. This quarterly bulletin considers recent developments and the outlook for 2025:

- The year ended with more activity from the Government, with the interim report on phase one of the pensions review setting out proposals aimed at consolidation in the defined contribution (DC) market. Press reports set out that phase 2 of the review, intended to focus on retirement security and adequacy, had been postponed amidst concerns over cost pressures on employers.
- Heading into 2025 the industry is tackling the requirements of the new funding and investment strategy regulations. The Pensions Regulator's (TPR's) revised funding code of practice formally came into force in November and TPR followed this with updated guidance on employer covenant in December. Many schemes will also have deadlines in the next 12 to 18 months for connection to pensions dashboards and to carry out their first own risk assessment under the general code of practice.
- At a meeting of business leaders on 28 January, the Government announced proposed changes to pensions rules to allow surplus funds in defined benefit (DB) schemes to be invested in the wider economy as a way of fuelling economic growth. More detail is expected in the Spring. A Pension Schemes Bill is also expected in 2025, to include a new value for money framework for DC schemes, and measures around individual deferred pots and retirement income solutions.

Latest news

Development	Comment
Unlocking DB surpluses	The Government issued a press release on 28 January proposing changes to pension rules to allow more flexibility in how DB schemes are managed and enabling surplus funds to be invested in the wider economy. It was reported that this will be taken further in a long awaited response to the consultation from February 2024 on 'Options for DB schemes'.
Pensions review	The Chancellor's Mansion House speech and the interim report on phase 1 of the Government's pensions review that accompanied it set out initiatives mainly focussing on DC schemes and consolidation within local government schemes. The second stage of the review, due to focus on retirement security and adequacy, has been reported in the press to be delayed due to concerns about the pressure that it may put on employers. There has also been a change in pensions minister with Torsten Bell being appointed in mid-January.
Pension Schemes Bill	In spring 2025, the Pension Schemes Bill is due to be introduced into Parliament. This bill is largely a continuation of several policies first put forward by the previous government with a focus on consolidation and outcomes for defined contribution savers.
Defined benefit (DB) funding code	The funding code came into force in late November and applies to actuarial valuation dates on or after 22 September 2024. TPR released updated covenant guidance in December emphasising the key part covenant plays in setting a scheme's long-term strategy and the importance of assessing covenant early in the valuation process. A final response on the consultation around the content and form of the statement of strategy is expected shortly.
PPF levies	The Pension Protection Fund (PPF) has delayed finalising the 2025/26 levy rules until the end of January. They are currently restricted on reducing levies below the current level but have confirmed they are working closely with the DWP about options for reducing the levy further ahead of potential legislative change.

Other measures on the horizon, at a glance

Overdue Awaited On track

Area	Anticipated development	Status
Options for DB schemes / surplus run-on	This February 2024 consultation focussed on how the Government could support schemes in using surpluses. It had been hoped that a response would be mentioned as part of the pensions review or Mansions House speech, but this was not the case. The Government has now confirmed that there will be a response to the consultation in the Spring.	
Own risk assessments (ORAs)	The requirement for schemes with more than 100 members to carry out an ORA came into force with the publication of the general code of practice in 2024. The first wave of ORA deadlines is expected to be 31 March 2026 so this is likely to be on agendas for 2025.	
Auto-enrolment (AE)	Primary legislation is already in place to allow the qualifying minimum age for AE to be reduced from 22 to 18 and the removal of qualifying earnings band. News on this was expected to be included in the now delayed pensions review. Torsten Bell, the new pensions minister, has confirmed that the AE thresholds will remain at their current level for 2025/26.	
Virgin Media Case	The industry is waiting to see whether the DWP will introduce regulations to allow retrospective validation of amendments affected by the judgment in the Virgin Media case. This affects schemes that were contracted out between 1997 and 2016 on a salary related basis.	
Pensions Dashboards	With larger schemes starting to hit connection deadlines as we move through 2025, information continues to be published in relation to the Pensions Dashboards Programme (PDP). This included updated guidance on reporting and data standards and the code of connection in November. TPR has also begun to reach out to schemes to ensure that robust processes and controls are in place to monitor, review and improve member data.	
FCA Advice Guidance Boundary Review	The Financial Conduct Authority (FCA) has opened its consultation on high-level proposals as part of the Advice Guidance Boundary Review. This would enable targeted support for members making decisions around accessing their pensions savings.	
Inheritance tax	The initial technical consultation on the inheritance tax treatment of pension scheme benefits as announced in the Budget closed on 22 January. A further consultation on the draft legislation to implement the changes is expected in 2025.	
Normal Minimum Pension Age (NMPA)	HMRC is expected to lay regulations to address minor transitional inconsistencies created by the increase in the minimum age at which most people can access their pensions from 55 to 57 from April 2028.	

Find out more

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