Continuing an Aries tradition at the start of a New Year, in this month's Insight we take a look at what is or may be coming up in 2025 in the world of pensions. Some developments are ones we can be certain of, whilst others may be more speculative. We have therefore grouped each subject covered into categories of 'Definite or Likely' and 'Possible or Maybe'. Where available, we have added a link to a relevant Aries News & Analysis report for each one too.

Definite or Likely

AS TM1, TAS 300 and Stewardship Code: the Financial Reporting Council (FRC) recently consulted on a proposal to keep AS TM1 v5.1 in place for Statutory Money Purchase Illustrations (SMPI) based on calculations performed between 6 April 2025 and 5 April 2026. The outcome is expected by 15 February 2025. A consultation was also launched on the UK Stewardship Code with a view to updating the 2020 version. An updated Code with an effective date of 1 January 2026 is expected in the first half of this year.

Additionally, a consultation is running until 10 March 2025 to expand the existing Technical Actuarial Standard (TAS) 300, which is a set of guidelines for actuaries to follow when conducting technical actuarial work for DB schemes.

Dashboards: the staged timetable for connecting to the dashboards ecosystem kicks-off in April. Large schemes have connect-by dates depending on scheme type and size running from 30 April 2025 through to 30 November 2025.

Final standards are expected from the Pensions Dashboard Programme (PDP); progress will be made towards the launch of the MoneyHelper dashboard; and the FCA should be opening a gateway to receive applications from firms looking for authorisation to operate a pensions dashboard service.

FCA to Adapt to Changing Markets: Discussion Paper (DP) 24/3 sees the FCA asking for feedback on what further changes, if any, might be needed to certain aspects of its pensions regulatory framework. More specifically, this is looking at the framework governing projections, tools and modellers; requirements for individual DC transfers and consolidation; and the framework for self-invested personal pensions. Comments are to be provided to the FCA by 27 February 2025.

IHT on Pensions: a consultation to apply Inheritance Tax (IHT) to unused pension funds and death benefits from 6 April 2027 was launched as part of the Autumn Budget. With a closing date of 22 January 2025, we can expect a response document and a technical consultation on draft legislation.

Managing Pension Schemes Service: HMRC remains very keen for schemes to migrate to the Managing Pension Schemes Service (MPSS). Recent Pension Scheme Newsletters have been reinforcing this message and confirming that pension scheme returns for 2024/25 onwards need to be submitted by scheme administrators using the MPSS. From 6 April 2025, it will not be possible to submit a return using the Pension Schemes Online service.

Modernising Redress: in November 2024, the FCA and the Financial Ombudsman Service (FOS) launched a call for input on modernising the redress system particularly in relation to how to deal with a large number of complaints about the same issue (mass redress events). The consultation closes on 30 January 2025 and the FCA are expected to publish details of the next steps in the first half of this year.

Multi-employer CDC and At-retirement CDC Plans: in October 2024, the DWP launched a consultation to extend collective defined contribution (CDC) provision to whole-life unconnected multiple employer schemes. The consultation closed the following month so we can expect a response and accompanying regulations sometime in 2025. We may also see progress on the subject of decumulation-only CDC arrangements, with the DWP noting it was continuing to explore how to progress this idea with the help of the pensions industry and regulators.

National Insurance Contributions: as announced in the Autumn Budget, the employer rate for National Insurance Contributions will increase from 13.8% to 15% with effect from 6 April 2025. From the same date, the secondary threshold at which employers start paying NI will reduce from £9,100 per year to £5,000 per year. This will impact new and ongoing salary sacrifice arrangements in the 2025/26 tax year.

Occupational Pensions (Revaluation Order) 2024: the Occupational Pensions (Revaluation) Order 2023 [SI 2024/1174] came into force from 1 January 2025. This Order specifies the higher and lower rates of revaluation to be applied for deferred members whose benefits operate on the 'final salary' method and who reach Normal Pension Age in 2025. As usual, we have produced an RPI-based version of the Order.

Overseas Transfers: from 6 April 2025, the conditions of Overseas Pension Schemes (OPS) and Recognised Overseas Pension Schemes (ROPS) established in the European Economic Area (EEA) will be changed so that they will have to meet the same conditions as those which are established anywhere else in the world.

Pension Fund Clearing Exemption: pension funds are currently exempt from the obligation to clear certain derivative contracts, with this exemption being in place until 18 June 2025. A consultation outcome confirms that secondary legislation will be introduced to ensure the exemption does not expire in June and to remove any further time limit on the exemption.

Pensions Review: phase 1 of the pensions review became known as the Pensions Investment Review. An interim report was published in November 2024 with a final report due in spring 2025 that will feed into the planned Pension Schemes Bill.

Two linked consultations were produced along with the interim report on 'Unlocking the UK pensions market for growth' and 'Local Government Pension Scheme (England and Wales): Fit for the future'. Both consultations closed on 16 January 2025 so we can expect consultation responses and other outcomes to materialise.

Phase 2 of the pensions review has yet to be published but is likely to consider further steps to improve pension outcomes including assessing retirement adequacy. In a Parliamentary debate in December 2024, it was confirmed that the Government would provide further details of Phase 2 in due course.

Pension Schemes Bill: the King's Speech in July 2024 referred to a Pension Schemes Bill, which will tackle a number of measures outlined in an accompanying policy paper. These include the automatic consolidation of deferred defined contribution (DC) small pension pots; ensuring value for money for DC schemes via a Value for Money framework; requiring trust-based occupational schemes to offer a range of retirement income solutions; consolidating the defined benefit (DB) market via superfunds; reaffirming the Pensions Ombudsman (TPO) as a competent court; and amending the definition of terminal illness used by the Pension Protection Fund (PPF) and the Financial Assistance Scheme (FAS). The Bill is expected to be published in spring 2025.

PPF Levy 2025/26: a consultation on the levy estimate for 2025/26 was launched by the Pension Protection Fund (PPF) in September 2024. Following a positive consultation process, the PPF subsequently announced it is going to finalise and publish its levy determination and rules for 2025/26 by the end of January 2025.

PSIG Future Strategy: the Pension Scams Industry Group (PSIG) recently published a consultation response on its future strategy. This included a commitment to publish an updated version of its Code of Good Practice once amendments to the Conditions for Transfers Regulations are made.

Targeted Support for Pensions: FCA Consultation Paper (CP) 24/27 issued in December 2024 seeks to consult on proposals for providing targeted support for DC pensions that will allow firms to provide support to savers in a new way. The consultation is open until 13 February 2025 and is seeking views on the proposed direction that targeted support could take. A further consultation is planned in the first half of 2025 to develop related proposals for targeted support in relation to wider investments and to consult on the draft FCA rules that will apply across consumer investments and pensions.

Possible or Maybe

AE Extension: the Pensions (Extension of Automatic Enrolment) Act 2023 allows the Secretary of State to make regulations to decrease the age at which the automatic enrolment (AE) requirements apply and to reduce or remove the current Qualifying Earnings threshold. It is unclear whether any activity will be seen this year.

Digitisation of Relief at Source: HMRC plans to digitise the relief at source (RAS) method of giving tax relief. An announcement was made in the 2023 Autumn Budget to delay this until 6 April 2027 at the earliest. We may see some activity on progressing the necessary measures in 2025.

GMP Conversion: regulations under the Pension Schemes (Conversion of Guaranteed Minimum Pensions) Act 2022 are still awaited. Once published, DWP guidance on the use of the GMP conversion legislation is expected to be updated.

Notifiable Events Regulations: further guidance and amending regulations are still awaited. The TPR code of practice on 'notifiable events' remains in place despite the General Code replacing several other existing codes.

Net Pay Anomaly: the Finance (No. 2) Act 2023 permits HMRC to make top-up payments directly to low-earning individuals in occupational pension schemes using the net pay arrangement for tax relief. Top-ups were to be introduced from 2024/25, with payments being made in the tax year after contributions are paid. At the most recent HMRC Stakeholder Industry Forum in November 2024 it was noted that payments in respect of 2024/25 may not be made until 2026/27. Additionally, HMRC confirmed the Government intends to legislate and simplify the existing proposals.

Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021: the DWP is still expected to have further discussions with TPR and the pensions industry to consider changing the regulations to improve the transfer experience whilst retaining their policy intent. More specifically, this will hopefully address issues with the 'red flag' for incentivised transfers and the 'amber flag' for overseas investments.

PPF as a Public Sector Consolidator: a DWP consultation in early 2024 contained details of a model for a public sector consolidator run by the Pension Protection Fund (PPF) aimed at schemes that commercial providers find unattractive.

Around the same time, the PPF published a proposition document on a proposed design for the consolidator. Further developments may happen in 2025.

State Pension Age: there is an intention to increase the State Pension Age to 68 between 2044 and 2046. In 2023, the then Government promised to conduct a review of this increase within two years of the start of the 'next Parliament'. With the current Government having been in place since July 2024, news of a possible review might be released in 2025.

Surplus Extraction: a DWP consultation issued in February 2024 contained proposals to make it easier for well-funded DB schemes to extract scheme surplus and pay it to sponsoring employers and scheme members. Since the consultation closed in April 2024, there has been no further update on the options outlined.

Trustee Skills, Capability and Culture: a joint DWP and HM Treasury call for evidence in 2023 sought to understand if trustees have the right knowledge and skills to govern effectively. The response was published in November 2023 but follow-up actions remain on the backburner for now.

Virgin Media v NTL Case: an update in December 2024 on the Virgin Media case was issued by the Association of Consulting Actuaries, the Association of Pension Lawyers and the Society of Pension Professionals. This confirmed the three organisations have continued to engage with the DWP on the Court of Appeal's ruling. A further update could be provided this year with the preferred outcome being to introduce regulations to address the issues the ruling has caused.

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