

DC briefing

March 2025

Highlighting the latest developments in DC for trustees, employers and providers



Introduction

The Chancellor's first Autumn Budget and Mansion House speech heralded some very significant changes for DC schemes. Rachel Reeves announced proposals to change the IHT on "unused" DC pots and all pension death benefits, as well as a consultation, "Unlocking the UK pensions market for growth", on potential measures to accelerate and help enable scale and consolidation in the DC market. Shortly afterwards, there was also an update from the FCA on the long-awaited Advice Guidance Boundary Review. In this briefing, we discuss the consultation proposals and update you on key DC developments.

News

CDC There is an ongoing debate about the role that CDC might play in the future pensions market and it continues to be of interest to the Government. The DWP has consulted on [draft regulations](#) to enable unconnected multi-employer "whole life" CDC schemes, including master trusts. The regulations are due to be laid in 2025 and, subject to parliamentary approval, they will come into force "as soon as practicable after that", along with an updated TPR code. Separately, the DWP is continuing to explore what would be needed to provide trust-based decumulation-only CDC options. (See our [Hot Topic](#) for more information.)

IHT The Government has [consulted](#) on proposals to bring "most unused pension funds and death benefits" within the scope of IHT from April 2027 (our response can be viewed [here](#)). The proposals seek to ensure that "tax reliefs on pensions are being used for their intended purpose – to encourage saving for retirement and later life" by removing "the opportunity for individuals to use pensions as a vehicle" for IHT planning. The changes are also intended to address a "distortion" in tax treatment between discretionary and non-discretionary death benefits (ie only the latter currently attract IHT). HMRC plans to publish a formal response to the consultation, along with draft legislation, later in the year but, in the meantime, the proposals have generated much discussion in terms of their scope and administrative implications for pension schemes.

Advice Guidance Boundary Review The FCA has consulted on proposals for "targeted support" in pensions, as part of the wider Advice Guidance Boundary Review being undertaken by the FCA and the Government (our response can be viewed [here](#)). Targeted support is welcomed by many in the industry, as it is aimed at filling the gap between existing guidance-based services and more bespoke advice. It would allow firms to provide individuals with suggestions that have been developed for a group of consumers who share the same characteristics. However, it has led to questions about its impact on occupational pension schemes because it does not address the role of trustees. The FCA is aiming to consult on detailed requirements with draft rules and guidance in the first half of 2025, with some commentators hoping that this will help to clarify the role of trustees. Through a separate [discussion paper](#), the FCA also sought views on whether further changes might be needed to the regulatory framework to better support consumers, such as the use of digital tools, consolidation of pension pots and the rules around SIPP.



In its election manifesto, the Government committed to undertake a review of the pensions landscape to consider what steps were needed to improve pension outcomes and increase investment in UK markets. The first phase of this review launched in July 2024 with a call for evidence on pension investment during September (our response can be viewed [here](#)).

Aiming to allow a “full and thorough consultation process” ahead of this year’s eagerly anticipated Pension Schemes Bill, the Mansion House speech introduced an [interim report](#) with the initial findings of the review’s first phase and a new consultation on unlocking the UK pensions market for growth.

Unlocking the UK pensions market for growth

Achieving scale in the DC market



The Government sought views on proposals to introduce minimum size requirements for default funds in multi-employer DC schemes which are used for automatic enrolment as well as limits on the number of such arrangements.

The consultation explored, among other things:

- ✓ whether the maximum number and size of defaults should be applied at arrangement or fund level
- ✓ whether schemes should be able to provide different pricing structures within the same default or between multiple defaults
- ✓ what the maximum number of defaults should be
- ✓ the correct minimum size of assets under management that should apply, and
- ✓ when such scale should be achieved by.

Since these measures would be “significant market changes” which would require sufficient lead in time, the requirements would not apply before 2030 at the earliest. Options to allow schemes to “staircase up” their value and reduce the number of default funds they operate are being considered.

Single-employer schemes are excluded from the proposals around maximum number and size of defaults, as the new VFM framework is already intended to ensure those schemes achieve value – see our [response](#) for more details.

The consultation has generated a lot of debate as it envisages a future DC pensions market that could look considerably different to the one we have in place today. We can expect there to be a great deal of interest in the outcome of the consultation and how it may (or may not) be reflected in the content of the Pension Schemes Bill later this year.

Mansion House 2024 cont.

Bulk transfers without consent from contract-based schemes



The consultation noted that the requirement for contract-based pension providers to get individual consents before transferring members to another arrangement is a “significant barrier to consolidation”. The Government is looking at measures to enable contractual overrides for contract-based schemes, subject to the appropriate protections. The proposed contractual override would support the forthcoming VFM framework and small pot default consolidators, but could perhaps also be used in wider circumstances where it is in members’ best interests. Detailed rules on the use of transfers without consent will be developed by the FCA and subject to further consultation.

Costs vs value: The role of employers and advisers



The Government believes that the DC market is operating with an excessive focus on costs, so it also used the consultation to explore the role of employers and advisers and to seek further views on proposals to encourage these groups to shift their focus from cost to value.

What's next?

The consultation closed in January 2025. Many of the proposals could lead to fundamental changes which will require primary legislation, and a decision on whether to include these measures in this year’s Pension Schemes Bill will be made in light of the consultation outcome.

A final report on phase one of the pensions review is due in the spring. It will further consider investment by pension funds in the UK. While there has been no formal announcement, we understand that phase two (which was expected to address matters including pensions outcomes and adequacy) has been delayed.

On the horizon



Spring 2025

- Pension Schemes Bill which is expected to include measures to introduce automatic consolidation of deferred small DC pots, the new VFM framework and new duties for trustees to offer retirement income solutions
- Final report on phase one of the pensions review

Q1 2025

FCA expects to publish further commentary on retirement income advice

30 April 2025

First connection date under the DWP dashboards guidance

Summer 2025

FCA expects to consult on rules for “targeted support” in retail investments and pensions

Contact

Sackers is the leading specialist law firm for pension scheme trustees, employers and providers. Over 60 lawyers focus on pensions and retirement savings, including our DC experts who provide practical and specialist help on all aspects of DC arrangements. For more information on any of the articles in this briefing, please get in touch with Helen Ball, Jacqui Reid or your usual Sackers contact.



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Upcoming events



 We offer an extensive programme of workshops, seminars and trustee training. If you would like to attend any of our events, please contact events@sackers.com or visit www.sackers.com/events.

Quarterly legal update	08/05/2025	Online webinar This session will provide an essential overview of significant developments affecting occupational pension provision in the UK for employers and trustees.
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