Welcome to 2025: 10 priorities for pension schemes in the new year

After a busy year for pension schemes, there will be even more to do in 2025 as pensions dashboards become reality and crunch time for good data arrives.

Important developments in 2024 included abolition of the lifetime allowance, the introduction of The Pension Regulator's (TPR) general code, and the election of the Labour government.

The near four-month gap between the election and the budget on 30 October produced constant speculation about changes to the taxation of pensions. We hope there will be no repeat of this unsettling period in 2025.

The government's pensions market review is a welcome initiative to address various longstanding issues in the pensions industry. So far, the review has focused on investments and consolidation. We hope that the second phase, now delayed, will recommend measures to increase saving and get more people on track for retirement.

In this article we look ahead to consider the leading themes that should be on the minds of pension scheme trustees, sponsors and managers in the new year.

1. **Pensions dashboards – connection begins**

The largest master trust pension schemes must be ready to connect to the pensions dashboards ecosystem by 30 April 2025. That date marks the first in a series of deadlines requiring schemes with 100 members or more to connect, at the latest, by 31 October 2026.

Getting ready to connect is a major undertaking and TPR is watching closely. The regulator has said it may penalise and take enforcement action against governing bodies that don't comply with its compliance and enforcement policy.

Trustees, especially those in the first few cohorts to connect, should act now to be ready for connection. If you haven't already, get in touch as soon as possible to agree, among other things:

- Data management and matching criteria
- How calculations will be completed
- Handling of additional voluntary contributions

Pensions dashboards promise to transform how members and policyholders engage with their pensions. And, as we discuss here, connection is just the start of the journey.

2. **Inheritance tax consultation – further effects**

After months of speculation about measures affecting pension schemes and savers, Chancellor Rachel Reeves announced, in her first budget, the application of inheritance tax to almost all unused pension pots on death. The measure doesn't take effect until April 2027, but in its current form it will have effects beyond applying more benefits to inheritance tax.

The government proposes making pension scheme administrators responsible for reporting and paying inheritance tax due on unused pension pots and death benefits. This raises questions for employers, schemes and administrators. You can read more in our insight here. The government is seeking views on the policy with a

deadline of 22 January for submissions.

At Aptia, we are concerned that this change will make managing the affairs of someone who has died more complicated and stressful for dependants and beneficiaries. In our response to the consultation, we will make the case for a simple, workable framework that doesn't add to the overall administrative burden.

Trustees should look out for the government response to the consultation.

3. Pensions market review – indefinite delay

The government published proposals from phase 1 of its pension market review in November 2024. The government wants fewer, larger schemes with the scale to invest in UK assets and, it believes, produce better returns for members. There will be further consultation on phase 1 with a final report due in spring 2025 in time for the Pension Schemes Bill.

Phase 2 of the review was due to launch before the end of 2025, but reports say Chancellor Rachel Reeves has postponed it indefinitely. The review's second phase was meant to focus on adequacy of retirement savings. This would have included examining low contributions by scheme members. Reeves reportedly delayed phase 2 to avoid putting further pressure on businesses facing higher national insurance bills after the budget.

This is disappointing and creates new uncertainty for the pensions industry. Will phase 2 start in 2025? It would be good to have more information.

4. Pension Schemes Bill – more change

The 2024 King's Speech said that a Pension Schemes Bill would be presented to Parliament in 2025. These are the main features to expect:

- A programme for automatic consolidation of small deferred DC pots
- A new Value for Money framework for DC schemes. Poorly performing schemes will have to improve or protect savers by transferring them to better schemes. A consultation has been published that sets rules for FCA-regulated firms operating contract-based pensions, but the FCA says the principles are designed to cover the whole DC workplace market.
- Measures requiring trustees of occupational schemes to offer one or more retirement products, including default investment options, to their members, either directly or by partnering with others. The government argues this will improve outcomes for savers and lead to more funds being invested for longer, leading to investments in productive assets
- Establishment of DB superfunds

The bill may also include other provisions that emerge from the government's review of the pensions market.

5. The capacity crunch – pressures persist

In the pensions industry we've been talking about a capacity crunch for a few years but 2025 could be when pressures intensify. Put simply, there aren't enough people in the UK to carry out the rising workload – from the need to meet members' changing requirements to projects such as pensions dashboards, derisking and Guaranteed Minimum Pension equalisation. Projects – and how to get them done – are the top subject of conversation with clients as we go into 2025.

With a high volume of derisking work in the pipeline and dashboards becoming a reality, along with other regulatory and business requirements, it's essential to engage your administrator and other advisers as early as

possible.

At Aptia, we can draw on our talented teams in India and Portugal to make sure we have the capacity to help our clients with whatever projects they present us with. But capacity will be an important consideration in 2025.

6. Derisking – another busy year

Derisking is high on the agenda of many DB pension schemes for two main reasons.

Firstly, TPR's funding code says DB schemes must have a long-term objective and a journey plan to achieve the target. TPR says options include:

- Running off the scheme by paying benefits as they become due
- Buying out members' benefits with an insurer
- Transferring the scheme's assets and liabilities to a DB superfund or another consolidation vehicle

Secondly, improved funding has created surpluses for many schemes, making buy-in or buyout viable after more than a decade of ultralow rates that meant these options were, for many schemes, only theoretical.

We discussed the derisking market with leading insurers at our first Aptia conference in November. The overriding message was to start early, set a strategy and work closely with your administrator from day one. Too many derisking projects run into trouble if data isn't in good shape or advisers haven't worked together effectively. But if you plan properly, you can have a smooth process.

7. Good data's time has come

2025 is crunch time for pension schemes to digitise their data and, if they haven't already, make sure their data is in good shape and maintain that quality.

Pensions dashboards are the main force behind this drive for good data. If your data isn't up to scratch, you won't be ready to connect to dashboards. TPR is unhappy with many schemes' progress and is checking in with hundreds of schemes to find out their plans.

TPR also published its Digital, Data and Technology Strategy as a guide for adjusting to changes in digital, data and technology. We expect to hear more from TPR on data standards in 2025.

Clean data is also essential if schemes are considering derisking exercises – bad data is too often the enemy of a successful buy-in or buyout. And that means monitoring and maintaining your data – not a one-off exercise, but a lifetime strategy.

More fundamentally, we need good data to meet the changing needs and expectations of members and policyholders. The pensions industry already lags behind other sectors, and we won't be able to automate and deploy artificial intelligence without good data.

8. Supporting pension scheme members

Half of pension savers aren't putting enough money away for the retirement they want and one in five face poverty when they stop work, according to the Pensions and Lifetime Savings Association.

Our members and policyholders need help and guidance to make better decisions for their futures. Pensions dashboards promise to revolutionise how savers engage with their pensions but there is more we can do.

Members and their dependants also need support after they have retired. The Financial Conduct Authority's Consumer Duty and Value for Money regimes will drive up standards for how pension schemes interact with their members. Digitisation, AI and other technologies are also increasing people's expectations and the range of services we can provide them.

Alongside all the policy and regulatory requirements, 2025 should be a year to think about how to better support the people we look after. At Aptia we will be unveiling our members' app and other innovations we have been working on.

9. Further CDC consultations

On 8 October 2024 the Department for Work and Pensions launched a 387-page consultation on the extension of collective defined contribution (CDC) schemes beyond single or connected employer schemes to unconnected multi-employer schemes.

The department has also said it is continuing to explore, with the pensions industry and regulators, how to provide trust-based decumulation-only CDC options. CDC in decumulation is a potential game changer in terms of member options. We expect more information, along with a response to the consultation, in 2025.

10. Preparing for NMPA change

PASA has published guidance on preparing for the change to the Normal Minimum Pension Age (NMPA) ahead of the increase to age 57 from 6 April 2028. HMRC continues to work on transitional arrangements for the reform, and guidance is expected by 2025.

In the meantime, schemes need to identify members who will retain the valuable right to take benefits at age 55 even after 2028. At Aptia, we have started a project for the change in NMPA, which had already increased from 50 to 55 back in 2010.

Looking ahead positively

At Aptia, we held our first UK conference in November and its theme was the Administration Age. As the UK pensions industry consolidates and matures, and consumer expectations and needs develop, we as administrators will play an increasingly important role in pensions delivery. We look forward to discussing how we will meet this challenge in 2025.

So, after a hectic 2024 there is plenty for us all to think about as we prepare for the new year. As an industry we face many challenges, but there is also plenty to feel positive about as we work to give members and policyholders the guidance, support and outcomes they need.

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