STEPHENSON HARWOOD

PENSIONS SNAPSHOT

July 2026

IN THIS MONTH'S SNAPSHOT WE COVER

+ Renewed regulatory focus on Flexible Apportionment Arrangements
+ Pensions Regulator to email DC trustees, plus new Pension Schemes Act 2026 web page
+ PASA guidance for monitoring Dashboards compliance
+ New VAT guidance
+ PPF Levy changes
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RENEWED REGULATORY FOCUS ON FLEXIBLE APPORTIONMENT ARRANGEMENTS

Pensions Minister Torsten Bell has announced that a consultation on Flexible Apportionment Arrangements will be launched in due course. The Statement focuses on last December's unusual use of the FAA legislation whereby an asset manager (an entity that was not otherwise connected to the scheme or its employers) took on the liabilities and assets of the Stagecoach scheme. We expect the intended scope of changes will be wide enough to limit any other unanticipated use of the FAA route.

In the meantime, the Pensions Regulator is considering an interim approach to transactions involving FAAs that present similar characteristics to the Stagecoach transaction. TPR's blog post (about the evolution of DB scheme endgame solutions) repeatedly asserts its support for innovation, while pointing out that trustees, employers, and their advisers are expected to engage with TPR "early to clearly define how any proposal under consideration delivers a good outcome for members".

PENSIONS REGULATOR TO EMAIL DC TRUSTEES, PLUS NEW PENSION SCHEMES ACT 2026 WEB PAGE (FOR DB AND DC)

DC scheme trustees can expect to hear from the Pensions Regulator about various Pension Schemes Act 2026 requirements. TPR has published a blog post announcing its intention to email them regularly about preparing for those requirements, chiefly:

+ comparing performance against the market annually (Value For Money),
+ providing a default decumulation pathway,
+ auto enrolment schemes facilitating transfers of pots worth £1,000 or less (after 12 months without contributions) to an authorised consolidator, and
+ DC master trusts and GPPs holding at least £25bn from 2030 (with a transition pathway for schemes that need longer).

The post includes a link to a new TPR Pension Schemes Act 2026 web page (covering both DC and DB schemes), which may prove to be useful if updated as promised. The web page promises further clarification on implementation timings, expected shortly. We will keep a watching brief on that page, which currently says that the Value for Money guidance is expected this summer, and that TPR plans to consult on detailed surplus release guidance in late autumn.

PASA GUIDANCE FOR MONITORING DASHBOARDS COMPLIANCE

PASA has issued guidance on how to monitor compliance with the Dashboards requirements. The aim is to encourage early engagement between those involved in the various processes, namely:

+ trustees, public service scheme managers, and FCA regulated service providers, (described as Duty Holders),
+ scheme administrators, and
+ connection providers.

The four key legal duties are:

1. Connect to the Dashboard,

2. Match savers to pensions after receiving a Find Request,

3. Provide information in response to a View Request, and

4. Comply with MaPS requirements and standards, and maintain Dashboard connection.

PASA points out that the legislation was made before the Dashboards ecosystem was completed, leaving trustees with the prospect of having to exercise judgement when assessing operational impact, materiality, and breach reporting obligations. PASA also asks “Are you meeting the fundamental requirements and the spirit of the legislation?” As with every major set of obligations there are going to be some grey areas where a tick-box approach won’t be enough.

Compliance reporting will be the responsibility of trustees, so Dashboard duties will no doubt feature as a running item for each trustee meeting agenda. Beyond the operational reporting, there is also the legislative requirement to monitor contact from members in the shape of queries, feedback, or complaints.

The guidance covers in some detail the practical repercussions of the legislative requirement that pension values data should be based on either a statement provided to the member in the last 13 months, or a calculation performed in the last 12 months. We’re assisting our clients with considering questions such as what constitutes a statement, and does the clock start ticking when it was posted (paper), or when made available online, or when the member was told it was available online?

On a general note, PASA acknowledges that other approaches to compliance monitoring could be used (although the Pensions Regulator lends a certain amount of weight to PASA guidance by cross referring to it in its own guidance on Dashboards).

NEW VAT GUIDANCE

Historically, HMRC's policy was that employers could recover input tax they incurred on costs relating to the administration of occupational pension schemes, but not those in relation to the asset management of investments made by the scheme.

What happened last year

HMRC simplified the VAT rules for pension investment costs in June 2025 so that, (subject to the normal deduction rules):

+ employers have been able to treat VAT incurred on occupational pension scheme investment management services as their own input tax provided the employer can show it contracted for and paid for the services, and
+ trustees providing fund management services to the employer and charging for that can deduct input VAT in relation to those services if the trustees are VAT-registered.

Our update published at that time suggested actions that employers and trustees could take, including to: review current arrangements, check Partial Exemption Special Methods, and consider whether to reclaim VAT on historic costs in the last 4 years.

What the new HMRC guidance says

One year on from last year's VAT change, HMRC has issued revised guidance.

The good news is that the new guidance is clear that input tax incurred by an employer on services provided in relation to a funded occupational pension scheme will be the employer's input tax and recoverable in full, regardless of whether the costs incurred relate to administration or investment services.

However, the guidance outlines just two routes for an employer to evidence that it incurred the costs of running the scheme:

+ where the employer contracts directly with the service provider and invoices for services are issued to the employer directly and paid by the employer, or
+ where the trustees contract with the service provider and incur all of the costs, if the Trustees are VAT-registered they can raise a taxable charge to the employer for managing the scheme, thereby providing the employer with a valid invoice, or the trustees and employer can rely on "VAT grouping".

The new guidance blurs the previously clear distinction in VAT treatment between scheme administration and investment management costs. Further, HMRC's historic approach to administration services was that the employer could seek to reclaim VAT if it received the tax invoice, even if the trustees settled the invoice (under the old VIT44700). Last year's announcement did not alter that approach, but the revised guidance does not appear to contemplate that scenario and indicates that HMRC will no longer accept VAT reclaims in that situation.

Unhelpfully, although HMRC has altered its internal guidance on this point, the external guidance to employers remains (see VAT Notice 700/17) which clearly permits VAT recovery on administration expenses incurred by trustees. We anticipate HMRC will resolve this inconsistency and in doing so we'll get clarification on whether removal of this concession was intended.

In the meantime, we can help employers and trustees establish whether the particular arrangements in play for their scheme will still facilitate VAT recovery if the new guidance remains as drafted, and if not what can be done about it.

VIT44600 onwards - HMRC internal manual

PPF LEVY CHANGES UNDER PENSION SCHEMES ACT 2026 NOW IN FORCE

Changes to the Pension Protection Fund levy made by the Pension Schemes Act 2026 came into force on 29 June.

This means that:

+ **Risk-based and scheme-based levy discretion –** The PPF may impose a risk-based levy if it wants to, and if it does then it may also decide to impose a scheme-based levy. This replaces the requirement for both levies.
+ **Innovation and the levy –** The revised PPF levy provisions acknowledge the forthcoming authorisation regime for Superfunds. When setting the risk-based levy, the PPF will look at whether the scheme is supported by a substantive employer covenant. If the financial position of the employer means that there is no realistic prospect of it being able to provide material financial support for the scheme's liabilities the employer covenant will not be considered to be substantive. When assessing the employer's financial position the PPF will ignore (i) the capital buffer for a Superfund; and (ii) any financial support the employer may obtain from another person but to which it is not entitled.

  The PPF and Pensions Regulator are aware that Alternative Covenant Schemes are in their infancy. Innovative work on this front is likely to lead to more scenarios where employer insolvency risk is a less suitable basis for calculating the risk-based levy. The PPF's recent Guidance for Alternative Covenant Schemes 2026/27 urges trustees and employers contemplating an ACS to engage early with the PPF and TPR.
+ **Levy cap –** Annual increases to the levy will be capped so that if it exceeds the previous year's levy that excess cannot be more than 25% of the levy ceiling for that previous year.

  We are currently in the world of zero PPF levy charges (for 25/26 and 26/27), along with the prospect that the PPF will provide 2.5% CPI-based LPI increases for pension accrued before 1997 (where the scheme in question provided pre-97 increases). These changes anticipate the architecture required to deal with future fluctuations in the levy charged. The cap should help employers to plan their maximum levy costs for the following year.

The Pension Schemes Act 2026 (Commencement No. 1) Regulations 2026 (SI 2026/669)

TERMINAL ILLNESS AND PENSIONS TO BE REVIEWED

The Government plans to look into the current requirements for accessing private pension savings where an individual has a terminal illness. It is concerned about individuals experiencing varying hurdles to access depending on their scheme and wants to ensure a “fair and compassionate approach”. The Government plans to examine access options across schemes and consider any necessary changes to enable “appropriate access while safeguarding against the risk of financial hardship later in life”.

Current legislation on serious ill-health lump sums is based around a life expectancy of less than 12 months. The Lords debate acknowledged the fact that modern medicine may enable people to live with a terminal illness for many years without the ability to access their pensions savings. We may therefore see future changes to address the rigidity of the current life expectancy requirement.

[Pension Access Rules: Impact on Terminally Ill - Hansard]

DATES FOR YOUR DIARY

2026 (NO SPECIFIC DATES KNOWN YET)	The Verity judgement
SUMMER 2026	Value for Money assessment guidance expected from the Pensions Regulator
LATE AUTUMN 2026	Surplus extraction guidance consultation expected from the Pensions Regulator
SPRING 2027	HMRC guidance on IHT and pensions change
FROM APRIL 2027	Surplus extraction legislation and guidance expected to be in force
BY 6 APRIL 2029	HMRC guidance on salary sacrifice NICs change

STEPHENSON HARWOOD

ESTELLA BOGIRA

Partner

+44 20 7809 2298

estella.bogira
@stephensonharwood.com

PHILIP GOODCHILD

Partner

+44 20 7809 2166

philip.goodchild
@stephensonharwood.com

STEPHEN RICHARDS

Partner

+44 20 7809 2350

stephen.richards
@stephensonharwood.com

www.stephensonharwood.com