BARNETT WADDINGHAM

Part of HOWDEN

PATHways

Pension Administration Technical Help

Highlighting pensions news and legislation that has particular relevance to what we do in pension administration

Finance Act 2026

The Finance Act 2026 gained Royal Assent on 18 March 2026. This included some significant changes to pensions law:

Inheritance tax on pension interests

As expected, the Act includes the legal provisions so that certain unused pension funds and death benefits paid by pension schemes will be subject to inheritance tax (IHT) from 6 April 2027. There were some amendments made to the Finance Bill in its final parliamentary stages before becoming an Act, including amongst other things:

- The exclusion of death in service benefits from IHT is expanded so that the deceased member does not need to have been an active member of the scheme at the time of their death to be excluded from a charge on their estate.
- Spouses, civil partners, charities and certain other parties who would generally be exempt from IHT on transfers of property from the deceased member, are also specifically excluded from any charge in relation to pension property.
- A prospective personal representative, i.e. someone who has reason to believe they will become a personal representative (PR) of the deceased, can give a 'withholding notice' to the pension scheme administrator requiring them to withhold payment of up to 50% of each beneficiaries' death benefit for up to 15 months. This otherwise would only have applied to a PR who already held that status at the point of giving the notice.
- In effect, where IHT is paid on a death benefit, the same portion of the payment will not also be subject to income tax or the special lump sum death benefits charge.

Lifetime allowance abolition

The power of the Treasury to make further regulations in respect of the abolition of the lifetime allowance has been extended from 5 April to 30 June 2026. These regulations may have retrospective effect for the 2024/25 and 2025/26 tax years.

Government responds to Economic Affairs Committee on inheritance tax

The Government has published its response to the House of Lords' Economic Affairs Committee's report on the changes to IHT for unused pension funds. The response accepts some of the Committee's recommendations, whilst maintaining the basic timescales and intention behind the change in tax policy. The Government will keep the policy under review and engage with representatives from the tax and pensions industries in the normal way.

The Government has committed to publish, consult on and lay regulations later in 2026 which will set out the legal information requirements for scheme administrators and PRs in relation to IHT. The draft regulations should be published for technical consultation in the spring. The Government will also provide guidance, supporting material and interactive tools by April 2027. This will include a template for scheme administrators to use along with guidance on verifying the identity of PRs.

HMRC newsletter 179

HM Revenue & Customs (HMRC) has published its Pensions schemes newsletter 179 for March 2026. Amongst other things, the newsletter contains reminders about the requirement for all pension scheme administrators of a UK registered pension scheme to be UK resident from 6 April 2026, and the availability of the protections and enhancements look-up service on the managing pension schemes service.

PASA publishes Trustee-administrator lifecycle series

The Pensions Administration Standards Association (PASA) has published a four-part series of guidance on the partnership between administrators and trustees. The different parts focus on:

Part 1 – Why trustee-administrator relationships matter. This includes recognition of the critical role pension administration has in supporting good governance and providing successful outcomes for everyone involved.

Part 2 – The appointment of a new administrator. This considers trustees reflecting on their experiences with their current administrator and assessing their own understanding of the scheme's legal documentation, data and administrative practice. The costs and impact of appointing a new administrator are also highlighted as key considerations.

Part 3 - Managing installation and transition. This covers, for example, trustee considerations in the early stages of a new administrator's appointment, such as data migration, member communications and delegated authorities. It suggests that trustees and administrators should jointly identify and document known risks, priorities and opportunities for improvement noting that that it's not always possible or realistic for all automation, data cleansing, benefit audit and specification work to be fully complete at the point of transition.

Part 4 - Building and maintaining an effective partnership. This explores how trustees and administrators can establish strong foundations, manage performance, address challenges and maintain a productive partnership. This final part of the series was published alongside an example Trustee-administrator oversight scorecard.

TPR guidance on past alteration to contracted-out schemes

The Pensions Regulator (TPR) has published detailed guidance for trustees of schemes impacted by the Virgin Media Ltd vs NTL Pension Trustee II Ltd outcome, where the courts held that certain changes to scheme rules for impacted schemes would have required written certification from the scheme actuary in order to have been valid.

Where required, the Pension Schemes Bill contains expected remediation measures which should normally allow schemes to obtain actuarial confirmation that the alteration would not have prevented the scheme from continuing to satisfy the statutory standard for contracting-out between 6 April 1997 to 5 April 2016. The TPR guidance aims to assist trustees with such considerations, where there is no available evidence that the written certification was obtained at that time.