Institute and Faculty of Actuaries

29 October 2026

IFoA response to DWP Consultation on the Occupational Pension Schemes (Schemes that were Contracted-out) (No. 2) (Amendment) Regulations 2026

The Institute and Faculty of Actuaries (IFoA) is a royal chartered, not-for-profit, professional body. We represent and regulate over 34,000 actuaries worldwide, and oversee their education at all stages of qualification and development throughout their careers. Actuaries are big-picture thinkers who use mathematical and risk analysis, behavioural insight and business acumen to draw insight from complexity. Our rigorous approach and expertise help the organisations, communities and governments we work with to make better-informed decisions. In an increasingly uncertain world, it allows them to act in a way that makes sense of the present and plans for the future.

Introduction

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2. This response has been prepared by the Pensions Board, with input from members with practical experience of guaranteed minimum pension (GMP) equalisation and conversion exercises. It is written from a public interest perspective and focuses on the provisions where actuarial practice and scheme implementation are particularly relevant.

Overview

3. The IFoA supports the objective of clarifying and simplifying the statutory GMP conversion framework. The draft Regulations should enable more schemes to use conversion with greater confidence. The framework should be clear, proportionate and workable in practice while maintaining appropriate protection for members and survivors.
4. We generally support the proposed changes. In particular, the ability for an actuarial certificate to cover conversions taking place during a period of up to 12 months should make conversion of individual scheme members at retirement more practical and reduce avoidable administration.
5. However, we believe the transitional provisions could unnecessarily prevent schemes already engaged in member consultation from benefitting from the simplified certification framework. Where trustees have already consulted members on conversion at retirement, and the benefits, actuarial equivalence test and conversion methodology remain unchanged, moving from previously intended individual certification at retirement to the proposed advance certification process should not of itself require a further member consultation. This is a procedural improvement rather than a meaningful change for the members on the terms on which their benefits would be converted. Requiring trustees to repeat consultation in those circumstances in order to take advantage of the new flexibilities would create cost and delay without materially improving member protection or understanding.

6. Further clarity would also be helpful on the minimum survivor pension, particularly the meaning of the pension to which the member would have been entitled (in draft regulation 27A(2)) and the treatment of commutation, pension increase exchange exercises, voluntary contributions, augmentations and young-spouse reductions. Uncertainty on these points may increase legal and actuarial costs, encourage schemes to adopt unnecessarily cautious benefit structures, or deter conversion.

7. The employer nomination provisions need to be sufficiently flexible for large multi-employer schemes. We support the objective of helping schemes identify the parties that need to be consulted and allowing a single employer to act on behalf of employers as a whole, although the act of arranging for all of the employers to nominate one might in itself be problematic for some schemes and it would be useful if existing nominations for other pensions purposes could equally apply for GMP conversion purposes. In addition, additional flexibility may be appropriate where the liabilities being converted can be identified as relating to a particular employer or group of employers. In such circumstances, requiring participation by all of a scheme's statutory employers in the nomination process may create administrative complexity without improving employer oversight. We encourage the Government to consider whether an individual employer or sub-group of employers should be able to nominate another employer to act on its or their behalf, and whether individual employers or groups of employers should also be able to consent to the conversion of liabilities attributable to their members where this can be achieved without adverse effects on other employers.

8. Where the revised survivor provisions extend the circumstances or periods in which a survivor pension must be paid, the practical effect should be explained clearly in accompanying guidance.

9. Are you able to confirm whether it is now your intention that these regulations are intended to come into force from 6 April 2027, alongside bringing The Pension Schemes (Conversion of Guaranteed Minimum Pensions) Act 2022 fully into force? Providing an indicative timeline as soon as you are able to would be helpful to schemes planning GMP conversion.

Question 1

Do the draft regulations meet our intention to set the minimum level of survivors' pensions that a scheme must pay post-conversion to at least half of the pension accrued by the member during the relevant period?

10. We support the objective of preserving an appropriate minimum level of survivor benefits following GMP conversion. We recognise the Government's decision to retain a minimum pension of 50% of the relevant member pension rather than permit a lower survivor fraction.

11. However, the draft wording may continue to permit different interpretations of "the pension to which P would have been entitled". In practice, schemes and their advisers may need to determine whether the comparison is made with the pension payable immediately before the member's death and how it is affected by choices or changes made after the original benefits accrued. Examples include commutation, a pension increase exchange, a stepped or bridging pension, or a surrender in return for an additional dependant's pension.

12. The intended treatment of benefits arising from members' additional voluntary contributions (AVCs) and of discretionary or contractual augmentations would also benefit from clarification. Our reading is that benefits arising solely from money purchase AVCs would not ordinarily be regarded as calculated by reference to the member's contracted-out employment. AVCs that resulted in higher defined benefit accrual and other augmentations may be less straightforward, particularly where they are expressed as additions to benefits attributable to the relevant service.

13. It would also be helpful to state whether the statutory minimum permits a reduction because a surviving spouse is materially younger than the member. Historic scheme designs commonly applied young-spouse reductions to benefits above the GMP underpin, and views may differ on whether such a reduction can be reflected in the post-conversion minimum.

14. We recommend that the Government clarifies, in the Regulations or authoritative accompanying statements, the pension against which the 50% minimum is calculated and the treatment of the examples above. In particular, it would be helpful to confirm that "calculated by reference to employment" refers specifically to benefits attributable to contracted-out salary-related (COSR) employment under the scheme during the relevant statutory period and does not include benefits arising solely from money purchase AVCs.

Question 2

Do the draft regulations achieve our intention of simplifying the requirements around entitlement to GMP survivors' pensions while ensuring none of the current entitlement categories are missed?

If you think there are any survivors who would have been covered by the current legislation who are not covered by the draft regulations, please explain who these are.

15. The IFoA supports the objective of simplifying the requirements around entitlement to GMP survivor pensions while ensuring existing categories of survivor are not inadvertently excluded.

16. However, the survivor provisions remain complex and depend on several legislative and social security cross-references. We recognise the intention not to remove any existing entitlement and to provide wider coverage in some circumstances. It is standard practice in private sector schemes that where there is a legally recognised surviving spouse or civil partner the scheme will provide that survivor's GMP for life, irrespective of the ability under the legislation to limit such provision by circumstance or time period. We believe that any scheme differentiating between spouses and civil partners based on social security provisions or the survivor's and/or member's age at death, for the purpose of a survivor's GMP entitlement, are highly likely to be in the public sector. However, it is possible some private sector schemes have inherited or mirrored such provisions, though we think this would be very rare in practice.

17. The IFoA has not identified any existing survivor category that appears clearly excluded by the draft regulations, nor any new category that has been added, although a definitive legal comparison is beyond the scope of this response.

18. If the revised provisions widen the qualifying circumstances or payment periods for survivor pensions, it would be helpful if the Government explained the practical effect of those changes in an update to the statutory conversion guidance and, where possible, illustrated them by examples of where eligibility would change. This would assist trustees and advisers in determining how existing scheme provisions interact with the revised requirements.

Question 3

Does the definition of a 'relevant person' as a person who is an employer within the meaning of Part 3 of the Pensions Act 2004 better help schemes identify the parties they need to consult, compared to the existing legislation?

19. The revised definition is likely to help schemes identify the parties that need to be consulted by linking the concept of a "relevant person" to the better understood Part 3 employer framework.

20. However, in some multi-employer arrangements, the employers whose consent may be relevant to a particular conversion exercise can be more readily identified than the full population of statutory employers associated with the scheme. Additional flexibility may therefore be appropriate where the liabilities being converted can be identified as relating to a particular employer or group of employers.

21. We encourage the Government to consider whether the policy objectives could still be achieved where consultation is focused on the employers whose liabilities are directly affected by the conversion exercise.

Question 4

Do the draft regulations achieve the aim of allowing a single employer to act on behalf of the employers as a whole?

22. We support the objective of allowing a single employer to act on behalf of employers as a whole. This should help simplify the practical administration of GMP conversion exercises in many multi-employer schemes.

23. However, it may be helpful also to permit an employer or group of employers to nominate another employer to act on its or their behalf. This could provide greater flexibility for larger schemes where obtaining a single nomination across the entire employer population may itself be administratively challenging.

Question 5

Do the draft regulations achieve the aim of streamlining the certification process for individual conversions?

24. We support the proposed more flexible actuarial certification process, including the ability for certification to cover conversions taking place during a period of up to 12 months. This should make conversion at retirement more practical by avoiding the need for a separate actuarial certificate for each member at the point of retirement (or frequent bulk certificates to ensure all recent retirements are covered).

25. Some schemes have already consulted their members on a conversion-at-retirement approach designed under the existing legislation. Those consultations may have described individual actuarial certification at or around retirement because that was the process required when the consultation took place. Such schemes may already have established implementation plans and member communications in reliance on those consultations.

26. Where the benefits to be provided and the conversion methodology remain unchanged, the move from individual certification to advance certification is a procedural improvement rather than a change to the substance of members' benefits. In those circumstances, requiring trustees to repeat their member consultation would create cost and delay without materially improving member protection or understanding.

27. We recommend that the Government confirms that adopting the revised certification process does not of itself require further member consultation where trustees have already consulted on conversion at retirement and the substantive benefit design and conversion methodology are unchanged. Where, exceptionally, the Government believes previous consultation might not be valid under the new approach this could be addressed in the Government's consultation response or accompanying guidance.

Question 6

We want to make sure the trustees will review the model before the end of the 12-month period if the assumptions are no longer appropriate. We would welcome views on whether this is incorporated into the regulations and, if so, how it is framed.

28. We support the objective of ensuring that assumptions remain appropriate throughout the period covered by an actuarial certificate.

29. Our understanding is that the Regulations seek to achieve this by requiring trustees to consider whether the assumptions remain appropriate before relying on an existing certification model. The trustees and scheme actuary should keep the assumptions and methodology under review to ensure they identify any change that could have a material impact on outcomes for converted or remaining members. A robust framework for keeping assumptions under review might also support a less frequent refresh of the

certificate. An actuarial equivalence test would generally be less volatile than calculations that convert pension to cash.

30. The framework should encourage reasonable review without creating a level of reassessment that undermines the administrative efficiencies that the revised certification process is intended to achieve.

31. It will be important that the actuary's advice clearly sets out the circumstances in which reconsideration of assumptions would be expected. Examples might include substantial changes in long-term bond yields; significant changes in inflation expectations; revised mortality assumptions; or legislative changes affecting existing benefits.

Question 7

Do the draft regulations sufficiently safeguard members from the risk of differences in assumptions arising over time between the certificate being issued and its being renewed?

32. We believe the draft Regulations provide an appropriate level of protection in most circumstances.

33. The risk of material divergence between assumptions used when a certificate is issued and conditions prevailing when individual conversions subsequently occur appears to be limited where the certification period is restricted to twelve months and trustees remain under an obligation to consider whether continued reliance on the assumptions remains appropriate.

34. Additionally, the Government might wish to empower scheme actuaries to curtail further reliance on any certificate they have issued where changing circumstances indicate it is no longer applicable. The Government could also allow the valid period for a certificate to be *up to* 12 months, as stated by the actuary on the certificate, rather than a fixed 12 months.

Question 8

Is there any other risk of gamification created by having two different options for ensuring actuarial equivalence between pre- and post-conversion benefits?

35. We have not identified any significant risk of inappropriate gamification arising from the existence of the two actuarial equivalence approaches.

36. In practice, trustees and advisers remain subject to professional, fiduciary and governance obligations. Those obligations should limit the risk of either approach being used in a manner that produces inappropriate outcomes.

37. The principal consideration should remain whether the chosen approach provides a reasonable demonstration of actuarial equivalence and is consistent with the circumstances of the scheme.

38. However, we note a difference between the two conversion routes as to who decides on the appropriate assumptions. Under current legislation the trustees obtain and consider advice from the actuary, before deciding on the appropriate assumptions; the actuary then carries out the calculations on those assumptions and certifies that actuarial equivalence has been maintained. Under the proposed alternative, as now, the trustees first obtain and consider advice from the actuary; however, under this approach it appears the actuary then certifies on the basis of their own advised assumptions.

39. The Government may therefore wish to consider whether a more consistent approach is required, i.e. the trustees would decide on their assumptions – after first obtaining and considering the actuary's advice – and then for the actuary to certify in accordance with the trustees' chosen assumptions.

Question 9

Do the draft regulations have the intended effect of providing clarity for schemes currently undertaking or planning to undertake a GMP conversation exercise?

40. We believe the draft Regulations (and the expected bringing into force of the 2022 Act) should improve clarity for schemes currently undertaking or planning to undertake GMP conversions.

41. However, as discussed in our answer to Question 5, we think it is inappropriate that, as drafted, the regulations would not apply to a GMP conversion where the trustees have already begun to consult members and beneficiaries before the relevant date specified in the Regulations. As the regulations provide an additional route – and do not remove any ability for trustees to use the existing route – to convert GMPs, we suggest it may be appropriate to allow conversion to take place under the new route at any time after the regulations come into force so long as the requirements set out have been met (at whatever date) in relation to the conversion.

Question 10

Are there any consequential amendments missing from our draft regulations?

42. We have not identified any consequential amendments that appear to be missing from the draft Regulations.

43. However, where the Government's intention is to alter the practical application of existing survivor provisions, we encourage the publication of explanatory guidance identifying the principal changes and their expected effects.

Question 11

Do you agree with our assessment of the costs and savings? Do you have any evidence on costs and savings for your scheme in relation to the new processes/ requirements?

44. The IFoA has not undertaken an independent assessment of the costs and savings associated with the proposals.

45. However, we would expect the revised certification framework to reduce administration and professional adviser costs for schemes undertaking conversion at retirement by reducing the need for individual actuarial certification at the point of conversion.

46. We agree that the proposals should generate savings for affected schemes, although the extent of those savings is likely to vary according to scheme size, conversion design and existing administration processes. We do not currently have quantitative evidence that we can provide, but a certificate lasting 12 months will undoubtedly be more efficient than multiple certificates over the course of a year.

Conclusion

47. The draft Regulations are an important step towards a clearer and more usable GMP conversion framework. With the further clarification and flexibility described above, they should help schemes complete GMP equalisation and conversion projects more efficiently while preserving appropriate protections for members and survivors. An indicative timeline for the regulations would be helpful to schemes planning GMP conversion.

48. The IFoA would be pleased to discuss the actuarial and practical implementation points raised in this response with the Department for Work and Pensions.

Contact

Should you have any questions or wish to discuss any of the points raised, please contact Olivia Fox: olivia.fox@actuaries.org.uk in the first instance.