First Actuarial briefing for trade unions
Q2 2026

In this briefing we review the progress of the Pension Schemes Bill through parliament, and consider the potential impact of some of the proposed amendments.

We also discuss the issue of worker representation on trustee boards, and the *pension shock* in store for some Generation X individuals as they turn their attention to retirement.

Update on the Pension Schemes Bill

The Pension Schemes Bill continues to make its way through parliament, having recently concluded its report stage in the House of Lords.

The Bill provides measures through which the Government could enact a wide range of reforms, including:

- A framework for asset pooling in Local Government Pension Schemes
- Allowing trustees of Defined Benefit (DB) schemes to modify their rules to provide for the payment of funding surplus to the employer
- The ability to automatically consolidate *small pots* for individuals, subject to caveats
- Providing inflation-linked increases to compensation in relation to pre-1997 service payable from the Pension Protection Fund, *if provided for* by the original scheme and subject to a 2.5% pa cap (compensation which didn't previously increase)
- A Defined Contribution (DC) *value for money* framework
- A push for consolidation of master trusts by mandating a minimum level of *assets under management* for auto-enrolment schemes
- A *reserve power* for government to mandate certain DC schemes to invest in government-specified assets.

While all the measures have generated significant discussion, it is perhaps the final point that has proven to be the most contentious.

This reserve power would allow government to require master trusts and group personal pensions used for auto-enrolment to invest a set proportion of members' savings in certain asset classes, where members have not made any explicit investment choices themselves (known as *default funds*).

Government presented the power as a backstop to the voluntary Mansion House Accord commitments made last year, when some of the largest UK pension providers agreed to invest at least 10% of default funds in certain asset classes, with at least 5% of the assets being invested in the UK, where this was judged to be in the best interests of members.

However, critics argue that the powers could undermine the fiduciary duty of trustees to manage scheme assets prudently and in the best interests of members. They also point out that providers are already exploring such investments on a voluntary basis following the Mansion House Accord.

Torsten Bell, the pensions minister, sought to provide reassurance that the powers would only be used for this purpose. The Lords voted to remove this power from the Bill, but the Commons rejected this amendment.

In recent days, the Government has proposed amendments to the powers. The powers limit the extent to which the Government could mandate investment to the levels set out in the Mansion House Accord. It remains to be seen whether this amendment, or others, will pass when the Bill returns to the Commons.

Ministers have indicated that they remain committed to encouraging greater investment in productive assets.

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TUC calls for stronger worker representation on trustee boards

In a recent report, Member voice in pension scheme governance, TUC highlights why effective worker representation on trustee boards is essential, and why it's in decline. As workplace pensions shift from employer-run schemes to large multi-employer models, the TUC sets out three recommendations for establishing and maintaining member representation at scale.

Following a series of UK pension scandals in the 1990s, member-nominated trustees (MNT) were introduced. MNTs are nominated by scheme members themselves, as opposed to being appointed by the sponsor. Most single-employer trust-based schemes have since been subject to the requirement that at least one-third of trustees must be member-nominated.

The large multi-employer schemes that dominate the current DC pensions landscape are exempt from this requirement. As a result, many workers' pensions are now governed by boards lacking MNTs. This leaves members with no direct say in decisions affecting their own retirement savings.

As the Government pushes for further consolidation of small schemes, the TUC urges regulators to establish minimum requirements for member representation across schemes of all sizes. Professional trustees consistently reported that MNTs improve board dynamics by encouraging more considered discussions, asking basic but important questions, and challenging assumptions that may otherwise go untested.

We agree that MNTs provide a trusted, accessible route for members to voice their concerns, improving engagement between members and the trustee board. Diversity is also important; MNTs help ensure that a range of member backgrounds and lived experiences are considered in discussions. The TUC emphasises this by recommending that representation be structured in a way that reflects all member groups of large multi-employer schemes.

To make member representation effective rather than symbolic, the TUC proposes that regulators set minimum standards for training, resources and support. Proper support and training will enable representatives to confidently challenge complex decisions and bring member concerns into discussions.

The TUC highlights Canada and Australia as particularly strong examples of member representation working successfully at scale with the right support, with the role of member representation clearly defined in even the largest schemes.

Why this matters to trade unions

Trade unions play an important role in nomination processes and in supporting open communication between members and their representatives. As the trend towards consolidation in the UK pensions landscape continues, trade unions will play a critical role in protecting and developing member voice.

Gen X faces 'pension shock'

Generation X (or Gen X) refers to individuals born between 1965 and 1980. Now in their 40s to 60s, many in Gen X are turning their attention to retirement and are experiencing *pension shock* at the inadequacy of their savings.

50% of Gen X respondents expected a higher income than they are projected to receive, in a survey by the Social Market Foundation (SMF). This suggests that as many as 7.5 million people in Gen X alone are at risk of pension inadequacy.

The SMF argues that Gen X was unprepared for the widespread shift from DB to DC pensions that has occurred in recent decades, moving from an income for life to a *savings pot* that members must manage. DC pensions require a greater level of engagement than their DB counterparts. Without clear and accessible education about the need to save into DC pensions, many Gen X workers failed to engage with their pension arrangements.

Low financial literacy and pensions engagement are not unique to Gen X, although this generation appears to be particularly exposed to the consequences, which might be explained by the legislative environment.

Auto-enrolment, which was phased in over the 2010s, also arrived too late for much of Gen X; many had already spent most of their working lives outside any system that nudged or required regular pension saving. This places Gen X in a difficult position when compared with both older and younger generations. Older workers were still able to benefit from wide DB provision, while younger workers will spend a larger proportion of their careers automatically enrolled into pension saving.

As Gen X approaches an uncertain retirement, pensions are likely to climb up voters' priorities in the next five to ten years. Pension shock is likely to affect

over 40% of the Gen X voters across all major parties, making it likely to become a central issue in national debate.

The SMF set out several recommendations to help address pension shock. It calls on the newly revived Pensions Commission to consider issues through a generational lens. It also proposes reforms to auto-enrolment.

We agree that the current framework does not go far enough, being limited to, among other things, those aged 22 and over and with a *lower earnings limit* placed on the *qualifying earnings*, reducing the amounts paid in. Government has already legislated to remove both the lower age and earnings limits; however, this has not been taken forward.

The SMF calls for the *default* auto-enrolment contribution rate to increase to 12%. While this might significantly improve retirement outcomes, particularly for younger Gen X individuals, it would need to be paired with a review of the impact on businesses. Indeed, part of the Government's reasoning for not progressing the previously-legislated reforms **is its concerns around the effect on business**.

The SMF also call for a "well-designed default decumulation pathway", to maximise value from DC pots when they're accessed.

We are interested to see the developments that decumulation-only CDC could bring to this space.

In the long term, the SMF calls for improved financial education in schools. We believe that it is never too late to improve your financial knowledge. Indeed, many people find that once they begin to engage with their pensions and wider finances, the process becomes far less daunting and they feel better equipped to plan ahead.

Why this matters to trade unions

These pensions challenges are faced by a significant proportion of the British workforce. Trade union members should be made aware of these challenges and encouraged to save for a secure retirement.

If you would like a conversation about how we can support members with pension education, financial resilience and long-term planning, please get in touch – contact details below.

Save the date: Thursday 10 September 2026 — a special event for trade unions and the professionals who support them.

How First Actuarial can help

First Actuarial is a nationwide firm of pensions actuaries and consultants. We help trade unions with all their pensions issues.

We support trade unions in negotiations with employers, lobby government, resolve problems within specific schemes, and explain any changes or choices members have to make.

We also provide administration, actuarial and investment services to a large number of trade unions' own schemes.

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If you'd like more information on any of the issues contained in the briefing, please **contact our trade union team**.