

# PENSIONS ESSENTIALS

March 2026

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## INVESTMENT UPDATE

*The Government has confirmed that the “investment mandate” provisions in the Pension Schemes Bill will be limited to the levels set out in the Mansion House Accords, although the House of Lords has voted to remove these provisions altogether. In addition, progress is being made on statutory guidance on investment responsibilities.*

**Mandation provisions:** The Pension Schemes Bill contained provisions to allow the Government to issue regulations requiring GPPs and master trusts to invest a specified percentage of their default funds in “qualifying assets”. Qualifying assets will be defined in regulations but can include private equity, private debt, venture capital, land or UK assets.

The Government has described this as a “reserve power” and said it “does not anticipate exercising [it] unless it considers that the industry has not delivered... change on its own” in line with the Mansion House Accord. The Mansion House Accord was entered into in May 2025 by 17 providers who pledged to invest 10% of their workplace pension portfolios in assets such as infrastructure, property and private equity by 2030 with at least 5% ringfenced for the UK. The Bill did not limit any investment requirements to these levels, but the pensions minister has confirmed that it will be amended to reflect them.

However, the House of Lords has voted to remove the “reserve power” altogether, arguing amongst other things that: “there is the inherent suspicion that investments which are compelled are unlikely to be very good investments... if the demand for certain asset classes is artificially increased then the returns are likely to fall further” (Lord Wolfson, Conservative peer). It seems likely that the Government will reinstate the provision when the Bill returns to the Commons, but it will be interesting to see what happens.

**Investment guidance:** The Government also tabled an amendment to the Bill to allow for statutory guidance to be issued in relation to investment duties under legislation and the investment regulations. The amendment would have allowed guidance to “explain the meaning of any expression” used in legislation and trustees and investment managers would have needed to “have regard” to it. However, the amendment was not passed and is not in the current version of the Bill.

Nevertheless, the Government had previously promised investment guidance, and to this end, the DWP has formed a working group to develop “practical and principles based guidance” aimed at supporting trustees in understanding their obligations whilst enabling them to respond to changing economic circumstances. In the absence of evidence that trustees currently misunderstand their investment powers and duties, it is unclear what purpose any guidance will serve, other than encouraging trustees to invest in a wider range of assets.

**TCFD reporting guidance:** The Treasury has produced a good practice guide for climate change reporting. The guidance highlights good practice and common misunderstandings, pitfalls and challenges. It also provides examples of what good reporting looks like.

### **Practical points:**

- Watch out for further developments when the Bill returns to the Commons.
- Keep an eye out for draft statutory guidance.

## SCALE REQUIREMENTS UNDER THE PENSION SCHEMES BILL

*The Pension Schemes Bill contains a requirement that master trusts and GPPs used for automatic enrolment will need to have a “main scale default fund” of £25 billion by 2030. The Government has issued guidance on achieving scale, accompanied by a statement from the Pensions Regulator urging caution in concluding that schemes not yet at scale will be unable to reach it, potentially resulting in unnecessary costs and upheaval in changing schemes.*

The Pension Schemes Bill provides that master trusts and GPPs that are used for auto-enrolment will need to be approved in relation to a main scale default fund by 2030. This is defined as a fund where a member has made no investment choice and which has assets of at least £25 billion. The £25 billion test is at the fund level rather than the scheme level, so a main scale default fund can be used by more than one GPP or master trust if the schemes are “connected” and if the assets are managed under a common investment strategy.

Where a scheme has a main scale default fund that has reached £10bn by 2030 and there is a credible plan to get to £25 billion, it can apply for a form of transitional approval. The Bill is silent on the time period that will be allowed to reach £25bn, but the Government has said that it will be 5 years.

More detail on the conditions for transitional relief will be set out in regulations, and this current lack of clarity is causing problems. Some consultants are concerned about recommending schemes that do not already meet the scale requirements as auto-enrolment vehicles, because if a scheme ultimately fails to reach scale, the employer would need to look for a new auto-enrolment arrangement. This could prevent such schemes from ever achieving scale as it would deter new business.

**DWP and TPR statements:** To combat this, DWP has issued a statement explaining its intentions, which is accompanied by a statement from TPR. TPR says that “employers and their advisers should not assume that all master trusts not yet at scale will be unable to meet the criteria” and they want to ensure “that members do not suffer unnecessary upheaval and increased costs due to the market over-estimating the risk of a scheme not meeting the scale requirements”.

DWP’s statement says that schemes that do not yet have a default fund of sufficient scale should consider:

- Developing a credible plan to build to scale - including how they intend to fund growth, expected revenue streams, projected operational and technical costs, and how investment planning and risk will be managed.
- Building investment capability - demonstrating how investment functions will be strengthened in line with the expectations of a scheme at scale, including the ability to access a broader range of investments.
- Building governance capability - setting out how governance arrangements will evolve to support the transition to scale and how a scheme will be able to operate effectively at scale once it exits the transitional pathway.
- Ensuring appropriate expertise is in place - including identifying the skills, personnel and systems required to support scaled operations across both governance and investment functions.
- Developing robust growth estimates - supported by clear underlying assumptions.

Guidance will set out what will amount to a credible plan to reach scale. TPR says that schemes “will likely need to provide a clear, actionable roadmap document with key delivery milestones and strategies to achieve them. These plans should focus on growth forecasts underpinned by a range of appropriate assumptions and supported by robust evidence.”

It is also worth noting that an opposition amendment to the Bill has been approved by the House of Lords to allow regulations to give TPR a power to treat a master trust or GPP as meeting the scale requirements if it was “satisfied that there is no reasonable evidence that consolidation of the scheme into another arrangement would be likely to improve outcomes for members”. As the benefits of scale are somewhat nebulous and likely to emerge over time, it is not clear how useful this change will be in practice. It is also possible it will be removed when the Bill returns to the Commons.

### **Practical points:**

- Sponsors may wish to keep an eye on whether any auto-enrolment vehicle is on-track for the scale requirements.
- Providers intending to rely on the transition pathway should consider what is likely to be required.

## FINANCE ACT 2026 AND INHERITANCE TAX

*The Finance Act 2026 sets out the legislation which will impose inheritance tax on unused DC pension funds and some death benefits from 6 April 2027. It also contains details about the information that schemes will need to give personal representatives and how and when any tax might be payable by the scheme.*

The Finance Act 2026 received Royal Assent on 18 March 2026. From a pensions perspective, the key provisions are those that deal with the inheritance tax (IHT) treatment of unused DC funds on death and certain death benefits. Currently, pension assets and benefits do not usually form part of an individual's estate for IHT purposes, so these are significant changes. The new provisions are due to come into force from 6 April 2027, so schemes need to start preparing now.

Looking in more detail at what the Act will require and which benefits it will apply to:

- **Benefits in scope:** IHT will be chargeable on unused DC funds in a registered scheme (including AVCs) on a member's death, and to various forms of death benefits payable from both DB and DC schemes, including a 5-year guarantee or a refund of contributions.

Death in service benefits payable from registered pension schemes will be out of scope. There had been some concern about whether this exemption would apply to death benefits provided in relation to deferred members who remain in employment following a closure to accrual, and amendments have been made to clarify that it will apply where a benefit was dependent on a member being "*in employment or other work of a particular description immediately before their death*", regardless of whether they were actively accruing pension.

Dependants' scheme pensions are also out of scope, as are trivial commutation lump sum death benefits, dependants' / nominees' annuities purchased together with a lifetime annuity payable to the member, and death benefits from unregistered schemes. In line with general IHT principles, a payment amounting to an exempt transfer (eg. to a spouse or charity) will be part of the member's estate, but will not give rise to IHT liability.

- **Information and process:** Personal representatives will have to notify a scheme about a member's death, and the scheme administrator will need to provide them with information about the "as at death" value of any in-scope benefits within 4 weeks.

Once it has been determined who the beneficiaries are, the scheme will also need to provide information about the split of benefits between IHT exempt and non-exempt beneficiaries. Details may also need to be supplied about any beneficiaries so the personal representatives can complete the IHT information required by HMRC.

- **Liability for and payment of IHT:** A deceased member's personal representatives will primarily be liable for reporting and paying IHT on unused pension funds and death benefits. However, they can issue a "withholding notice" requiring the scheme administrator to withhold 50% of any benefits subject to IHT for up to 15 months.

Where the amount of IHT due in relation to the pension benefits is £1000 or more, the personal representatives, or any beneficiary who is entitled to receive benefits which are subject to IHT, can also direct the scheme administrator to pay any IHT (and interest) due in relation to the relevant benefits directly from scheme assets, providing that the requested payment does not exceed the value of any benefits that are still due to be paid out.

Where a valid payment notice is received, the scheme administrator must pay the amount due within 35 days and can adjust the remaining benefits payable from the scheme in a manner that they determine is just and reasonable. Failure to comply with a withholding notice or a payment notice renders the scheme administrator jointly liable for some or all of the IHT payable in respect of the relevant taxable benefits under the scheme.

Trustees and administrators should be considering now what benefits are likely to be in scope and what it would be helpful to tell members and when. Administrators should also ensure that they understand how they will need to update administration processes around death and check that they will be able to make the necessary updates by April 2027.

### *Practical points:*

- *Consider what administration changes will be needed and when.*
- *Consider how to communicate with members about the change.*

## THE DC LANDSCAPE

*The Pensions Regulator has published its [latest data on the DC landscape](#) and notes that consolidation is continuing and encourages more. In addition, in advance of the guided retirement requirements of the Pension Schemes Bill coming into force, the Regulator has published [data on the retirement options currently offered by DC schemes](#).*

TPR's most recent [survey of the DC landscape](#) shows that the number of DC schemes has continued to decrease and is now at 790 (having only fallen below 1000 in 2024). The decrease is primarily driven by those with fewer than 5,000 members exiting the market. Master trusts account for the majority of DC scheme memberships.

TPR clearly welcomes the reduction in smaller DC schemes and says in its accompanying [press release](#) that: "As we move towards a market of fewer larger schemes, master trusts now dominate. We believe that larger schemes are better placed to deliver value for money, including stronger investment returns and better service... In the new pensions world, we urge pension trustees of smaller schemes, in particular, to review their scheme today. Those that cannot match the stronger performers should consolidate out of the market and transfer savers to a better value scheme." Consolidation is clearly something we will be hearing a lot about over the next few years, and that the Pension Schemes Bill will encourage.

TPR also reminds schemes that the [Pension Schemes Bill](#) contains provisions on guided retirement which will require DC trustees to provide members with a default retirement solution that provides a regular income in retirement. TPR says that in preparation for this, "an understanding of current decumulation products is essential for monitoring how decumulation offerings and saver access decisions evolve". As a result, for the first time, it has [analysed the data from scheme returns](#) on retirement options which shows:

- Uncrystallised funds pension lump sums are the most prevalent decumulation product and account for 44% of all members' withdrawals and 52% of total assets accessed.
- Drawdown is the next most commonly offered decumulation product. Although offered by only 16% of schemes, it covers 43% or 13.4 million members. This is driven by larger schemes.
- Over half of schemes offer at least one decumulation product, but these are concentrated in larger schemes.
- Just under a quarter of schemes offer at least one product which provides members with an ongoing income - but this covers 55% of members aged over 50. The largest schemes are more likely to offer at least one in-scheme regular income product.

TPR's [accompanying press-release](#) says that: "We urge trustees to start getting ready for the Pension Schemes Bill by reviewing their offer and starting to design their decumulation products. If you are not able to guide savers into the right retirement options for them... you should consider consolidation into a scheme that can offer value for money solutions." However, it is worth noting that the guided retirement provisions in the Bill expressly envisage the possibility of transferring members to another scheme at retirement where it would provide them with a better outcome.

TPR has also [issued a blog](#) on how schemes should be planning for guided retirement and factors that they might want to take into account, including contribution patterns. The blog suggests that members who have had an early career break may, for example, "need a different glidepath, different guardrails, and potentially different income smoothing mechanisms from a member who hasn't". Default options "must evolve for the reality of modern working lives... we need to design for the members we have, not the members we once assumed."

### **Practical points:**

- *Trustees should be considering how they will comply with the guided retirement requirements.*
- *Small DC schemes should be aware of the continued encouragement to consider consolidation.*

## GUIDANCE ON MASTER TRUST RESERVES

*The Pensions Regulator has updated its guidance on [master trust capital reserving requirements](#) as a result of its experience in regulating master trusts over the last seven years and their current financial position.*

As a result of its experience over the last seven years, TPR has updated its guidance on [capital reserving requirements for master trusts](#).

TPR says in [a recent blog](#) that the total level of reserves across the market held has increased as schemes have grown in terms of membership and assets under management, and this is expected to continue as master trusts continue to grow and consolidate. From the initial authorisations in 2019 to 2024, the total level of reserves has risen by around £725 million to almost £1.5 billion. In addition, cash holdings have risen significantly over time to around £200 million in 2024.

As a result, TPR has reviewed and updated its guidance. The changes that have been made are intended to allow for a more scheme-specific approach and “*remove or further clarify thresholds introduced at authorisation, including those relating to minimum liquidity levels and allowance for revenue offsetting*”. The changes should allow for a “*more consistent approach across the market and may allow master trusts to be able to release some capital reserves to invest in their business and deliver better value for savers*”.

TPR is also aware that there is currently significant variation in how master trusts calculate the financial reserves they require, and has concluded that this is in part due to there being limited market data to inform assumptions used to calculate things such as likely costs for complying with the continuity strategy. As a result, it intends to make improvements to its data collection and to publish annual data on reserving practices from 2027. This should enable greater transparency and allow master trusts to compare what they are doing with other master trusts.

### **Practical points:**

- *Providers should note the updated guidance and consider whether it will make any difference to their practice.*
- *Watch out for publication of additional data and consider how to use it in calculating reserves.*

## PENSIONS REGULATOR'S PROJECTIONS FOR DB SCHEMES

*The Pensions Regulator has published its [projections on how the DB scheme universe might develop over the next 10 years based on the trends it has seen to date and how it thinks they are likely to develop](#).*

The DB landscape has undergone a dramatic shift in recent years, resulting in the majority of schemes being in material surplus. This has in turn created more options for trustees in relation to what the long-term future of their scheme should be and the endgames that they envisage.

The [Pensions Schemes Bill](#) should provide further options. In particular, it is intended to facilitate access to surplus by employers where schemes are being run on, and it will also provide a new regulatory framework for superfunds which may encourage more providers into the market and lead to more schemes considering consolidations.

TPR says that because trustees now have a range of options, they need to make decisions about the future, including:

- whether and at what point to exit the DB landscape through the traditional buy-out route;
- how and when to utilise the surplus that exists, either through running-on or at the point of buy-out; and
- whether to consolidate through the new superfund regime.

TPR wants to understand how the DB universe is likely to evolve to ensure that it can act appropriately to protect member interests. As a result, it has undertaken [some detailed modelling](#) looking at what is likely to happen over the decade starting from 31 March 2025. At that point there were around 4,700 private sector DB schemes holding £1.1 trillion of assets with around 9 million savers. The total surplus was around £92 billion. The modelling shows that over the decade:

- Over 75% of schemes will potentially be able to buy out, and 50% are expected to do so. The insurance market is likely to be able to absorb all of these schemes, although there may be some short-term pressures.

- There is space in the market for both insurers and superfunds to operate.
- Buy-out surplus could increase to around £120 billion and TPR's discussions with industry suggest that around half of large schemes are considering running on in the short to medium term to access the surplus. It will be for trustees and employers to decide when and how they do so and how surplus is shared with members.
- For schemes open to new entrants, ongoing surplus can be used to meet £30 billion of the cost of accrual.

TPR concludes that: *“Now is the time for trustees to understand all the options and plan to determine the future of their schemes over the following decade. Doing so will ensure that pension schemes are well run, provide savers with the benefits they are expecting, and enable both savers and sponsors to use the material buy-out surplus that now exists.”*

Given that the new funding and investment strategy regime requires trustees to engage in long-term planning, this is something that most schemes will already have given considerable thought to, so this analysis may not actually add much to the picture in practice.

#### **Practical points:**

- *Where schemes have a surplus, consider whether to make use of new provisions in Pension Schemes Bill.*
- *Continue to consider endgame planning and options.*

## **PPF LEVY FOR 2026/27**

*The PPF has published its final levy rules for 2026/27 and an accompanying policy statement. They confirm that there will be a zero levy for conventional DB schemes and a small levy for alternative covenant schemes.*

The PPF had already announced that it was intending to charge a zero levy for conventional DB schemes, provided that changes were made in the Pension Schemes Bill to allow it to increase the levy in the future. As the PPF is now confident that those provisions will become law, the [final levy rules](#) confirm that position.

The PPF's [policy statement](#) notes that there are provisions in the [Pension Schemes Bill](#) which will increase PPF compensation by providing for the indexation of pre-1997 benefits. However, the PPF considers that its current funding position and future projections allow it to absorb the financial impacts of this change whilst still allowing for a zero conventional levy.

As a result of the levy decision, the PPF is reconsidering the data it needs from schemes. They will still need to submit an annual return via Exchange which must still include information on section 179 valuations and asset-backed contributions. However, schemes will no longer need to provide:

- voluntary information that was previously submitted to obtain a levy saving, including: deficit reduction contribution and contingent asset certifications; or
- any data previously submitted directly to the PPF - such as ABC certificates, contingent asset documents, special category employer applications and exempt transfer evidence.

The PPF will continue to charge a levy for “alternative covenant schemes” (ASCs). These are schemes that are not supported by a traditional employer covenant such as superfunds. Given the small number of such schemes, the PPF considers that they present a limited risk but acknowledges that this could change and it is concerned to *“ensure that conventional levy payers are shielded from any levy impacts of this emerging market”*. As a result, it will continue to charge a risk-based levy in relation to ASCs and will keep this under review in future years. It will also carry out a review of the levy methodology in relation to ASCs to ensure that the levy is proportionate to the risk that superfunds pose.

#### **Practical points:**

- *Note the zero levy for 2026/27*
- *Be aware of the changed information requirements.*

## PENSION SCAMS

*The Pensions Regulator has issued a [new scam alert](#) to the industry warning that fraudulent individuals are obtaining member data and using it to access their pension accounts. The Regulator is urging trustees and administrators to be vigilant.*

Data has shown that there has been a year-on-year increase in reports of impersonation fraud involving unauthorised access to members' accounts, particularly in relation to scheme members living in Africa. The fraud has resulted in significant losses of pension savings, with around £500,000 lost between 2021 and 2025 and a further c.£2,500,000 at risk.

TPR is urging trustees and administrators to:

- review identity and verification check procedures to ensure they remain robust;
- review data security for letters and documents that are posted to overseas addresses;
- encourage members to strengthen online security by adopting two-step verification and stronger passwords; and
- tell Report Fraud about any suspected fraud immediately, even if they are not completely sure.

### *Practical points:*

- *Review identity and other security checks.*
- *Consider advising members to update their online security.*

## UPDATE ON CHANGES TO NORMAL MINIMUM PENSION AGE

*The earliest age at which it is possible to retire for most people will change from 55 to 57 on 6 April 2028. We are still awaiting some detail about the mechanics of the change and a [recent HMRC newsletter](#) provided an update.*

Normal minimum pension age is the earliest age that benefits can be taken for most people except on incapacity grounds. It is currently age 55 but legislation is in place to increase it to 57 from 6 April 2028. The legislation also sets out details of when members will have an entitlement to retain an earlier pension age.

However, what is not clear is what the position is in relation to members who will already be over the age of 55 when the change is made in 2028, but who will not yet have reached age 57 at that point in time. HMRC said in its [most recent newsletter](#) that work “on the transitional regulations that will support the implementation of the normal minimum pension age increase is ongoing” and the regulations “are intended to ensure that individuals who are entitled to and have already begun receiving their pension benefits can continue to do so without interruption”.

Although legislation provides for the minimum age at which benefits can be taken, this has to be considered alongside the scheme rules. Schemes do not have to permit benefits to be paid from the minimum pension age - they can set out a higher age. Alternatively, where scheme rules historically provided members with a right to a lower pension age, members may have retained a right to retire at that lower “protected pension age”. HMRC reminds schemes that there are rules around when members may retain a protected pension age following a transfer to another pension scheme and circumstances in which this right may be lost. HMRC specifically refers scheme administrators to [guidance on block transfers and wind-ups](#) and additional guidance around [the right to take benefits before age 57](#).

### *Practical points:*

- *Watch out for more on transitional provisions around increase in normal minimum pension age.*
- *Ensure administrators are aware of when protected pension ages can be lost and identify members who might benefit from them.*

## WATCH LIST

Topic	Details	Relevant dates
1. <b>Collective defined contribution schemes</b>	The Government has issued draft regulations permitting CDC schemes for unconnected employers, paving the way for commercial providers to offer such schemes. It has also consulted on the possibility of allowing trustees to select retirement only CDC arrangements as a default retirement option for members	Regulations intended to come into force in July 2026 on unconnected employer CDC. Consultation on retirement CDC arrangements closed on 4 December 2025. Consultation closed on TPR's CDC code of practice on 13 February 2026.
2. <b>Dashboards</b>	Trustees of the majority of registrable UK schemes with active and/or deferred members will need to ensure that their scheme is connected to the dashboard eco-system over the next 8 months.	Compulsory connection deadline of 31 October 2026 for schemes with 100+ active and/or deferred members at year end between 1 April 2023 and 31 March 2024.  Detailed staging timetable set out in DWP guidance.
3. <b>Decumulation options - DC</b>	The Pension Schemes Bill will require trustees to provide access to a default retirement solution for DC members.  See 1. above for use of CDC schemes as a solution for these purposes.	Provisions in Pension Schemes Bill due to be enacted in 2026 with regulations also anticipated in 2026.  Phased implementation from 2027.
4. <b>Default funds - DC</b>	The Pension Schemes Bill will require multi-employer master trusts and GPPs used for auto-enrolment to have a main default fund with assets of £25 billion. It also sets out a regime for the approval and supervision of such funds.	Provisions in Pension Schemes Bill due to be enacted in 2026. Requirements in force in 2030 with transitional provisions to 2035.
5. <b>Virgin Media remediation - DB</b>	Pension Schemes Bill will allow actuaries to retrospectively certify an amendment to contracted-out benefits where historic confirmation cannot now be found.	Bill due to be enacted in 2026.
6. <b>Small pots consolidation - DC</b>	The Pension Schemes Bill provides for the consolidation of dormant DC pots of £1000 or less. Consolidators are likely to be DC master trusts.	Provisions in Pension Schemes Bill due to be enacted in 2026. Consolidators selected in 2029 and consolidation to start in 2030.
7. <b>Superfunds - DB</b>	The Pension Schemes Bill sets out a framework for the authorisation and supervision of superfunds and transfers to them.  The possibility of a public consolidator is still being considered.	Provisions in Pension Schemes Bill due to be enacted in 2026 with regulations anticipated in 2027. Coming into force in 2028 alongside a new code of practice.

Topic	Details	Relevant dates
8. <b>Surplus - DB</b>	The Pension Schemes Bill will repeal the requirement to have passed a resolution before April 2016 to retain a power to distribute ongoing surplus and include a new statutory power to amend scheme rules to allow a refund.	Provisions in Pension Schemes Bill due to be enacted in 2026 with draft regulations also anticipated in 2026. Requirements in force in 2027 and guidance issued.
9. <b>Tax issues</b>	<p>Legislation has been published in the Finance Act 2026 in relation to inheritance tax (IHT) on inherited benefits and death benefits (excluding lump sum death in service benefits and dependants' scheme pensions).</p> <p>The 2025 budget has announced a cap on salary sacrifice arrangements for pension contributions of £2000.</p>	<p>IHT changes are anticipated to come into force from 6 April 2027.</p> <p>These proposals are due to be implemented in April 2029.</p>
10. <b>Value for money - DC</b>	Pension Schemes Bill allows for regulations to set out a new value for money framework for occupational pension schemes.	<p>Provisions in Pension Schemes Bill due to be enacted in 2026 with regulations also anticipated in 2026. First new assessments and published data in 2028.</p> <p>Joint consultation on TPR/FCA proposals closed on 8 March 2026.</p>

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