THE SOCIETY OF PENSION PROFESSIONALS
making pensions work

The Society of Pension Professionals (SPP) response to The Value for Money (VfM) Framework: Consultation on draft regulations and draft FCA rules (CP26/25)

1. Executive summary

1.1. **The SPP broadly supports the VfM Framework and phased implementation.**
Phasing and the shorter initial data-collection period is helpful in reducing implementation pressures.

1.2. **The SPP seeks greater clarity on scope and future coverage.**
SPP members would like clarification on AVCs, hybrid schemes, transfer arrangements and DC scheme clients in trust-based schemes (including SETs), as well as strongly supporting the extension of the framework to non-workplace, decumulation and CDC arrangements.

1.3. **The SPP supports the revised investment methodology but wants tighter controls on forward-looking metrics.**
The SPP supports geometric averaging and ASD, but believes backward-looking performance should carry greater weight and FLMs should be capped at around 30%.

1.4. **The SPP favours a proportionate approach to asset allocation, costs and charges.**
The below response questions some additional disclosure requirements and supports practical methods that avoid excessive data burdens, misleading outliers and commercially sensitive disclosures.

1.5. **The SPP supports the proposed Quality of Service measures.**
There should be consistent definitions, appropriate context for STP data and clear treatment of partly upheld Financial Ombudsman decisions.

1.6. **The SPP strongly supports separating decumulation aims.**
Annuity, drawdown, CDC and hybrid strategies require appropriate comparator groups and flexibility where comparator groups are too small.

1.7. **The SPP welcomes the simplified Year 1 approach and supports proportionality beyond Year 1.**
SETs, bespoke, legacy and non-commercial arrangements should have access to a simplified assessment route where detailed analysis would impose disproportionate costs.

1.8. **The SPP wants safeguards against unintended market consequences.**
There must be contextual use of comparative metrics and equal treatment of trust and contract-based schemes, while seeking protection against commercial use of unpublished data, league-table behaviour and excessive convergence of investment strategies.

2. Consultation response

Chapter 2: Scope and Thresholds

Question 1: Do you have any comments on our proposals for phasing?

2.1. The SPP welcomes proposals for phasing as we believe that this will ease the transition to the new VfM regime for smaller and medium sized schemes.

2.2. The intention to avoid automatic consequences for receiving an amber or red rating is also welcome.

Question 2: Do you have any comments on our proposal to limit the first data collection period to 6-months?

2.3. Overall, we welcome the effective deferral of the start of the data collection period by six months. However, we also recognise that the reduction of the first data collection period to six months will exaggerate any QoS issues (whether positive or negative) experienced during that time.

Question 3: Do you have any concerns about our proposed exemptions and inclusions?

2.4. The SPP is unclear as to precisely what is meant by "in-house Additional Voluntary Contribution (AVC) arrangements" in the context of being exempt from the VfM framework. A common interpretation of "in-house" would be that it is managed within the pensions department of an employer sponsoring a Single Employer Trust. However, many AVC arrangements, although legally within a SET, are administered by a third-party provider. We do not believe that the exemption for AVCs should depend on how it is actually administered. Similarly, draft regulation 4(2) refers to an AVC arrangement that is "set up by the employer" as not being a VfM arrangement. The reference to being set up by the employer is likely to cause confusion in the context of a trust-based scheme that is run by trustees. It would therefore make sense for policymakers to clarify this at the earliest available opportunity.

2.5. We note that there is still an intention for DC elements of all hybrid arrangements to potentially be in scope. If this is the case, then a substantial communication exercise to publicise this will be necessary. We are concerned that many hybrid schemes will consider themselves to be "DB" and will not have paid much attention to the VfM framework consultations and not considered whether it could apply to them. Consequently, many hybrid schemes may not have made any plans to comply with the VfM framework.

2.6. In addition, the unique structures of hybrid schemes may mean that disclosures and enforcement actions, intended to relate to DC elements only, may have more damaging effects on wider scheme reputation and ongoing operations. These should be fully explored and understood before a framework is imposed that could result in unintended consequences, including the potential for member detriment.

2.7. We welcome the statement in paragraph 73 of the consultation response, that "fund mapping" should not result in the creation of "accidental default" arrangements.

Question 4: Do you agree with the proposed exemptions (full and partial) for contract-based arrangements where there is a transfer or a plan to transfer? Why or why not?

2.8. As we said in our response to CP26/1, we agree with the proposed exemptions

2.9. However, we think further guidance will be needed for the partial exemption to clarify what a "clear plan to transfer all members" and notification to the FCA means in this context.

2.10. **Question 5: Do you have any further comments on our proposed scope?**

2.11. As we noted in our response to CP 26/1 there are currently more detailed VfM assessment requirements for relevant DC trust-based schemes with under £100m of total assets. We strongly believe that these additional requirements should be revoked when the VfM framework comes into force and would welcome a clear statement that this will happen.

2.12. As previously stated, we believe that bringing non-workplace pensions with the VfM framework is essential. We therefore welcome the statement, in paragraph 28 of the consultation document, that FCA intends to broaden the scope of the VfM framework to include a wider range of schemes, including those in decumulation. However, we believe that a clear indication as to the timescale for this extension of scope will be very helpful.

2.13. Similarly, we note the consultation document comments about the possible future inclusion of CDC schemes within the VfM framework. We do not see any reason in principle for CDC schemes to be excluded and therefore think they should be included as soon as possible. Postponing implementation for all schemes until CDC schemes are ready would ensure immediate market-wide parity (consistent with delaying Guided Retirement requirements for R-CDC) and would be members preferred option. However, should policymakers proceed on the current timeline, clear guidance and appropriate categorisation for CDC arrangements will be vital.

2.14. Chapter 3: Investment performance – Backward-looking metrics (BLMs)

2.15. **Question 6: Do you agree with the proposed updated methodology? Do you envisage any issues with calculating investment performance metrics on a basis that tracks members experience over time, while excluding contributions? Please specify where problems might arise, if any.**

2.16. Yes. We support the proposed updated methodology. A geometric averaging approach that tracks member experience over time is a sensible improvement and should provide a more realistic picture of investment performance than the previous arithmetic approach. We do not anticipate significant issues with excluding contributions, provided the methodology is applied consistently across arrangements.

2.17. **Question 7: Do you agree with the removal of standalone BLM disclosures at 5YTR? Are there any issues associated with its removal?**

2.18. Yes. We agree with removing standalone 5YTR disclosures, particularly given the revised approach to comparing 0YTR arrangements by intended decumulation aim. This should reduce reporting burdens and avoid comparing arrangements targeting different retirement outcomes on an inappropriate basis.

2.19. However, removing 5YTR disclosures means less visibility of the de-risking phase immediately before retirement. We would therefore support disclosure of longer-term performance histories, where available, to give trustees, IGCs and employers a fuller picture of how strategies have performed through the glidepath.

2.20. **Question 8: Are you comfortable with ASD as a risk metric for all arrangements, or should some arrangements calculate their volatility metrics differently. Please specify under what circumstances and what modified calculations you would recommend.**

2.21. We support retaining annualised standard deviation as the common risk metric across all in-scope arrangements. ASD is well understood, can be calculated from the monthly return series already required for the backward-looking metrics, and provides a consistent market-wide measure.

2.22. However, ASD is an incomplete measure of risk at 0YTR, particularly for arrangements targeting specific retirement outcomes. For example, credit assets can have asymmetric risk profiles, with limited upside but material downside risk from credit events. Similarly, for arrangements targeting annuity purchase, the key risk is not asset volatility in isolation but the extent to which assets diverge from the changing cost of securing the intended annuity income.

2.23. Any modified metric should apply only where an arrangement is classified in the annuity category and its investment objective explicitly seeks to preserve or track annuity purchasing power. Standard ASD should still be disclosed by all arrangements, with any annuity-relative measure reported as a separately labelled supplementary metric, based on a centrally prescribed annuity-price benchmark.

2.24. **Question 9: Are there any circumstances in which a scheme would not have access to the historical cost information required to apply the same chain-linking methodology to costs as done to gross performance figures, noting the more limited scope under which chain-linking is applicable?**

2.25. We have no significant comments. In principle, schemes should be able to access the historical cost information required, although there may be practical challenges for older legacy arrangements, arrangements that have undergone restructuring, or those affected by provider transitions.

2.26. **Question 10: Would there be a material reduction in burden if net performance were to be calculated first, and then chain-linking applied to it, rather than chain-linking costs in order to derive accurate net performance metrics?**

2.27. Again, we have no significant comments. Where net performance can be calculated first and then chain-linked in a way that produces materially equivalent outcomes, this may reduce operational burden and calculation complexity. A simpler approach should be preferred where it does not undermine comparability or accuracy.

2.28. **Question 11: Would trustees or firms have the necessary data to retrospectively determine if an arrangement would have been classed as quasi-default up to 10 years prior, so as to apply chain-linking where necessary?**

2.29. We have no significant comments. Trustees and firms should generally be able to determine whether an arrangement would historically have been classed as quasi-default, but this may be more difficult where historical governance records are incomplete or where arrangements have undergone material changes over time.

Chapter 4: Investment performance – Forward-looking metrics (FLMs)

2.30. **Question 12: Do you agree with the proposed requirements for FLM disclosures and safeguards? Why or why not?**

2.31. Yes. In particular, we support retaining arrangements' own capital markets assumptions, and disclosing these.

2.32. However, disclosure will only operate as an effective safeguard if figures are prepared on a sufficiently common basis. Regulators should prescribe key methodological points, including whether expected returns are arithmetic or compound, nominal or real, gross or net of costs, and how stochastic modelling outputs should be presented.

2.33. We also consider it important that FLMs play a secondary role to backward-looking metrics. Historic performance reflects actual investment and governance decisions and should carry greater weight than assumptions about future performance. Allowing FLMs to be weighted too heavily could incentivise underperforming arrangements to place excessive reliance on optimistic projections or make unnecessary strategy changes, potentially increasing costs and encouraging poor investment timing. In the assessment process, FLM weight should be capped at, say, 30%.

2.34. Finally, we would support a more active role for the regulators, particularly TPR, in identifying and challenging FLMs that appear materially out of line with reasonable market expectations. Reliance on market scrutiny alone may not be sufficient to ensure consistency and credibility across the framework

2.35. Chapter 5: Asset Allocation Disclosure

2.36. **Question 13: Do you agree with our revised proposals in relation to Asset Allocation? Please provide details of any concerns you have relating to our proposals.**

2.37. The SPP does not foresee significant difficulty in providing the information in the format proposed. However, notwithstanding the additional explanation included in the consultation regarding the purpose of asset allocation disclosures, we continue to question both the necessity and practical usefulness of these disclosures.

2.38. We also reiterate that Single Employer Trusts are already required to provide similar information through the Chair's Statement. We comment further on the overlap with the Chair's Statement in our response to Question 35.

2.39. **Question 14: Do you have any comments on the definitions used above? In particular, do you have any comments on the definition of ‘UK-based entity’? Is there an alternative definition you would suggest?**

2.40. The SPP notes that ‘UK-based entity’ is referred to throughout the proposals but is not expressly defined. Greater clarity would be helpful to support consistent application across schemes and managers.

2.41. Different tests for ‘UK’ status are applied across bond asset classes. Corporate bonds are classified using a "UK-registered company and subsidiary" test, whereas securitised and other bonds use a "UK-based entity" test. This may result in inconsistent treatment of economically similar exposures and reduce comparability between schemes.

2.42. We recommend adopting a single, clearly defined methodology across all bond categories. If "UK-based entity" is retained, the consultation should define precisely whether this refers to place of incorporation, tax residence, headquarters location or another criterion.

2.43. The distinction between venture capital and growth equity is not consistently defined across the private markets industry. The proposed definitions are high level and may result in different classifications of similar investments by different managers. Consideration should be given to either (in order of most to least preferable):

- treating private equity as a single asset class (consistent with the treatment of public equities) for the purposes of asset allocation reporting;
- permitting managers to rely on the underlying fund manager's stated strategy classification, provided a consistent approach is applied over time; or
- providing additional guidance on the characteristics expected for each category (e.g. revenue generation, profitability, business maturity and purpose of capital).

2.44. The proposed definitions may not always capture the underlying economic exposure of investments. This is particularly relevant in venture capital and growth equity, where UK-founded and UK-operated businesses are often held through overseas parent/holding companies (particularly Delaware corporations).

2.45. Consideration should be given to whether the objective is to measure legal domicile or economic exposure to the UK, as these concepts can diverge significantly in private markets.

2.46. **Question 15: Do you agree with our proposed definitions? In particular, do you agree with our definitions of UK assets? Are there any areas where definitions need to be tightened to ensure consistency of measurement?**

2.47. Our response to Question 14 similarly applies here. We believe it would be helpful to provide an example of what might constitute ‘other’ markets within listed equities e.g. is the proposal looking to split out frontier and standalone markets?

Chapter 6: Costs and Charges

Question 16: Based on the new proposed calculation methodology, we would be interested in views on whether, to help mitigate the risk that there are few – or no – members within the retirement cohorts it would be more practical to calculate the median based on the number of employers, rather than members.

2.48. The SPP supports an employer-weighted median for commercial terms, subject to safeguards. It is easier to produce and prevents a small number of members in thin cohorts from disproportionately affecting the result. However, it may give undue weight to very small employers and fail to reflect the experience of most members. The employer-weighted figure should therefore be accompanied by the member distribution or assets under management. A member-weighted measure could remain available where the data is sufficiently robust.

Question 17: We would be interested in views on whether all multi-employer arrangements should disclose maximum, minimum and median cost metrics, in order to highlight variations in the treatment of small or large pots.

2.49. The SPP supports range disclosure only where charging structures genuinely vary, with appropriate treatment of outliers. Requiring maximum, minimum and median figures for every multi-employer arrangement may be redundant or misleading e.g. where a uniform percentage charge applies, the three figures will be identical. Where charges include a fixed amount, expressing the theoretical maximum as a percentage may distort the position for members with very small pots. Maximum, minimum and median figures should therefore only be required where charges differ materially by pot size, employer-specific terms or both. A single figure should suffice where a uniform percentage charge applies.

2.50. The framework should also distinguish between the highest charge actually paid by a current member and a theoretical maximum based on extreme assumptions. Range figures should be accompanied by pot-size percentiles and sample sizes so readers can assess whether the extremes are representative.

2.51. As noted previously, granular disclosure may also reveal confidential negotiated pricing, particularly where few employers participate. The framework should therefore include safeguards, such as suppressing range data below a minimum employer threshold.

2.52. **Question 18: We would be interested in views on whether member-level calculations (Option A) or the model pot size approach (Option B) would be more effective.**

2.53. Option A is more precise in principle because annual member-level calculations would reflect each individual's experience. In practice, it would require complete records of pot values, contributions and glidepath positions for every member and year. This may be disproportionately costly or impossible for legacy systems, closed books and arrangements with incomplete historical data. The volume and complexity of the data would also make external assurance difficult.

2.54. Option B better addresses the operational concerns raised in the first consultation. Using representative small, median and large pots avoids exact cohort and member-level calculations while showing how charges vary by pot size. However, the design could be improved further: the 10th and 90th percentiles may not be appropriate in all cases (particularly those with skewed distributions); guidance is needed where a flat fee cannot be charged in full because of pot size; average contributions may not reflect actual behaviour; combining the smallest pot with the highest employer charge may create an artificial worst case; and the framework should clarify whether calculations are based on members, pots or assets under management.

Question 19: Do you agree with our suggestion that the variable effects of complex charging structures on pots of different sizes should be disclosed separately from the effects of commercial variations of fee terms? Do you agree with our proposal for achieving this?

2.55. The SPP supports separate disclosure in principle, but full disaggregation must not create an unwieldy data matrix that reduces readability without improving decision-making.

Question 20: How should the separate pot size effect disclosures be used in the assessment of value? Should they be based on peer-to-peer comparisons 128 (consistent with the rest of the VfM Framework) or should trustees / IGCs carry out value assessment internal to the arrangement, to determine whether the small pot members are excessively disadvantaged compared to their fellow members with larger pots?

2.56. The SPP supports both peer comparison and internal fairness assessment, but internal assessment should carry greater weight when deciding whether action is needed.

2.57. Peer comparison can show whether an arrangement's treatment of small-pot members is materially out of line with the market and, if so, prompt further investigation.

2.58. However, benchmarking has limits. If poor outcomes are widespread, peer comparison may normalise them. Conversely, higher charges may reflect additional services, absorbed costs or legacy structures that benefit long-standing members. Peer data should therefore be used only with appropriate context.

Chapter 7: Quality of Services

Question 21: Would it be helpful if we defined STP as a fully automated process for the purposes of VfM and asked schemes to confirm: • What percentage of payments fall within this definition? • The mean and range of all contributions falling outside this definition?

2.59. We support the proposed definition of Straight-Through Processing (STP) as a fully automated process for the purposes of the VfM Framework. A clear and consistent definition should improve comparability across schemes and providers.

2.60. We also support greater transparency regarding transactions that fall outside a fully automated STP process, as this can provide useful insight into the member experience and operational resilience.

2.61. However, any disclosure should be accompanied by meaningful volume measures and context. Where only a small number of transactions fall outside STP, mean and range data in isolation may be misleading and disproportionately influenced by individual outliers. Consideration should therefore be given to reporting both the proportion and number of exceptions, alongside appropriate explanatory narrative.

Question 22: Do you agree that the metrics for trust-based and contract-based complaints processes are now comparable? Are there any further steps that we should take?

2.62. We broadly agree that the updated proposals make trust-based and contract-based complaints metrics more comparable; we support retaining a single broad definition of "complaint" so all member dissatisfaction is captured.

Question 23: Are partly upheld Financial Ombudsman decisions recorded as a separate category by firms or included within the upheld figures?

2.63. The SPP has found that market practice varies across firms and administrative platforms. Some contract-based providers and third-party administrators include partly upheld Financial Ombudsman Service (FOS) decisions within their overall "upheld" figures, treating any decision where a complaint is not rejected in full as upheld. However, other firms record partly upheld decisions as a distinct reporting category for internal quality tracking.

2.64. To ensure consistency and comparability across both trust-based and contract-based arrangements within the VfM Framework, we recommend that regulatory guidance explicitly specifies how partly upheld decisions should be classified.

2.65. To maintain alignment with standard FOS reporting and avoid underreporting member dissatisfaction, we suggest that partly upheld complaints be formally included within total upheld figures, with the option for schemes to provide narrative context where appropriate.

2.66. Chapter 8: Assessment Process

Question 24: Do you agree with the proposed approach to consider decumulation aims separately for the 0 YTR cohort? Why or why not?

2.67. We support the principle of separating the OYTR comparator group by decumulation aim. The investment strategy appropriate for a member approaching retirement under a drawdown pathway differs fundamentally from that appropriate for one targeting annuity purchase. We echo feedback that the FCA received to CP26/01 that comparing performance across arrangements targeting different decumulation aims without adjustment could unduly penalise arrangements targeting certain decumulation solutions and distort assessments of value. For instance, an arrangement de-risking into assets sensitive to interest rates, to prepare for annuity purchase could be structurally penalised relative to one maintaining exposure to equities ahead of drawdown.

2.68. We consider that this issue will become increasingly important as trustees prepare for the introduction of the upcoming Guided Retirement duty introduced by the Pension Schemes Act 2026. Default Pension Benefit Solutions will reflect investment strategies calibrated to specific decumulation outcomes. Failure to cater for different decumulation aims could create perverse incentives to adopt generic strategies rather than develop scheme-specific solutions which reflect different member profiles and preferences. This could undermine the policy intent of both the VfM Framework and the Guided Retirement regime. As we noted in our response to the FCA's VfM consultation in March 2026, confirmation of how VfM will be assessed in decumulation is particularly important to enable trustees and providers to incorporate reporting and assessment obligations from the design stage to allow for efficient product development.

2.69. We also note that the minimum comparator group size of four arrangements could create a significant practical risk, particularly in the initial years after the VfM Framework and Guided Retirement Duty come into force, as there may initially be few direct comparators for any new default pension benefit solutions. Decumulation sub-categories may therefore not contain four qualifying arrangements. We note that the decumulation comparator sub-group is made up of three or fewer arrangements, then arrangements with that decumulation aim must compare against the whole commercial market comparator group, which could run counter to the policy objectives for the sub-group approach. We recommend keeping the four-arrangement minimum under review as this market develops and considering introducing guidance and/or transitional arrangements to allow meaningful step 3 rationalisation where sub-group comparisons are unavailable.

2.70. We also note that arrangements whose decumulation strategy does not fit any specified category are required to select "Other" and compare against the whole commercial comparator group. This may not be appropriate for retirement collective defined contribution arrangements, or hybrid or phased decumulation solutions. We address this further in our response to Question 26.

Question 25: Would decumulation aims be more appropriately considered in step 3 rationalisation?

2.71. We support the proposal that comparisons in Step 1 would be made against a sub-group of the arrangements in the commercial market comparator group which have the same decumulation aim as the arrangement being assessed. The decumulation aim of an arrangement fundamentally shapes its investment profile at the OYTR point. Applying a misaligned comparator group could therefore systemically distort provisional assessments of value at step 1. We therefore believe that considering decumulation aims solely in step 3 rationalisation would result in unnecessarily inefficiencies in and uncertain outcomes in the VfM assessment process.

2.72. Nevertheless, we support the proposal that step 3 rationalisation remaining available as a supplementary mechanism where the comparator group is too small (three or less) or because it falls into the "other" category, particularly in the case of innovative and/or phased default pensions benefit solutions tailored to the needs or preferences of particular schemes. In those circumstances, rationalisation could enable trustees to carry out appropriate contextualisation where a step 1 finding results from an incompatible comparator group rather than from genuine underperformance. We would welcome guidance which confirms that decumulation strategy design is a legitimate basis for rationalisation in such cases.

Question 26: Do you agree with the decumulation aim sub-categories? Why or why not? Are they sufficiently clear, or do they need to be defined?

2.73. We would recommend that the sub-categories should be kept under active review as trustees developing and implement default pension benefit solutions. We also note that there is a risk that the decumulation aim sub-categories could influence (or even distort) product design decisions, as trustees start to comply with the Guided Retirement Duty, if they do not cater for innovative or scheme-specific designs.

2.74. As noted above (Q24), trustees designing and implementing default pension benefit solutions may develop retirement collective defined contribution arrangements, or hybrid or phased decumulation pathways that do not correspond to any single decumulation aim sub-category. These approaches (e.g. partial annuitisation at a specified age combined with an ongoing drawdown element), may not fall clearly within "annuities" or within "Drawdown/flexible/universal/flex-and-fix decumulation". Defaulting such arrangements to the whole commercial comparator group at step 1 could systematically disadvantage innovative and scheme-specific designs. We recommend either introducing dedicated categories for retirement collective defined contribution arrangements, and hybrid or phased decumulation strategies, and/or confirming clearly in guidance that arrangements categorised as "Other" may rely on step 3 rationalisation to demonstrate that their OYTR performance is consistent with their stated strategy, and that this recourse is not to be treated as exceptional or as a concession from an otherwise adverse finding.

2.75. **Question 27: The proposed shift in approach for the first year of the Framework moves away from a more granular assessment of value that we have consulted on previously. We welcome feedback on where stakeholders consider there to be concerns in relation to the data sets, the proposals set out in CP26/1 for the publication and use of multi-employer cohorts, and the proposed changes.**

2.76. The SPP welcomes the proposed shift in approach for Year 1 away from the more granular assessment previously consulted on in CP26/1. As we highlighted in our March 2026 response to CP26/1, requiring highly detailed, cohort-level data collection and publication from the outset introduces substantial operational complexity, data reconstruction challenges, and significant implementation costs. These costs are ultimately borne by schemes, sponsoring employers, and members, often without providing a proportionate increase in insight or member value.

2.77. While we support Year 1 simplification as a pragmatic step that allows the framework to be tested safely without imposing disproportionate operational strain, we retain several key concerns regarding the underlying data sets and multi-employer cohort proposals:

- **Data Availability, Consistency, and Legacy Systems**
  Collecting granular cohort-level data across diverse arrangements remains problematic. Legacy structures and non-standard options often require manual data extraction or system re-engineering. Forcing granular reporting across these datasets creates a high risk of incomplete, inconsistent, or misleading data submissions.

- **Multi-Employer Cohort Granularity and Commercial Sensitivity**
  In line with the concerns raised in our March 2026 submission regarding CP26/1, the public disclosure of granular multi-employer cohort data creates significant commercial confidentiality issues and potential market distortion. In multi-employer arrangements, pricing, employer subsidies, and pot size distributions vary widely between participating employers. Publishing uncontextualised cohort data risks misinterpreting value, as higher charges or lower net returns for a specific cohort may reflect specific employer-negotiated features, legacy terms, or small-pot distributions rather than poor scheme governance.

- **Risk of Misinterpretation.**
  Excessively detailed datasets risk creating operational noise rather than clarity. For governance bodies (trustees and IGCs), comparing highly granular cohorts across different commercial master trusts can lead to misaligned comparisons if non-price value drivers (such as scheme-specific governance, employer engagement, or tailored member support) are omitted.

2.78. Overall, we consider the Year 1 simplified approach to be a pragmatic improvement that addresses these immediate implementation risks. However, as noted in our responses to Questions 29–31 below, we urge the regulator to consider maintaining proportionate, simplified data routes beyond Year 1, particularly for non-commercial multi-employer schemes and Single Employer Trusts (SETs), supported by robust contextual narrative disclosures rather than mandatory high-granularity data publishing.

2.79. While we support the Year 1 simplification as a pragmatic initial step to test the framework safely, we do not view simplification merely as a temporary transition mechanism. As detailed in our responses to Questions 29 - 31, maintaining a proportionate, simplified assessment route on an ongoing basis will be essential for SETs and non-commercial schemes to prevent disproportionate costs.

2.80. **Question 28: Does the second factor for consideration proposed for weighting BLMs and FLMs risk excessive use of FLMs? If so, should we restrict this factor more explicitly? For example, to significant investments in assets affected by 'J-curves'?**

2.81. Yes, the SPP considers that there is a genuine risk of excessive reliance on Forward-Looking Metrics (FLMs) under the second proposed factor as currently drafted.

2.82. As highlighted in our March 2026 response to CP26/1, Backward-Looking Metrics (BLMs) provide essential, objective evidence of actual net returns achieved by members. Historic strategy and performance decisions are factual reflections of an investment team's skill and expertise. In contrast, FLMs inherently rely on subjective modelling assumptions and market projections.

2.83. Allowing FLMs to be weighted by up to 50% under a broad second factor creates several key risks:

- **Excessive Risk-Taking near Retirement**
  Heavy reliance on optimistic FLMs for the 0 Years to Retirement (0YTR) cohort could encourage excessive risk-taking as members approach decumulation, heightening sequencing risk.

- **Perverse Incentives for Strategy Changes.**
- High FLM weightings may incentivise strategists to alter underperforming strategies simply to justify placing greater weight on prospective FLMs, driving up turnover and transaction costs.

- **"Sell Low, Buy High" Dynamic.**
  Overweighting FLMs following recent BLM underperformance risks embedding a "sell low, buy high" mentality, abandoning disciplined long-term strategy for prospective models.

- **Masking Underperformance.**
- Left unrestricted, schemes experiencing poor BLM performance could routinely overweight optimistic FLMs to avoid an adverse rating. To maintain a robust framework, we recommend the following explicit restrictions and safeguards:

- **Explicit Restriction to 'J-Curve' Assets.**
  Limit this factor strictly to significant investments in illiquid or private market asset classes (such as private equity, venture capital, and infrastructure) subject to recognised 'J-curve' dynamics, where short-term historical returns are naturally depressed before long-term value is realised.

- **Materiality Thresholds.**
  Require the J-curve investment to represent a material proportion of the default or cohort asset allocation, preventing minor peripheral holdings from justifying widespread FLM usage.

- **Regulatory Scrutiny of Assumptions.**
  Alongside mandatory disclosure of underlying FLM assumptions, regulators (TPR/FCA) should take an active central role in challenging unrealistically high or aggressive projections, rather than relying solely on the market or governance bodies.

- **Governance Rationale.**
  Trustees or IGCs weighting FLMs higher under this restricted factor must provide a documented governance rationale addressing intergenerational fairness, 0YTR risk exposure, and fee impacts. Tightening this factor keeps BLMs as the primary baseline while preserving necessary flexibility for illiquid and productive finance investments without compromising member protection.

Question 29: Do you agree with the simplified approach proposed for multi-employer arrangements for year 1? Why or why not?

2.84. We agree with the proposed simplified approach for multi-employer arrangements for year 1. We consider that simplification is justified not only as an implementation easement, but as an important element of a proportionate VfM framework. A simpler and more proportionate assessment process may itself support member value by reducing operational burden, implementation cost and unnecessary complexity, particularly for trust-based schemes and non-commercial multi-employer arrangements.

2.85. VfM assessments are not cost-free. They are costs ultimately borne by schemes, sponsoring employers, providers or members. A highly granular framework may therefore have a negative value impact if the additional complexity does not produce a clear and proportionate benefit for members.

2.86. We also support the year 1 approach because it addresses genuine competition and confidentiality concerns while retaining sufficient regulatory visibility over the underlying data.

2.87. This is particularly important for non-commercial or restricted multi-employer trust arrangements. Not all multi-employer trusts are open commercial master trusts or consolidation vehicles. Some may be linked to a particular employer group, sector, industry or affinity population. For those arrangements, a commercial market comparator may be a useful reference point, but it may not always provide a reliable or proportionate basis for assessment.

2.88. For that reason, we support the simplified year 1 approach and suggest that the regulators should consider extending a simplified route beyond year 1 for non-commercial multi-employer trust arrangements where more granular assessment would impose disproportionate cost without providing meaningful additional insight for members.

2.89. **Question 30: Do you agree with the simplified approach proposed for single employer arrangements for year 1? Why or why not?**

2.90. We agree with the simplified approach proposed for single-employer arrangements for year 1. We also consider that there is a strong case for permitting a simplified or modified assessment route for SETs beyond year 1 where applying the full comparator process would impose disproportionate burden or would not produce a materially better assessment of member value.

2.91. We support the proposed phasing for SETs. It recognises that there are practical limits to applying the full VfM assessment immediately across all single-employer arrangements, and that a first-year simplified approach is a sensible way to test the framework without imposing unnecessary cost.

2.92. SETs are not necessarily comparable with commercial multi-employer arrangements. SETs may have different employer relationships, governance arrangements, service models, member demographics, cost structures, employer support mechanisms and legacy features. These differences may be valuable to members but not fully reflected in standardised comparator metrics. The commercial market comparator may therefore be useful as a broad market reference point, but it should not be treated as a like-for-like SET comparator.

2.93. We therefore consider that year 1 simplification is appropriate for SETs, and that the regulators should consider whether SETs require a longer-term simplified or modified assessment route. That would not remove SETs from the VfM framework. Rather, it would recognise that a more complex, commercial-market style comparison may impose cost and governance burden without necessarily improving member outcomes.

2.94. This is particularly important for SETs and other non-commercial arrangements, where assessment costs may ultimately be borne by the employer or the scheme and indirectly by members. A proportionate simpler process may therefore be more consistent with member value than a detailed but costly comparator exercise.

2.95. We therefore support the simplified approach for SETs in year 1 and recommend that the regulators consider a continuing simplified or modified assessment route for SETs, especially where trustees can explain why additional granularity would not materially improve the assessment of value.

Question 31: Would the simplified approach be appropriate if it was applied from year 2 or on an ongoing basis, for all in-scope arrangements completing assessments, with consequences attached? In particular, we are interested in feedback on how it may impact the assessment outcomes of SETs, bespoke and legacy arrangements.

2.96. We consider that the simplified approach may be appropriate beyond year 1, including where consequences attach, provided that it is accompanied by appropriate trustee judgement, contextualisation and safeguards. A proportionate simplified assessment may be an important part of ensuring that the VfM framework delivers real member benefit without imposing unnecessary cost.

2.97. The operational burden concerns that led to phasing do not disappear after year 1. The cost and operational burden of granular data collection, cohort-level analysis, comparator exercises and reporting may remain substantial, particularly for SETs, non-commercial multi-employer trusts, bespoke arrangements and legacy arrangements. If those costs are not matched by meaningful additional insight for members, the additional burden may itself be inconsistent with value for money.

2.98. We therefore support the continuation of a simplified approach beyond year 1, particularly for arrangements that are not open commercial market propositions. This includes SETs and non-commercial or restricted multi-employer trust arrangements.

2.99. The commercial market comparator may be appropriate for open commercial master trusts and comparable arrangements, but it may be less reliable for SETs, sectoral trusts, employer-group arrangements, restricted multi-employer trusts or other non-commercial schemes.

2.100. A continuing simplified route may also help preserve diversity in pension provision. Not all well governed DC arrangements should necessarily be driven towards the same commercial master trust or consolidation model. SETs, employer-group trusts, sectoral arrangements and non-commercial multi-employer schemes may deliver value through governance quality, employer commitment, member understanding, scheme-specific service design or features that are not fully captured by standard metrics.

2.101. If the simplified approach continues beyond year 1, we recommend the following safeguards:

- trustees and IGCs should be able to explain why the simplified comparator is appropriate for the arrangement being assessed;
- where the comparator is not fully reliable, trustees and IGCs should be able to provide contextual narrative;

- more granular assessment should be required only where it is proportionate and likely to identify real member detriment or support meaningful action;
- non-commercial arrangements should not be forced into a commercial-provider assessment model where that would add cost without materially improving member outcomes; and
- the regulators should distinguish between systemic poor value and isolated poor value affecting a particular employer, cohort or section.

2.102. We therefore support the simplified approach continuing beyond year 1, but not as a purely mechanical assessment. It should operate as a proportionate, scheme-sensitive assessment route that allows trustees and IGCs to escalate to more detailed analysis where there is a clear reason to do so.

Question 32: Do you agree with the proposal for multi-employer arrangement consideration of minimum, median and maximum? Why or why not?

2.103. We agree in principle that trustees and IGCs of multi-employer arrangements should consider minimum, median and maximum net investment performance metrics, but we consider that this should be implemented proportionately and with appropriate contextualisation.

2.104. In a commercial multi-employer arrangement, a median-only measure may mask poorer value for particular employer cohorts or members with smaller pots. Maximum fee disclosures may be skewed by outliers, particularly where very small pots are included, but there may remain value in understanding the impact of complex charging structures across all members, including those with small pots for whom flat charges may offer particularly poor value.

2.105. However, the use of minimum, median and maximum metrics should not undermine the broader simplification objective. The additional analysis must be proportionate to the insight it provides and the member detriment it is capable of identifying.

2.106. We therefore support consideration of minimum, median and maximum metrics, but do not consider that they should automatically drive the rating without contextual explanation. A maximum figure may reflect a very small cohort, a small-pot effect, a legacy feature, a particular employer-specific arrangement, or a structural feature of a non-commercial multi-employer trust. In such cases, it may be disproportionate to require extensive ongoing analysis unless the data suggests a material risk of member detriment.

2.107. For non-commercial multi-employer trust arrangements, additional care is needed. The arrangement may be multi-employer in legal form but not comparable with an open commercial master trust. Where a non-commercial or restricted multi-employer trust is not comparable with the commercial market, minimum, median and maximum metrics should be used as prompts for trustee judgement rather than as automatic rating determinants.

2.108. The SPP therefore suggests the following approach:

- trustees and IGCs should consider minimum, median and maximum data where variable charges or materially different cohort outcomes exist;
- the framework should allow a simplified assessment where further granularity would add cost without meaningful member benefit;

- where a material divergence is identified, trustees and IGCs should explain its cause and whether it affects a material member cohort;
- the assessment should distinguish between systemic poor value and isolated cohort-specific issues; and
- narrative explanation should be available where the figures are affected by small pots, employer-specific pricing, subsidies, legacy features or non-commercial scheme structures.

2.109. This approach would preserve the benefit of minimum, median and maximum analysis while avoiding an overly burdensome process that may increase costs without materially improving member outcomes.

<u>Chapter 9: Actions for arrangements offering poor value</u>

Question 33: Do you agree with the proposed actions for not value arrangements? Why or why not?

2.110. The SPP does not believe there should be different requirements for trust-based and contract-based arrangements in relation to the submission of improvement and action plans. Clause 426 creates an inconsistency whereby trust-based schemes are subject to a fixed one month submission deadline, while contract-based arrangements are permitted to submit an unagreed plan and provide an updated agreed version later if discussions with the IGC are ongoing.

2.111. We consider the same flexibility should be available to trust-based schemes. Trustees may also need to engage with, and consult, a sponsoring and/or participating employers before finalising an improvement or action plan, particularly where the proposed actions could affect future contributions, scheme design or member outcomes.

<u>Chapter 10: Disclosure Requirements</u>

2.112. **Question 34: Do you anticipate that a shorter initial data collection period would create any practical or analytical challenges, and if so, how might these be mitigated?**

2.113. We support the proposal for a shorter initial data collection period. This is a pragmatic approach that should reduce implementation pressures while schemes and providers establish the systems, controls, data processes and governance required to support the VfM Framework.

2.114. A shorter reporting period will inevitably result in some analytical limitations, particularly where fewer observations are available for certain Quality of Service (QoS) metrics. This may mean that year one results are less representative than a full year's data and could be more susceptible to seasonal effects or one-off events. However, we consider this to be a reasonable trade-off in the first year of implementation.

2.115. **Question 35: Do you agree to proceed with data publication in November given the risks identified? How likely are these risks to emerge and what steps could we take to address them effectively?**

2.116. We support the proposed timing of publication in November and consider the mitigation measures set out in the consultation to be appropriate. However, we have identified a number of additional considerations that we believe should be addressed to ensure the publication process operates as intended and does not give rise to unintended consequences.

2.117. Features Table

The Features Table appears to use terminology that is more commonly associated with contract-based arrangements. For example, trust-based schemes would typically refer to members rather than savers, scheme details rather than provider details, and scheme-designed rather than firm-designed (or in the case of master trusts, employer-designed) arrangements. Consideration should be given to whether the terminology used throughout the table is appropriately aligned to both trust-based and contract-based arrangements and avoids risk of misinterpretation by either type of scheme.

2.118. Assessment reports: trust-based arrangements

We note that the DWP is considering amendments to the existing Chair's Statement requirements to avoid overlap and duplication with the VfM framework. We welcome this intention, however we encourage DWP to provide an indicative timescale for removing VfM reporting in the Chair's statement as early as possible. This is because trustees begin preparations for VfM assessments well in advance of the reporting deadline, often shortly after scheme year-end. Without timely confirmation of when the VfM reporting will be removed from the Chair's Statement, schemes may incur unnecessary cost in preparing additional disclosures.

As trust based schemes will be expected to report in the same way as contract-based schemes, we expect TPR to clarify the exact requirements of assessment reports and provide the necessary guidance for trust based schemes.

2.119. Commercial Use of Pre-publication VfM Data

The time lag between access to VfM data and results by assessors and the subsequent public release of that information creates a risk of selective disclosure or one-sided interpretation of comparative data. We would expect appropriate safeguards to be put in place to ensure that unpublished VfM data and assessment outcomes cannot be used for marketing, prospecting or other commercial purposes prior to public release. This will help ensure a level playing field and avoid providers or schemes obtaining an unfair advantage through early access to comparative information.

2.120. Unintended Market Consequences of the VfM Framework

There is a risk that publication of increasingly detailed comparative metrics could encourage league-table behaviour and reduce diversity of approach across the market. Over time, this could incentivise schemes and providers to converge on similar strategies in pursuit of favourable comparative outcomes, rather than adopting approaches that are most appropriate for their members.

3. About The Society of Pension Professionals

3.1. The SPP is the representative body for a wide range of providers of advice and services to pension schemes, trustees and employers. Our work harnesses the expertise of our membership, striving for a positive impact on pension scheme members, the pensions industry and its stakeholders.

3.2. The breadth of our members is a unique strength for the SPP. Our membership of 90 corporate organisations employs over 20,000 pension professionals including actuaries, lawyers, professional trustees, DC consultants, investment managers, providers, administrators, covenant assessors, and other pension specialists.

4. Further information

4.1. For more information about this consultation response please contact SPP Director of Policy & PR at: phil.hall@the-spp.co.uk or telephone the SPP on 0207 353 1688.

4.2. To find out more about the SPP please visit the SPP web site: https://the-spp.co.uk/

4.3. Connect with us on LinkedIn at: https://www.linkedin.com/company/the-society-of-pension-professionals/

4.4. Follow us on X (Twitter) at: https://twitter.com/thespp1

11 September 2026