



THE SOCIETY OF PENSION
PROFESSIONALS

making pensions work

The Society of Pension Professionals (SPP) response to the DWP consultation, “Trust-based pension schemes: Trustees and governance, building a stronger future.”

1. Executive summary

- 1.1. **The SPP believes the current trusteeship and governance framework works well.** Ordinarily, trustees secure member benefits effectively and apply governance standards proportionate to scheme size and complexity. The growth of professional trustees has generally improved outcomes by providing expertise, reducing key person risk, and increasing efficiency.
- 1.2. **The SPP supports proportionate governance standards tailored to scheme type and size.** TPR’s Codes and authorisation frameworks provide a flexible framework, ensuring minimum standards while allowing schemes to adopt governance approaches suited to their circumstances.
- 1.3. **The SPP recognises that some smaller schemes face barriers to effective trusteeship.** These include difficulties in recruiting trustees, variable skills across boards, limited training capacity, and the need for improved diversity and inclusion.
- 1.4. **The SPP supports additional governance requirements for megafunds and authorised master trusts, applied through the authorisation regime.** Trustees should maintain strategic oversight, with executive management handling day-to-day operations. Clear delineation of responsibilities, accountability, and robust challenge is essential, particularly if alignment with the UK Corporate Governance Code is desired.
- 1.5. **The SPP supports the use of Professional Corporate Sole Trustees (PCST) in specific circumstances.** For example, small schemes struggling to recruit lay trustees or schemes undergoing time-bound operational or transition projects. PCSTs should operate under proportionate suitability guidelines, including documented decision-making frameworks and robust conflict management policies.
- 1.6. **The SPP supports robust conflict management by professional trustee firms, including where they provide additional services.** Operational and advisory services should be distinguished, independence preserved, and transparent decision-making maintained to protect members’ interests.
- 1.7. **The SPP supports continuing professional development (CPD) for all trustees and statutory standards for professional trustees.** Training in areas such as sector-relevant skills, cyber risk, and behavioural insights can help to ensure trustees remain competent to oversee complex schemes.
- 1.8. **The SPP supports formal mechanisms to capture the member voice as lay trusteeship declines.** Member advisory panels, structured surveys, and member impact assessments can help maintain engagement.
- 1.9. **Consolidation may increase risks to administration providers and members.** Fewer administrators may reduce competition, innovation, and resilience. Proportionate oversight, contingency planning, and TPR guidance are therefore critical.
- 1.10. **The SPP is concerned that arbitrary limits on trustee tenure or number of appointments could be counterproductive.** Periodic independent reviews of suitability, capacity, and governance effectiveness may provide a more flexible, risk-based alternative.

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2. Consultation response

Question 1: What do you think works well in the current trusteeship and governance system?

- 2.1. The SPP believes that many aspects of the current system work well. Trustees oversee a well-established occupational pension system that for the vast majority of members performs the fundamental task of ensuring security of funds before retirement and providing benefits in retirement.
- 2.2. There is also flexibility in the model, expectations as to the level of sophistication of governance standards are rightly higher for larger schemes. But through its Codes and guidance TPR has set out a framework of minimum standards which all schemes should reach, and schemes can adopt governance frameworks that are proportionate to their circumstances.
- 2.3. However, that is not to say that there cannot be improvements, and this is perhaps particularly the case as the balance moves from defined benefit to defined contribution pensions where members have more choice and bear more risk.
- 2.4. The Pensions Schemes Bill already seek to address some shortcomings, and as these are implemented the expectation is that members will benefit from a focus on value, consolidation and productive investment.
- 2.5. The SPP agrees that good governance plays a vital role underpinning occupational pension schemes. However, in seeking to further improve standards of trusteeship and governance, we would urge the Government to ensure that any changes are clearly directed towards the goal of ensuring the security of members' benefits and improving member outcomes.
- 2.6. The SPP believes that the growth and development of professional trustees has generally been positive for member outcomes. because it has brought wider knowledge and experience, a reduction in key person risk, and in many cases means less time is needed having to explain the basics.

Question 2: What are the barriers to good trusteeship?

- 2.7. The SPP sees many examples of good trusteeship and well governed schemes of all types and sizes. However, there remain some potential barriers as explained below.
- 2.8. Conflicts of interest can pose challenges to both lay and professional trustees. While a trustee's primary duty is ensuring that members receive their benefits on time and in full, and most trustees will keep this front of mind, conflicts can arise, some of which may be complex. These can be particularly acute where a scheme has a professional sole corporate trustee or where a professional trustee firm (or a connected entity) provides additional services to a scheme. There are also some differences in the nature of conflicts that can arise for trustees of DB and DC schemes. Please see responses to Questions 5 and 6 for further comment.
- 2.9. The pace of change and increasing expectations of trustees can strain resources and the capacity of trustee boards. Smaller schemes can be limited in terms of available budget to spend on training or bringing additional skills onboard, particularly in the DC environment where trustees are typically reliant on the employer rather than scheme funds to meet additional governance costs.
- 2.10. Knowledge and skills will inevitably vary across individual trustees, though this can be balanced where there are a variety of skills on a trustee board. While it is clearly necessary to have minimum expectations for the skills and competence of each individual trustee - for example, regarding a foundational knowledge of pensions and investing and the confidence to speak up and to challenge advisers - it is also appropriate to consider the knowledge and experience of a trustee board as a whole when assessing whether it has the capability to run the scheme effectively. The quality, frequency and suitability of training to enable trustees to maintain and develop their skills and keep up with new developments also varies between schemes, particularly given the capacity constraints noted above.

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- 2.11. Some schemes struggle to appoint trustees where vacancies arise, and others struggle to find candidates with suitable skills or time to dedicate to the role.
- 2.12. There are continuing challenges with improving diversity and inclusion across boards, with further effort needed to attract a range of candidates and ensure boards reflect the diversity of their pension scheme membership (as far as possible).

Question 3: Looking ahead to 2030 and beyond, what further support will trustees need to ensure effective scheme governance?

- 2.13. By 2030 we would expect the market to have continued its evolution towards DC with fewer, larger schemes including megafunds and the emergence of additional CDC schemes. TPR should therefore consider issuing guidance on how the scheme funder and trustee relationship should be managed, given how the decision-making dynamics under these arrangements are fundamentally different to that of own-trust arrangements.
- 2.14. There will be an increased need for trustees to be able to understand and challenge investment advice and ensure that they have appropriate investment governance and decision-making frameworks in place to manage more complexity in their investment portfolios.
- 2.15. AI and advances in technology will present opportunities to improve efficiency in scheme operations and administration and potentially transform the member experience. Trustees will need the right knowledge and skills to ensure they adopt best practice while managing risk.
- 2.16. As more scheme members reach retirement reliant on DC pots to provide their retirement income, and with the continued emergence of CDC, communication throughout the member journey will become ever more important and trustees will need to develop an understanding of behavioural economics generally as well as the diverse and changing needs of their membership.
- 2.17. The new framework to enable DB trustees to share surplus with employers and members presents opportunities to benefit members and sponsors. But trustees will need to be comfortable that they are able to manage the risks involved in the scheme running-on (where relevant) and have the right safeguards in place to protect members.
- 2.18. Professional trustees typically have backgrounds in the pensions industry, for example, as actuaries, lawyers, administrators or covenant advisors. As the DB market continues to mature and if the trend towards the professionalisation of trustees continues, the professional trustees of tomorrow are less likely to have gained expertise to govern from experience and will therefore need to be developed through other routes. Therefore, it is important to identify what these routes are and how professional trustee firms intend to train to develop the next generation of professional trustees and manage the succession process. It is also important to understand the nature and extent of the supervision that will be given to junior professional trustees within these firms.
- 2.19. However, we view the opportunity for professionals to develop their experience through other routes as a positive development, and something which does not undermine the benefits of a move towards greater professionalisation, as noted in our response to Question 1 above.
- 2.20. We also welcome the success of trustee graduate training programmes, as acknowledged in paragraphs 45 and 46 of the consultation: *'...They have now appointed in London, Manchester and Glasgow with successful applicants not necessarily from the traditional law, accountancy and actuarial backgrounds.'*

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Question 4: Does effective scheme governance in a Megafund require additional support or any specific changes in regulatory approach?

- 2.21. The SPP agrees that it is appropriate for more stringent requirements to apply to the trustee boards of authorised master trusts or megafunds given the commercial context in which they operate, and the wider economic risks that will be entailed in managing at-scale megafunds. In the SPP's view, the specific challenges of the master trust environment are currently well-managed through the authorisation and supervisory regimes, particularly the requirement for a diverse range of skills and experience spread throughout the trustee board.
- 2.22. To the extent that additional requirements may be considered desirable for the trustee boards of authorised master trusts, we suggest that they should be introduced through the authorisation regime to ensure a clear delineation between the requirements applicable to authorised master trusts and those applicable to the trustee boards of own-trust schemes.
- 2.23. In the context of megafunds, it is also important to recognise the increasingly significant role played by executive management functions. As schemes scale, operational, investment and commercial decision-making is often delegated to executive teams. Effective governance therefore depends on a clear delineation between the strategic oversight and fiduciary responsibilities of trustees, and the day-to-day management responsibilities of the executive. If there is consideration of closer alignment with principles in the Financial Reporting Council's UK Corporate Governance Code, clarity of accountability, defined delegations, and robust challenge between board and executive should be central to any regulatory evolution.

Question 5: Can you describe any potential or actual conflicts of interest that stem from the provision of further services within professional trustee firms and other third-party providers? How are these conflicts managed now? What is the scale of the residual risk in the market?

- 2.24. There can be efficiency and governance benefits where professional trustee firms provide additional services through in-house or associated teams to schemes that they are appointed to. For smaller schemes in particular, integrated provision (for example, secretariat or administration support) can reduce cost, streamline communication and speed up decision-making.
- 2.25. In some circumstances, trustees' own expertise can also reduce unnecessary advisory spend. For example, by scoping instructions appropriately or avoiding asking external advisers to re-explain established principles. Providing informed challenge to external advice is part of a trustee's role and should not be conflated with "advising themselves."
- 2.26. However, conflicts can arise where a trustee firm (or a connected entity) provides additional services and/or advice to the same scheme.
- 2.27. It is helpful to distinguish between operational services (e.g. administration, secretariat support), and advisory services (including both statutory professional advisers under section 47 of the Pensions Act 1995 and other advisers such as covenant advisers or investment consultants).
- 2.28. In relation to operational services, risks may arise where underperformance or poor value for money is not robustly challenged or addressed because the trustee firm benefits commercially from the continuation of that service. Even where service level monitoring frameworks are in place, there may be a perceived or actual reluctance to terminate or retender an in-house provider. Conflicts may also arise if an error is made and a scheme suffers a loss as a result. Will a professional trustee be prepared to seek to recover these losses from its own firm or bring a claim against it, if necessary? In relation to advisory services, the risk may be even greater. Where advice is provided from within the same corporate group as the trustee, there may be a structural tension between the trustee's duty to exercise independent judgment and the commercial interests of the advisory arm. This is why certain roles, such as scheme actuary and scheme auditor, are explicitly restricted from being carried out by trustees.

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- 2.29. While other advisory roles are not prohibited, similar conflict considerations can arise, particularly in areas such as legal and covenant advice where independence and objectivity are central.
- 2.30. There is potential for the conflicts identified above to be even more pronounced, and more difficult to manage, where a professional trustee firm is appointed as a sole corporate trustee given that there is no scope for other trustees who are not connected with the professional trustee firm to hold that firm to account.
- 2.31. Conflicts for professional trustees can also arise through their relationship with the entity that appoints them and that has the power to remove them. For example, a conflict will inevitably arise if a professional trustee is required to make a decision which is at odds with the interests or views of a scheme sponsor, where the sponsor has the power to remove the professional trustee if it wanted to. It is also not uncommon for professional trustees to be asked for their views on certain matters, such as their views on return of surplus, before they are appointed. Conflicts such as these can be mitigated where a professional trustee sits on a larger trustee board. However, it is important that they are recognised and managed. It can be more difficult to manage them where a professional trustee is appointed as a sole corporate trustee.
- 2.32. It is also important to recognise that conflicts are not unique to professional trustees. All trustees, including member-nominated trustees, are typically appointed with employer involvement, and lay trustees employed by the sponsor may face their own conflicts. Properly managed, those conflicts are outweighed by the governance and representation benefits they bring. The same principle applies to professional trustees: conflicts are not inherently disqualifying, but they must be transparently identified and effectively managed.
- 2.33. Current conflict management approaches typically include:
- Formal conflicts of interest policies and registers;
 - Clear internal separation of trustee and advisory teams (including information barriers);
 - Independent procurement or retender processes for services;
 - Use of external advisers where independence is particularly important;
 - Documentation of decision-making rationale where in-house services are selected or retained.
- 2.34. Some firms also operate governance structures requiring decisions to be taken by more than one senior individual, which can mitigate concentration risk.
- 2.35. There is also a broader commercial context. As professional trustee firms grow, commercial incentives to provide additional services may increase. While this can create economies of scale and integrated expertise, it reinforces the need for robust governance and regulatory clarity to ensure member interests remain paramount. Notably, not all professional trustee firms adopt an integrated service model, suggesting that expansion into wider services is not universally regarded as necessary, or desirable, to deliver good outcomes.
- 2.36. The SPP does not hold quantitative data on the scale of residual conflict risk in the market. However, the risk is likely to vary depending on scheme size, complexity, transparency of procurement processes, and the strength of internal conflict management frameworks. The key issue is therefore not the existence of integrated models per se, but whether conflicts are demonstrably identified, disclosed, and actively managed in a way that protects members' interests.

Question 6: Are additional safeguards needed to effectively manage these risks, given the need to balance members' interests with effective scheme management?

- 2.37. Yes, additional safeguards are needed to manage these risks, but it is not a simple issue to solve.
- 2.38. Managing conflicts of interest (often difficult / nuanced conflicts) is often part of the trustee role. Each trustee firm will have their own conflicts management process when it comes to the provision of additional services. The challenge with conflicts is that a lack of adequate mitigation only tends to become known when things go wrong unless measures are in place to test the effectiveness of the policies and processes.

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- 2.39. Options for safeguards include 1) guidance on what is and what is not allowed when it comes to provision of bundled services/advice by professional trustee firms or connected entities (and why); 2) a requirement that trustee recruitment and appointment is undertaken using a clear and transparent process; 3) TPR collaboratively working with trustee (and non-trustee) firms on “grey” areas and how to manage conflict risk effectively (e.g. where possible, decisions regarding the provision of additional services and their oversight could be required to be taken only by trustees who do not have any connection with the relevant firm); 4) requirements to document how conflicts have been managed; and 5) disclosure of fees for additional services.
- 2.40. The disclosure of fees for additional services could be on a scheme-by-scheme basis but could also be useful for TPR to see on a firm-by-firm basis. Ideally disclosure would be accompanied by a demonstration of benchmarking. For example, benchmarking against minimum standards for pension administration. However, this may just lead to third party firms being asked to quote solely for benchmarking, which would not be helpful. Benchmarking should be meaningful and not just “box-ticking.” Disclosure would be to TPR on a confidential basis, as this information is likely to be commercially sensitive.

Question 7: Should there be restrictions on individuals acting as professional trustees, such as the number of trustee appointments they can hold, to ensure individuals have the appropriate capacity to manage schemes?

- 2.41. This is not a simple question. Different schemes may have very different needs, depending on the historical quality of governance / administration and current circumstances (e.g. whether or not significant projects, such as corporate transactions or buy-ins are being undertaken). The capacity of any trustee will depend on the nature of the work they do and the underlying support available to them. Setting a limit would be arbitrary (or extremely complex) and may have unintended consequences (e.g. smaller, less busy engagements may become unattractive to professional trustees).
- 2.42. Working with multiple schemes is often helpful for professional trustees as it provides a broader view of the market.
- 2.43. At the same time, the SPP recognises that trustee capacity is important. As a matter of good governance, all trustee boards should consider and document their capacity and associated risks (e.g. reliance on key individuals). This could be included in basic training for trustees. Sufficient capacity could also be evidenced by monitoring service quality and member outcomes

Question 8: Are there situations where a PCST model is more or less appropriate and why? Should there be any restrictions or suitability guidelines on PCST appointments?

- 2.44. There are circumstances in which a Professional Corporate Sole Trustee (PCST) model may be appropriate, particularly where specialist expertise, governance continuity or efficient execution is required.
- 2.45. For example, a small single-employer DC scheme that is struggling to recruit lay trustees may benefit from a PCST to ensure ongoing compliance with chair’s statement requirements, the new Value for Money assessments and regulatory reporting.
- 2.46. Similarly, where a DC scheme is undertaking a time-bound project, such as a bulk transfer to a master trust following a value assessment, or a significant administration remediation exercise, a PCST with relevant transition or operational expertise may be able to deliver decisions efficiently and objectively.
- 2.47. However, a PCST model may be less appropriate for large, ongoing DC schemes with active employer engagement and diverse membership profiles, where strategic oversight, member insight and diversity of thought are important to long-term value delivery. In such cases, a broader trustee board structure may provide stronger internal challenge and richer debate around investment design, communications and retirement outcomes.

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- 2.48. On the DB side, a PCST model is likely more appropriate where there is a need for particular skills or experience and/or a need for quick and clear decision making. For example, in planning for and implementing an insurance transaction, or dealing with an insolvency of a sponsor.
- 2.49. They may also be more appropriate for smaller schemes as they can provide a more cost effective solution.
- 2.50. A PCST model may be less appropriate where there is a well performing, diverse board which has all the necessary skills and experience.
- 2.51. Rather than imposing blanket restrictions, proportionate suitability guidelines would be preferable. These could include expectations around:
- Demonstrable expertise relevant to the scheme's scale and complexity
 - Robust conflict management policies (particularly where trustees are appointed by the employer)
 - Clear decision-making frameworks involving more than one senior individual within the corporate trustee
 - Documented rationale for adopting a sole trustee model, reviewed periodically
- 2.52. Such an approach would preserve flexibility while ensuring that PCST appointments are aligned with member interests and the characteristics of the scheme concerned.

Question 9: If the Government introduced an enhanced code of practice for sole trustees, what specifically would you like to see included? Do you think existing codes of practice already cover some or all of this?

- 2.53. If the Government were minded to introduce an enhanced code of practice for sole trustees, we suggest that the following should be included:
- Improved Governance: A focus on effective governance frameworks to ensure PCST manage day-to-day operations and maintain oversight of the scheme.
 - Conflicts of Interest: Measures to ensure that trustees are aware of and manage actual and potential conflicts of interest, promoting independence from the sponsoring employer.
 - Compliance with Standards: Evidenced adherence to rigorous standards for PCSTs, ensuring that they adopt robust governance protocols.
- 2.54. Importantly, existing codes of practice, such as the APPT PCST code, already cover some of these areas and careful consideration should be given to whether a new, separate code is needed to improve governance and risk management.

Question 10: Given the future landscape for pensions, are any further controls or safeguards needed on the appointment of trustees to ensure that decisions are made in members' interests?

- 2.55. In the absence of evidence of systemic failure or harm to members, further intervention in trustee appointment processes appears unnecessary. Any additional controls risk introducing complexity or unintended consequences without clear benefits.
- 2.56. That said, the SPP acknowledges the rapidly evolving nature of the UK pensions market and that this is an area that should continue to be kept under review. In particular, increasing consolidation to a smaller number of larger and more complex schemes may justify a more differentiated approach over time with more safeguards in certain circumstances. For example, policymakers may wish to consider whether any action is needed to prevent a professional trustee firm (and, in particular, a PCST) being appointed to facilitate a return of surplus to an employer, where the current trustee board opposes this.

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- 2.57. Specific safeguards around sole trustee appointments may be necessary e.g. greater independence in the selection and appointment process; clearer expectations around managing and disclosing conflicts; and a mandatory independent review of the appointment and ongoing suitability of the sole trustee at regular intervals (for example every five years).
- 2.58. Finally, we reiterate points made elsewhere in this response regarding conflicts of interest. Further regulatory guidance on what is and what is not acceptable when Professional Trustees are offering additional services should also feed into any safeguards.

Question 11: What role can government and regulators play in helping schemes to attract a diverse and talented pool of individuals to trusteeship?

- 2.59. The government and TPR should also consider:
- continuing to emphasise the value of different perspectives and challenge in effective decision-making;
 - continuing to provide clear signposting to training, accreditation and development pathways, including for individuals from outside of the pensions industry;
 - supporting initiatives that demystify trusteeship and explain how skills from outside the traditional pensions toolkit can add value; and
 - using guidance and good-practice examples rather than hard rules, particularly for smaller schemes.
- 2.60. Government and regulators have an important enabling role in shaping the trustee talent pipeline but must be mindful to balance the need to seek a wide range of technical skills and experience, and achieving greater diversity of background, perspective and experience. Overly prescriptive individual-level requirements risk narrowing the pool of candidates and unintentionally reinforcing existing barriers to entry.
- 2.61. One way to address this tension might be to focus expectations at the board level rather than the individual level (where appropriate). Setting minimum collective requirements - for example around governance, investment, covenant, risk management and member understanding - allows boards to be composed of individuals with complementary skills, rather than requiring each trustee to meet an extensive checklist. This approach is more likely to encourage candidates with wider skills and talents to apply and be appointed, as well as enhancing overall board capability.

Question 12: Should there be any limits on length of trustee appointment, or should they be limited in number of repeat appointments to the same trust?

- 2.62. Imposing hard limits on trustee tenure or the number of repeat appointments is challenging, given the wide variation in scheme size, complexity and governance needs.
- 2.63. Imposing arbitrary limits may also have unintended consequences. Strict caps on appointments could reduce access to highly experienced trustees, particularly where individuals with scarce specialist expertise are already at their permitted "quota." This could be counterproductive for schemes that most need high-quality governance.
- 2.64. In relation to length of appointment, if governance remains effective, decision-making robust, and appropriate challenge and oversight are demonstrably present, it is difficult to see a strong case for mandatory limits.
- 2.65. However, there may be merit in periodic independent review. For example, an external assessment every five years could consider:
- the continued suitability of the appointment;
 - the effectiveness of challenge and decision-making; and
 - whether the governance model remains appropriate for the scheme's circumstances.

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- 2.66. Such an approach would preserve flexibility while ensuring accountability and an ongoing focus on members' interests.

Question 13: Would it be appropriate to introduce a new public trustee who could be appointed by the Pensions Regulator? If so, in what circumstances would a public trustee appointment be preferable to a professional trustee from TPR's independent trustee register, and why?

- 2.67. We do not consider the introduction of a new public trustee, appointed directly by TPR, to be necessary at this time.
- 2.68. The existing practice of using TPR's independent trustee register already provides an effective mechanism for intervening in scenarios that require additional expertise, governance stabilisation, or independent oversight.
- 2.69. We believe the existing approach is sufficient provided TPR keeps the independent trustee register up to date, transparent and reflecting of best practice, while also keeping under review any emerging risks of market concentration or under-provision.

Question 14: Are there any reasons why TPR's powers of intervention regarding trustees should be modified, and if so how?

- 2.70. The SPP does not believe there are any compelling reasons for TPR's powers of intervention regarding trustees to be modified. If TPR has concerns about how a scheme is being run, it already has the power to remove the existing trustees and appoint new ones. It can also require the scheme to be wound-up. Therefore, the focus should be on TPR using its existing powers promptly and effectively, in the right circumstances and at the right time.
- 2.71. TPR's primary role is one of oversight, with disputes appropriately resolved through existing scheme governance processes rather than through direct regulatory intervention. In practice, TPR relies primarily on its soft powers of guidance, engagement and influence. This is evidenced within the consultation, with TPR's most serious powers of intervention rarely being used.
- 2.72. Given this, we believe the current framework remains proportionate and effective, and as such do not believe that enhancing or modifying TPR's powers would be necessary. Our view is that it is crucial that TPR can act quickly and has the capacity and ability to use the powers it has, if required.

Question 15: How can TPR ensure it has the information it needs for the trustee directory without creating greater administrative requirements for schemes?

- 2.73. We understand that as part of the scheme return, individual trustee information is already required. For corporate trustees, this information would not be available as directors are not required to be listed on the scheme return. The information provided could be extended to include the type of trustee the person is e.g. member nominated director, professional trustee or lay trustee. Other information such as areas of expertise could also be requested for professional trustees if deemed necessary.
- 2.74. Making the information part of a form already issued seems more efficient than creating a new obligation on schemes.

Question 16: What skills will trustees of trust-based pension schemes need to be an effective and efficient trustee board (e.g. leadership, negotiation, investment management, sustainability, communications, financial planning)? What other areas should trustees have proficiency in?

- 2.75. We agree that a Trustee board as a whole will need the sorts of skills that have been identified, but we do not consider that each trustee needs to have all of those skills as it would likely be difficult to find trustees that have skills in, for example, investment management, sustainability and financial planning.

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- 2.76. There are, however, some skills that all Trustees should have, which include: (i) the ability to get to grips with complex information and ask probing questions; (ii) strong financial literacy (every Trustee does not need to have skills in investment management but they should have a good grounding in basic financial concepts); (iii) a level of competence in using technology – as more member services move online trustees will need to assess whether those services work for their members; (iv) strong communication skills; (v) negotiation skills; and (vi) an understanding of what good governance looks like. If someone is acting as the Chair, they should also have good leadership skills, including the ability to facilitate an effective discussion and decision-making process.
- 2.77. Trustee boards should assess whether they would benefit from training in some of these softer skills. We appreciate that this will not be feasible for all trustee boards. As not every scheme will have the resources for this, but it should be something that trustee boards of larger schemes are required to consider. This should also feature as part of the accreditation process for professional trustees.
- 2.78. A periodic board capability review may also be worth considering. This could be based on individual trustees self-assessment which then identifies board strengths and weaknesses. Any gaps could be filled either by training or by future recruitment.
- 2.79. If a trustee board does not have the required skills to be effective and efficient then this would have to be resolved, whether it is the trustee board of the scheme itself.
- 2.80. It should never be acceptable that an ineffective or inefficient board continues indefinitely with no plans for improvement.

Question 17: Would it be appropriate for TPR to set statutory higher standards for professional trustees? What should these standards look like?

- 2.81. Yes, we consider that this would be appropriate.
- 2.82. The industry bodies that provide accreditation for professional trustees include various requirements for achieving and then maintaining their accreditation. For example, PMI requires trustees to complete any new sections of the TPR toolkit and complete a certain number of hours of CPD each year in order to maintain accreditation. These are similar requirements to those applying to other professional services sectors and so they would be sensible standards to set out in a code or guidance. Other standards that could be set include annual training on cyber risks - again it is common practice for professionals to be required to complete annual training on cyber risks such as phishing etc.

Question 18: As trusteeship models move away from lay trustees, what important benefits or skills of lay trustees should be replicated in consolidated structures, and how?

- 2.83. Many of the benefits and skills are highlighted in our responses to earlier questions; in particular, diversity of thought and experience, and an affiliation and shared bond between the pension scheme's members and those responsible for looking after their benefits. The latter may be difficult to replicate. Lay trustees may also bring with them knowledge of the relevant scheme (and its history) and, in many cases, they bring a perspective on matters that are being considered from outside of the pensions industry bubble. This may be invaluable, for example, when considering the suitability and readability of member communications.
- 2.84. Lay trustees typically are likely to have been good at ensuring the member voice was heard because they often brought experience, workforce knowledge and informal member feedback channels that are harder to replicate structurally.
- 2.85. Formalising what was previously organic is certainly possible. For example, establishing formal Member Advisory Panels or Committees, introducing structured member listening exercises - annual member surveys etc., and requiring "Member Impact Assessments" for major decisions

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- 2.86. If there is a move away from Member-nominated Trustees towards the creation of larger professional trustee companies, then that risks the creation of an oligopoly. If that happens and multiple Trustee boards all start talking with one voice, then the prospect of diversity and challenge will be lost.
- 2.87. Therefore, training around the avoidance of bias, unconscious or otherwise and the dangers of 'group think' should be considered. If this cannot be countered, then decision making will become homogenous with little space for different ideas, innovation and solutions.
- 2.88. The regulator should also encourage and promote mechanisms to ensure member's views are heard by trustees (e.g. through regular member forums and focus groups) and that there is scope for members to question trustees and hold them to account. One way it could do this is by sharing examples of best practice in this area.

Question 19: What support or continuing professional development should be put in place for lay trustees? Should all trustees be accredited? Would this lead to a trustee shortage? Who should bear the cost (including time and training)?

- 2.89. We think it is vital that the trustee toolkit is maintained, particularly to help lay trustees get up to speed with the key principles about pensions and the regulatory regime that sits around them. All lay trustees should be required to complete this within 12 months of their appointment.
- 2.90. As far as CPD requirements are concerned we do not believe these will result in a trustee shortage. It may put off some lay members from standing or continuing as trustees, but the professional market is likely to expand to fill the gap and CPD requirements should be developed with this evolution in mind.
- 2.91. We believe that the existing support available through the TPR toolkit, complemented by the training offered by professional firms is probably sufficient, but there is a need to ensure that sponsoring employers are willing to pay for it.

Question 20: How can we ensure trustee boards take into account the perspectives of members in their decision-making?

- 2.92. The SPP believes that engaging with members to understand their perspectives, views and appetite for risk can enhance trustee decision-making by offering insight and limiting the scope for misconceptions. This will become more important, particularly in a DC context, as more members start accumulating significant sums in arrangements where they bear investment risk, and face more challenging decisions concerning decumulation. It is also important in a DB context, for example, when selecting a buy-out insurer.
- 2.93. However, it is important to recognise that where trustees remain the decision makers, with the responsibility for those decisions e.g. in relation to their investment duties and in shaping the decumulation options available to members.
- 2.94. We also believe that it will remain important for trustees to be able to make investment decisions based on non-financial factors provided they have good reason to think beneficiaries share the concern and that there is no risk of significant financial detriment e.g. in relation to deciding not to invest in cluster bombs, or other controversial weapons, in line with the Law Commission's recommendations in its 2014 report, "Fiduciary duties of investment intermediaries"¹.

¹ **The Law Commission Fiduciary duties of investment intermediaries, July 2014:**
<https://lawcom.gov.uk/project/fiduciary-duties-of-investment-intermediaries/>

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- 2.95. Trustees need to appreciate the many demands on their members' time and attention, and ensure that their engagement with members is clear, focused, and attuned to members' priorities. As master trusts increase in scale, it will become more important to ensure that they capture a representative sample of member views, taking account of different characteristics. The way questions are framed can affect how likely it is that different types of member will respond, and the way in which they respond. Gaining insights from engagement specialists with experience across diverse demographic groups, and other sources of market research, can assist with this. Trustees should also recognise where they have received feedback from an unrepresentative selection of members, and further engagement or contextual analysis may be needed.
- 2.96. Trustees may also be able to work with third party intermediaries, such as employers and trade unions, able to facilitate direct access to members (e.g. by supporting trustees in carrying out surveys or workshops). Such intermediaries may also be able to provide insights which help trustees to frame their messages in a more effective way.
- 2.97. Technology can enable trustees to engage in dialogue with their members, such as through digital platforms, apps and member portals on scheme websites. It can also enable trustees to collate and access more detailed data about their members. Trustees may also be able to learn lessons from other sectors (e.g. other forms of retail finance, such as challenger banks) and innovation by other providers (e.g. early adopters of targeted support).
- 2.98. Representation at trustee level can also affect the trustees' approach and help them to interpret member views. Investing in inclusive recruitment and retention practices (e.g. by setting objective selection criteria and inviting requests for reasonable adjustments to premises, equipment, working practices and role descriptions) can result in more diverse trustee boards, more attuned to the varied perspectives of their membership.

Question 21: Can you give examples of UK or international best practice where schemes appropriately take account of members' views?

- 2.99. In addition to those already set out in the DWP's consultation, it is worth noting that California Public Employees' Retirement System (CalPERS) runs regular stakeholder forums, annual perception surveys and meetings with specific stakeholder groups and that some pension schemes in the Netherlands have been innovating with member assemblies, known as Deelnemersdialoog, to understand their member views on pensions policy.
- 2.100. Following the introduction of pension freedoms, Nest ran in depth consultations with their members in 2014 in relation to the future of retirement, when developing their Retirement Income Blueprint for different phases of later life.

Question 22: What benefits and challenges do you foresee if mandatory minimum standards were introduced for scheme administrators and/or wider administration services such as Integrated Service Providers?

- 2.101. There are already a number of regulatory and industry standards governing pension administration. For example, the *Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013* set out minimum disclosure requirements, and TPR's General Code includes expectations on record-keeping, internal controls and data quality. In addition, industry bodies such as Pension Administration Standards Association (PASA) have developed detailed accreditation standards, and DC master trusts are subject to authorisation requirements covering systems, processes and governance.
- 2.102. Against that backdrop, the benefit of introducing mandatory minimum standards would depend on their purpose and scope. If designed to address identified gaps — for example, in data quality, service resilience or member experience metrics — clear, enforceable minimum standards could help drive greater consistency across the market and improve outcomes for members, particularly those with pots across multiple providers. A common baseline may also strengthen trustee oversight by providing clearer benchmarks against which performance can be assessed.

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- 2.103. However, there are also challenges. Introducing additional standards without aligning them with the existing regulatory and industry framework risks duplication, cost and complexity. Care would be needed to avoid layering new requirements on top of current obligations in a way that increases compliance burden without materially improving member outcomes. Consideration should also be given to proportionality. While a core baseline may appropriately apply to all schemes, more detailed or operationally intensive requirements may need to reflect differences in scale, complexity and risk profile.
- 2.104. Overall, building on and harmonising existing standards, rather than creating a wholly new parallel framework, would be preferable. Any new mandatory minimum standards should be clearly defined, outcome-focused, proportionate, and supported by effective monitoring and enforcement if they are to deliver tangible benefits for members.

Question 23: Should TPR have the same levels of regulatory oversight as the FCA regarding administrators and/or wider administration services, and why?

- 2.105. Some administration firms are already covered by the FCA, due to the broader services those firms provide. We see no tangible difference to members or operational resilience in the provision of administration services where an administrator is regulated by the FCA, compared to those who are not.
- 2.106. More widely, it may be worth considering the benefits of TPR returning to being a single regulator for all workplace schemes, including GPPS, as the SPP has previously suggested elsewhere²

Question 24: Should administrators be required to register with TPR to administer schemes, and should TPR have the power to deregister them?

- 2.107. All pension schemes are required to register with TPR, and a registered scheme with 2 or more members is required to complete a scheme return. The scheme return submission requirements include listing the scheme service providers, including the administrator. Therefore, TPR already has access to a lot of information about the administrators, whether that is an in-house team or a third-party provider.
- 2.108. If TPR wanted to have greater oversight of this market, having a register of the third-party providers, and having a clear line of sight to the responsible persons within those organisations could be beneficial to TPR. However, if a scheme is administered in-house, there may be no third-party administrator to register. Therefore, the focus will need to be on capturing details of the in-house administration team.
- 2.109. If the registration process were to go further than just gathering details, and potentially be used to authorise administrators, there is a risk that the smaller administrators will find the process burdensome and this might lead small and medium sized schemes to have to continue to be administered in-house, which would not drive up standards for members.
- 2.110. The power to deregister administrators who persistently fail to meet minimum standards could be helpful, but acting on such a power is likely to introduce risks to the industry, as that providers' administration services would need to be carefully transitioned elsewhere. Determining which administrator to switch to, negotiating the contract and then transitioning administration service can be time consuming and requires oversight, especially where the incumbent is failing to meet service delivery standards, and is no longer incentivised to maintain the existing services whilst undertaking transitional actions or may not have a viable business left. This risk could be mitigated by also giving TPR powers which stop short of deregistration, e.g. fines, public sanction or preventing an administrator from taking on future business.

² SPP response to the TPR/FCA Value for Money consultation, March 2026:
<https://the-spp.co.uk/document-category/consultations/>

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2.111. Such a regulatory approach appears to work well elsewhere. For instance, with regard to ISA regulation. HMRC has the ultimate power to withdraw approval for an ISA provider if they allow ineligible investments, misapply subscription rules or fail to operate required controls but in practice this very rarely happens. Under tax administration legislation (e.g. Schedule 24 FA 2007 and related provisions), HMRC also has the power to levy penalties for incorrect returns, failure to file returns on time, inaccurate reporting of subscriptions and so on. These penalties are typically fixed monetary penalties or tax-gearred penalties based on potential lost revenue both of which can be increased for deliberate or repeated failures – and where inaccuracies are careless or deliberate, penalties can escalate substantially.

Question 25: What risks, if any, does increased consolidation in the DC sector pose to administration providers, and how can these risks be mitigated to ensure an orderly transition to Megafunds?

- 2.112. As the SPP has previously highlighted, this type of consolidation creates a “...risk of provider failure and the systemic challenges this could bring in a “too big to fail” type scenario. Clearly this risk can be minimised, if not entirely eliminated, with a good regulatory regime in place.”³
- 2.113. With specific reference to administrators, a lack of robust regulatory and contingency frameworks could threaten continuity of service, which in turn could damage scheme member trust in pensions, specifically in their pension provider.
- 2.114. As DC assets concentrate into fewer, larger megafunds, the number of third-party administrators and specialist service firms may well reduce because larger schemes will demand integrated or bespoke in-house administration and smaller administrators may struggle to compete on scale or cost. Clearly this has implications for competition and choice.
- 2.115. It is also worth considering the operational strain likely to occur during mergers and transfers of members to megafunds given these are resource-intensive and complex. For instance, bulk transfers require extensive data reconciliation, system harmonisation, and careful member communications. Mistakes here or rushed implementation can trigger administrative errors and member detriment.
- 2.116. The SPP has previously warned⁴ that forced consolidation could stifle innovation and administration is a case in point. Smaller providers often innovate around member engagement, digital administration, product features, and niche offerings. As the market consolidates, fewer challengers are likely to emerge pursuing experimental administrative models or specialised solutions e.g. perhaps having more than one administrator on a single scheme, Where one administrator may specialise in member engagement and another who specialises in digital administration.
- 2.117. Ultimately, the threat is not simply to administrators - who may struggle to maintain consistent service levels at scale, especially under tight timeframes - but to scheme members who will reap the consequences of any administrator difficulties e.g. confusion over scheme changes, default fund shifts, admin contact points and most negatively, payment delays.

³ SPP response to the Pensions Investment Review Call for Evidence, September 2024:
<https://the-spp.co.uk/wp-content/uploads/Call-for-Evidence-Pensions-Investment-24.9.24.pdf>

⁴ Ibid

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Question 26: What role should TPR take in reducing the risk and impact of a disorderly exit by an administration provider?

- 2.118. Whilst we are keen to ensure that the governance burden is not increased unnecessarily for all firms, it may be reasonable for TPR to gather proportionate information (particularly from large, third party administration firms) in order to enable improved market oversight and have some early warning triggers for potential market exits. Having more than one administrator on a single scheme could also mitigate this risk. This could include confidential reporting to TPR on issues such as financial position, aggregate service levels and client satisfaction metrics, cyber incidents and loss of key contracts. Note that this should be risk based and not overly burdensome, so as not to discourage new entrants to the market.
- 2.119. This oversight would enable better understanding of any capacity issues in the current market, and in the event of a disorderly market exit by an administration provider. In future TPR may be able to use this data and engage with administration firms to make industry-wide contingency plans for the disorderly exit of an administration provider.
- 2.120. As well as the whole of market oversight provided by TPR, we believe there is a role for trustees to regularly monitor their administration provider and have in place contingency planning for their own administration service in a proportionate way, which would help them prepare for a potential administration transition if needed. This might include holding back-up data with a third party that can be accessed immediately and used to maintain essential functions (e.g. payroll) in the event the scheme administrator fails or is unable to provide services to the scheme for any other reason. Guidance from TPR on responsibilities of trustees to oversee their administrator and have in place suitable contingency plans would be helpful.
- 2.121. It would also be helpful if TPR could publish periodic (perhaps annual) updates on key risks, emerging themes and overall resilience of the administration market, to help give trustees some wider context to oversee their current administrator, which trustees commonly lack at the current time.
- 2.122. We also think it is important to recognise that whilst high quality administration inevitably has a cost, and increased reporting to TPR could add to this, guidance or benchmarking material from TPR, for example, setting out what 'good' looks like in terms of service levels, data quality and investment in systems, might help trustees make more informed judgments about value for money, and avoid cost driven decisions that might inadvertently increase systemic risk.
- 2.123. Of course, when selecting an administrator, good trustees should be focusing on more than just costs - the value and quality of the service being provided are equally important.

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.
- 3.1. 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.

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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>

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