The Pensions Regulator's Corporate Plan – takeaways for those involved with pension trustees, pension administrators and actuaries

08 May 2024. Published by Andrew Oberholzer, Associate and Rachael Healey, Partner

The Pensions Regulator (TPR) published its corporate plan for 2024-2027 last week. The corporate plan sets out the challenges to the pensions landscape and TPR's priorities for the next three years. The corporate plan notes TPR's objectives - to protect savers' money, enhance the pension system and innovate in savers' interests. It is against these objectives and a changing pensions landscape that TPR looks at its focus for the next three years - and what it says will be interesting for professional indemnity insurers and pension trustee liability insurers alike.

Notable detail in the corporate plan

The corporate plan notes that it is produced against a rapidly changing pension landscape - with a movement in the defined benefit market in particular towards fewer, larger, pension schemes and - against this backdrop TPR notes that its vision is to have fewer, well run schemes, delivering good outcomes.

The focus on ensuring schemes are "well run" includes (1) closer engagement with the professional trustee industry and wider promotion of the general code (launched in January), (2) a focus on climate related financial disclosure reporting requirements, (3) high quality delivery of administration services and preparation to deliver the pensions dashboard and (4) learning lessons from the impact of liability driven investments on the wider financial market. As for good outcomes, to TPR this means a continued focus on employer auto enrolment duties, monitoring the defined benefit market, ensuring defined contribution savers are offered appropriate choice at decumulation and protecting savers from scams.

To meet these aims - TPR's corporate plan includes (1) working with the DWP on superfunds (another consolidator model and an alternative to buy-out for defined benefit schemes), (2) addressing "… *market issues of administration*" and investigating "… *data quality issues*", (3) delivering a regulatory framework for collective defined contribution models and (4) evolving its approach to master trust supervision including challenging trustees' focus on value for money ahead of new legislation. There is also reference to a new standardised assessment of value for money in the defined contribution sector (which as this is a joint initiative means the FCA as well), with key elements including investment performance, cost and charges and quality of services, and developing guidance on decumulation (an FCA focus as well). On decumulation, TPR notes the government's support for the potential for schemes to offer decumulation products and proposing a new legal duty on schemes.

TPR proposes to "*work closely*" with some of the largest professional trustee companies and develop a framework for oversight of professional trustee firms. TPR also proposes to "*deliver a regulatory intervention looking at how schemes are meeting* [TPR's] e*xpectations in respect of measuring and improving data and act where trustees fail to meet our expectations*" and to work with the DWP to explore policy options on the mandatory accreditation or authorisation of administrators.

TPR also plans to create three new regulatory "directorates" – (1) regulatory compliance, (2) market oversight and (3) strategy, policy and analysis. The one of most interest is likely to be "regulatory compliance" - with this directorate targeting schemes and employers to protect savers' money. TPR also says that the "*industry should expect us to interact with them differently*" and "… *where we find bad actors, we will not be afraid to tackle them, delivering quicker routes to enforcement to ensure savers are protected*".

Key takeaways

TPR's approach is relevant to pension trustee liability insurers and professional indemnity insurers for pension administrators, professional trustees and actuaries. The key focus areas of most interest are likely to be:

- Schemes offering decumulation products - decumulation has been a recent focus of the FCA in its retirement outcomes review. The onus on schemes to offer decumulation products potentially transfers risk to scheme trustees operating decumulation models and when it comes to setting out the options for pension savers. The guidance that TPR proposes to publish in this area is going to be key to consider when considering what risks this might pose for pension trustees.
- Administration - the proposal to consider mandatory accreditation or authorisation of pension scheme administrators will be of interest to professional indemnity insurers in this area, alongside administration firms. There is also a focus on scheme administration - value for money, investment return data, and data quality. The quality of data is going to become a particular focus with the pensions dashboard and it may be with that in mind that TPR is focussing (as it has in the past) on the quality of data.
- Development of collective defined contribution and superfunds - with the requirement to provide value for money pushing the agenda for scheme consolidation, there is a focus on collective defined contribution and superfunds - these new forms of scheme offer new opportunities as well as challenges for insurers and trustees alike.
- ESG - there is also a focus on so-called "*improved ESG recognition*" with TPR referring to climate related financial disclosure reporting requirements, with a focus on improving the quality of reporting and the understanding of risk.
- Professional trustees - with the increase in professional trustee involvement in schemes, TPR proposes a framework for overseeing professional trustee firms - perhaps greater oversight and potential regulatory action is to be expected going forward.

There is a lot in the corporate report for those involved as pension scheme trustees, the day to day running of trust based pension schemes or employers with auto-enrolment duties. What happens next and how TPR implements its corporate plan is something that those involved with trust based pension schemes and auto-enrolment need to keep an eye on - including their insurers.