Written evidence submitted by the Society of Pension Professionals (SPP) (further submission) (PSB38)

SPP response to the Pension Schemes Bill: call for evidence

1. Introduction

1.1. The Society of Pension Professionals (SPP) is the representative body for a wide range of providers of advice and services to pension schemes, trustees and employers. The breadth of our members is a unique strength for the SPP and includes actuaries, lawyers, professional trustees, consultants, investment managers, providers, administrators, covenant assessors, and other pension specialists, delivering a wide range of services.

1.2. Our work harnesses the expertise of our membership, striving for a positive impact on pension scheme members, the pensions industry and its stakeholders.

1.3. The SPP very much supports the Pension Schemes Bill and, as always, we are committed to assisting policymakers in delivering the best possible outcomes for the UK economy, industry and most importantly savers.

1.4. The below are recommendations that we believe will help to further improve the Pension Schemes Bill to better achieve the government's stated policy objectives and deliver the best possible outcomes for all.

2. Executive Summary

2.2. For Defined Benefit (DB) schemes, we support the Government's approach to making it easier to return surpluses to employers that wish to do this and are pleased to see the government's commitment to maintaining stringent funding safeguards to protect member benefits, and that extraction will remain subject to trustee discretion and actuarial certification. We recommend that the Bill should be amended to make it clear that s36B(2) would override any existing restrictions and to cater for schemes with more than one trustee body.

2.3. We also support the establishment of DB 'superfunds' and are keen for a fully regulated regime for their operation to be established as soon as practicable.

2.4. Having pressed for PPF levy flexibility over the last 18 months, so that the PPF can reduce or eliminate the Levy, the SPP very much welcomes the flexibility being proposed in the Bill.

2.5. The SPP would also like to see an amendment to the Bill which would allow for the abolition of the Administration Levy as recommended by the DWP's own internal review in 2022.

2.6. For Defined Contribution (DC) schemes, the reserve power to mandate investment in private market assets in s28C is one of the very few parts of the Pension Schemes Bill that the SPP does not support. We recommend that this mandation power be removed from the Bill. If the mandation power is retained, we note that the Bill leaves a lot of the detail of the asset allocation requirement to be prescribed by regulation. The Delegated Powers Memorandum is silent on what is intended - we believe Parliament needs better visibility now of what will be covered if the relevant section as drafted receives Royal Assent. We have provided details of the key elements which should be disclosed for consideration while the Bill is being debated.

2.7. The SPP strongly supports the concept of default decumulation for DC schemes. However, changes are needed to make Chapter 5 of the Bill fit for purpose, including on trustee liability, equalities legislative requirements, data protection requirements, the transfer mechanism, catering for developments in the market, new terminology which does not have a clear and single meaning, and the interaction with members during their retirement.

2.8. The SPP supports the Government's overarching objectives to both invest more in the UK and boost saver returns. However, consolidation of multi-employer DC schemes is not necessarily the best way to achieve this. The minimum pension fund scale requirement of £25bn AUM in Chapter 3 will not necessarily drive additional investment diversification or deliver better saver returns but could lead to unintended consequences of reducing competition, stifling innovation and potentially disadvantaging some minority groups. We also recommend that the transition pathway application process for schemes that have a main scale default arrangement that is less than £10bn in s28D needs to come into force as soon as possible to avoid further market disruption.

2.9. The SPP very much supports the overarching objective of improving Value for Money for DC schemes in Chapter 1. We have noted however, a few points of detail for the Committee to consider. In particular, having one regime in the Pension Schemes Bill applying to trust-based schemes, and a different VFM regime for FCA-regulated schemes to be covered in the FCA Handbook risks a continuing lack of consistency across both types of scheme. We recommend that the Bill should be amended to require the FCA to track this legislation to ensure parity between occupational and FCA-regulated schemes.

2.10. We set out below more detailed recommendations to each aspect of the Bill.

3. Defined Benefit Schemes

Surplus Return

3.1. *The SPP has consistently said that it makes sense to make it easier to return surpluses to employers that wish to do this, and so we support the concept of surplus extraction. We are also very pleased to see the government's commitment to maintaining stringent funding safeguards to protect member benefits, and that extraction will remain subject to trustee discretion and actuarial certification.*

3.2. Points for the Committee to consider:

3.3. <u>Making sure all relevant schemes are covered</u>: The language of proposed section 36B(2) PA1995 does not yet capture (or cannot easily be applied to) a number of common scheme rules formulations which we believe do fall within the scope of the underlying Government policy. Common schemes rule formulations which could cause issues and which should be expressly covered by the Bill are:

- Where a scheme has a rule to return surplus in winding-up (a s76 power), but not on an ongoing basis (s37 power). The power at new s36B(2) does not appear to be available as a power already exists. It is unclear whether 36B(3) would assist, because there is no "restriction" per se on the power, it is simply a different power. Amendments needed to clause 8 of the Bill.

- Where a scheme's power of amendment expressly prohibits amendments to the scheme to allow any payments to employers. This is a relatively common feature of legacy DB schemes, dating from a period when payments to employers would have prejudiced the scheme's tax-privileged status. We can envisage other situations in which the scheme has express provisions which would conflict with a new override power. Clause 8 of the Bill should be amended to make it clear that exercise by trustees of the power under s36B(2) to introduce surplus payment powers would override any existing restrictions in the scheme rules.

- Where schemes have more than one trustee body (e.g. at scheme and section level). The Bill gives trustees power to modify their scheme to remove or relax any restrictions on an existing power where such a power "is exercisable by the trustees". Either the Bill should be amended to cater for this situation on the face of the Bill, or a power to modify s36B by regulation should be introduced. Whether in the Bill or via modifying regulations, the legislation needs to be clear on which set of trustees can exercise the power in these circumstances and whether the consent of both sets of trustees is required. This situation may arise, for example, in a sectionalised scheme with segregated sections, where there is a trustee board which is responsible for managing the scheme as a whole and separate trustee boards for each of the sections.

3.4. Requirement for member communications: Section 37(2B)(d) requires regulations to require members to be notified every time a surplus payment to an employer is made. This may be unnecessarily onerous e.g. where a staged withdrawal programme agreement has been reached and creates disproportionate member concern. We would suggest modifying (d) to cover the circumstances in and terms on which members should be notified in respect of payments being made, to provide flexibility to cater for such programmes.

3.5. *Recommendation: the Bill should be amended to make it clear that s36B(2) would override any existing restrictions and to cater for schemes with more than one trustee body. The Bill should be amended to moderate the requirement for member communications.*

Superfunds

3.6. *The SPP is keen to ensure DB schemes are fully supported whether they wish to run-on, buyout or transfer to a superfund. With that in mind, we are pleased that policymakers support the establishment of DB 'superfunds' and are keen for a fully regulated regime for their operation to be established as soon as practicable.*

3.7. Points for the Committee to consider:

3.8. Policy change: The "Gateway conditions" now proposed (Clause 58) for transfers to a Superfund are substantially weaker than those proposed in the 2023 consultation so should make approval for transfers simpler to obtain, but would also allow greater arbitrage with buy-out with insurers. With scope to manipulate funding to manufacture a deficit for the financial position test, the Gateway could result in a lot more schemes considering superfunds rather than insurers. Clarity is needed to determine if and why it is Parliament's intention to weaken the gateway tests.

3.9. Interaction with existing restrictions on transfer: Clause 59 would allow schemes coming out of PPF assessment to be transferred to a superfund provided the transfer increases the likelihood of members receiving an increased proportion of their pension benefits and will not lead to any member being worse off. Clause 90(2) removes the requirement for actuarial certification of the transfer but retains the "connected employer" requirements of Preservation Regulation 12(2) which will complicate entry for such schemes. Amendment to clause 90(2) should be considered.

3.10. *Recommendation: clarity is needed to determine if and why it is Parliament's intention to weaken the gateway tests and reviewing potential issues around the "connected employer" provisions in Preservation Regulation 12(2) is essential to ensure these do not prove a stumbling block to transfers as set out in Clause 59.*

Administration Levy

3.11. *The SPP would support the abolition of the Administration Levy, especially against the backdrop of £14bn in PPF surplus and imminent legislative flexibilities being introduced for the wider levy.*

3.12. Points for the Committee to consider:

3.13. The Administration Levy currently funds both a proportion of PPF administration costs and the FCF (Fraud Compensation Fund) administration costs. SPP's understanding is that the PPF no longer need the administration levy and the DWP's own departmental review concluded in 2022 that it is no longer needed. PPF administration costs could be covered from the wider protection fund and the FCF admin costs could be met from the FCF fund (and therefore through the FCF levy).

3.14. SPP would support amendment to the Pension Schemes Bill to deliver this transfer. A suggested addition to the Bill prepared by several senior pension industry professionals from SPP's DB and Legislation Committees working together, has been shared with both the Bill Committee and DWP. No legislative change is needed to fund FCF admin costs through the FCF levy because the legislation currently provides (s189(1) PA04) that: *For* *the* purposes of meeting expenditure payable out of the Fraud Compensation Fund, regulations may provide for the imposition of a levy (**"fraud compensation levy"**) in respect of occupational pension schemes.

3.15. *Recommendation: Amend the Bill to facilitate the abolition of the Administration Levy and the transfer of its remit to the PPF.*

4. Defined Contribution Schemes

Mandation

The reserve power to mandate investment in private market assets in s28C is one of the very few parts of the Pension Schemes Bill that the SPP does not support and we recommend that the mandation power should be removed from the Bill.

4.1. This power raises more questions than it answers - for example who is legally accountable for underperformance and how will the assets that are within scope be determined. It will also have a negative effect on market pricing and could undermine public trust given scheme members, or those thinking of saving in a pension, may worry that saver returns are no longer the main priority. There are arguments to either mandate or not mandate but having the mere threat of mandation, is widely viewed as the worst of both worlds.

4.2. For further details on the SPP's views on the issue of mandation, please see SPP's August 2025 paper on the subject.

4.3. If the mandation power is retained, we have the following additional concerns:

4.4. Risk of competing duties: How should trustees respond if a situation arises in which complying with mandation conflicts with their fiduciary and/or other legislative duties (e.g. under the Investment Regs / VfM requirements). Currently the only solution for mandation to be suspended for that scheme is under clause 28F. The SPP is concerned about the lack of a safe harbour for trustees and / or providers.

4.5. Terms of sunset clause: Clause 38 introduces new section 30A(13) which prevents the use of the mandation power beyond 2035. There are mixed views amongst SPP members as to the suitability of this specific end date . SPP is aware that some critics are calling for this to be brought forward to the end of the Parliamentary term and there is a logical argument for doing so. However, these changes will take time to bed in and will require Master Trust and Group Personal Pension providers to have at least £25 billion in assets by 2030, or a credible pathway to being there by 2035 – meaning some will almost certainly not be there until 2035. As a result, on balance the SPP agrees that if the mandation provision is retained, it makes sense to have a 2035 expiration date (or five years from date of commencement of Chapter 3 of Part 2, if later).

4.6. Separation of asset allocation requirement from scale requirement: as drafted, far from being a reserve power the Bill would require schemes to comply with the asset allocation requirement from 2030 (as its introduction is linked to the introduction of the new scale requirements). Irrespective of timings, this aspect of the Bill making changes to the auto-enrolment legislation needs adjusting to ensure the asset allocation amendments are clearly separated so that it is indeed a reserve power.

4.7. *Recommendation: the SPP suggests that the mandation power be removed from the Bill.*

4.8. The Bill (clause 38(12) inserting new section 28C PA08) leaves a lot of the detail of the asset allocation requirement to be prescribed by regulation. The Delegated Powers Memorandum is silent on what is intended, but Parliament needs better visibility now of what will be covered if the clause as drafted receives Royal Assent. We have listed below some of the key elements which should be disclosed for consideration while the Bill is being debated:

Considerations for delegated functions in the Bill

- Value of "prescribed percentage (by value) of the totality of assets of a particular description held in funds". Will this differ (upwards or downwards) from the targets agreed voluntarily by some providers under the Mansion House Compact/Accord? Should the Accord figures operate as a cap on this power?
- Type of assets which will be "qualifying assets". The Mansion House Accord gives a list, but the Bill is more enigmatic. The test will need to be clear and easy for trustees to follow to determine whether an asset has sufficient links to the UK. What test is expected? The SPP's 2024 paper "Solving the UK Investment Puzzle" suggested a solution to the problem of definition – suggesting that such assets have three key features, that they 1) increase the UK's productive capacity, 2) improve UK growth and 3) make a tangible and positive contribution to UK society. And what evidence will trustees need to provide that demonstrate that assets meet the test?
- How will the regime operate if there is an insufficient supply of appropriate (and appropriately priced) "qualifying assets", which are compatible with the charge cap? The Bill anticipates a regulator being able to disapply the requirement for a specific scheme following an express application but does not contemplate a more blanket suspension of mandation when appropriate. We can see a need for the Bill to be amended to give the regulator that power in order to deal with pipeline delays, particularly for schemes on the transition or new entrant pathways.
- Which regulatory authority is intended to police the proposed section 28F requirement? TPR/ the FCA/ the PRA?
- What test is proposed for the regulator to assess whether mandation "would cause material financial detriment"? Over what period would this be assessed?
- The Bill anticipates the consequences of failure to comply with mandation being loss of qualifying scheme status for auto-enrolment purposes (and transition /new entrant pathway status where relevant). It is left for regulations to prescribe what happens next. Two key areas where better visibility of Government plans for those regulations is needed are set out below:
  - The test appears cliff-edge in nature – failure on any given day to hold the requisite allocation. We would expect to see grace periods for ensuring compliance, averaging being permitted and scope for e.g. financial penalties or regulatory intervention rather than immediate disqualification.
  - The proposed requirements on schemes that fail the test e.g. would there be a requirement to transfer assets and members to another qualifying scheme or can the scheme run on (subject to VfM requirements)?

<u>Default decumulation</u>

4.9. *The SPP supports the concept of default decumulation and is keen to continue working with policymakers and industry to ensure default pension solutions (both DC and CDC), and wider decumulation options, meet savers needs. However this is draft legislation for a completely new regulatory regime, so the Bill drafting inevitably requires much more detailed consideration to ensure it will work. We have listed below the gaps we have identified.*

4.10. Points for the Committee to consider

4.11. <u>Trustee liability:</u> Any default will by default have "winners and losers". The "winners" being those individuals who might otherwise have spent their DC funds too quickly rather than withdrawing as an income. The "losers" are likely to be an unavoidable sub-category for whom the default was, in hindsight, not appropriate because they die too soon to get value for their savings, or die after their pot runs out. Trustees will be exposed to claims from/on behalf of "losers". The Bill should include express protections for trustees who have acted in accordance with the legislation but nonetheless see "losers".

4.1. <u>Equalities discrimination exemption:</u> Selecting and offering a default may also lead to indirect discrimination on the grounds of sex because of different life expectancies. The Bill should incorporate an express exemption from the equalities legislation for trustees adopting default decumulation solutions.

4.2. <u>Data protection concerns:</u> The Bill expects, and requires, trustees to request additional information about a member's financial circumstances and retirement planning. That will inevitably involve the receipt of special category personal data for some members, e.g. (i) information about someone's health which is relevant to longevity; and (ii) information about someone's relationships which is relevant to survivor benefits. The Bill should include an amendment to data protection legislation to allow trustees to obtain and process this information for the purposes of providing decumulation services without requiring express consent from the member (this type of easement already exists for certain insurance and employment obligations, for example).

4.3. <u>Transfer mechanism:</u> The transfer mechanism under clause 43 and its interaction with other clauses of the Bill do not yet work well. Changes needed include:

4.4. Expressly applying the disclosure requirements of clause 44 during the accumulation phase where a "principal scheme" (defined in clause 43) qualifies to provide an external solution under clause 43, to make sure all members are "warmed up" to the ultimate solution;

4.5. Specifying the timing of the transfer (is it at retirement, or before during deferral?);

4.6. To respond to the situation of members still building their pots while also taking benefits (possibly via the proposed definition of "retirement");

4.7. Creating scope for regulatory easement if no market for QPBS develops;

4.8. Addressing the status of the transfer for tax purposes (is this a bulk transfer, or a member-driven transfer, and has HMT agreed to associated amendments to give this the same status as a bulk transfer from the perspective of tax-protected rights to cater for member specific circumstances (e.g. a protected pension age?);

4.9. Addressing the status of the transfer for statutory discharge purposes (again, is this a bulk transfer, or a member-driven transfer, and if the latter does the transfer legislation under the PSA93 apply giving the original scheme a discharge?);

4.10. Addressing the inherent contradictions in the clause around whether the transfer option is a genuine default or not (requiring member consent as a pre-condition to transfer (Clause 43(7)) automatically excludes transfers to GPPs, leaving only transfers to other authorised master trusts available if the scheme is to be able to operate a default without active member involvement). Either the default pension benefit solution via the transfer mechanism is fit for purpose and therefore can (and must) be imposed unless the member opts out, or it is not;

4.11. Introducing a regulation-making power to define "practicable" for the "first condition" and "better outcome" for the "second condition" (reflecting the need for a market for QPBS to develop before principal schemes fall within scope of the requirements and removing the current inference of an expectation of crystal-ball gazing for each member);

4.12. Excluding existing members in decumulation (possibly via the proposed definition of "retirement"?);

4.13. <u>Future-proofing:</u> The Bill expects strategies and design to be reconsidered and indeed it is certain that schemes will need to change strategy over a typical accumulation or decumulation timetable (e.g. 30 years). However the Bill does not contain a mechanism to reflect change (e.g. driven by changes in member circumstances, or trustee strategy, or changes in the market more generally). This should be added to the Bill to avoid schemes becoming "hamstrung" by past decisions which cannot be unpicked.

4.14. <u>Terminology:</u> Greater clarity around terminology is needed, for example:

4.15. The "arrangement for making pension payments" at clause 42(2) does not fit with drawdown;

4.16. Taking account of “needs and interests” at section 42(4)(a) is extremely broad and doesn’t focus on financial needs / interests. The Bill should cover the steps needed to demonstrate trustees have taken account of such “needs and interests”.

4.17. The interaction of the general analysis at member level (clause 42) with individual member analysis (clause 44(7)(b)) is not clear. The Bill should specify whether schemes should also be taking account of survivor interests.

4.18. The Bill should provide for the following terms to be clearly defined:

4.18.1. “rate of decumulation” (clause 45(3)). It is not a term with a single clear meaning.
4.18.2. "regular income" and "retirement" which need to cater for variable income earlier in retirement journey, applying phased approach to retirement solutions etc.)
4.18.3. “design” in “design and make available” (clause 42(1)). It is being clearly differentiated as a separate step from “make available” and a court would interpret the use of two words as necessitating separate and different requirements. In other areas where trustees must set up default arrangements (e.g. for the investment profile) there is intrinsically a level of design, but the legal obligation is to set it up/make it available. If there is a particular expectation or meaning being loaded into the term “design”, it needs to be made much clearer.

4.19. Contact with members: Clause 45 is internally contradictory. Information to members must include information which may assist with “selecting” a default pension benefit solution e.g. rate of income withdrawal. By definition members do not “select” a default pension benefit solution, the trustees do. And a default pension benefit solution would need to have the rate of income withdrawal already nailed down - it wouldn’t have any options because it is a default. Clause 45 should address “pension benefit solutions” not “default pension benefit solutions”.

4.20. Trustee duty to monitor: The practicability of the proposed requirement on trustees to monitor the rate of decumulation and interfere if the rate of decumulation should be reviewed is impossible to deliver as currently drafted. The rate that is appropriate to an individual will depend not least on what other savings they have – they may decide to use up one pot and then move to another etc. Trustees will have no visibility. Dashboards won’t help here as pensions disappear from the dashboard once in payment. Adjustments are needed to the Bill on this front.

4.21. *Recommendations: extensive changes are needed to make Chapter 5 fit for purpose, including on trustee liability, equalities legislative requirements, data protection requirements, the transfer mechanism, catering for developments in the market, new terminology which does not have a clear and single meaning, and the interaction with members during their retirement.*

Consolidation

4.22. *The SPP supports the Government’s overarching objectives to both invest more in the UK and boost saver returns. However, consolidation is not necessarily the best way to achieve this. However,* consolidation of multi-employer DC schemes is not necessarily the best way to achieve this. The minimum pension fund scale requirement of £25bn AUM in Chapter 3 *will not necessarily drive additional investment diversification or deliver better saver returns but could lead to unintended consequences of reducing competition, stifling innovation and potentially disadvantaging some minority groups. As this policy decision has nonetheless been made we are pleased that our recommendation for a glide path for those who have not reached £25bn by 2030 (but have a minimum scale of no less than £10bn) was accepted.*

4.23. Points for the Committee to consider

4.24. Timing of commencement: The commencement provisions in the Bill (clause 101(4)(b)) and the government’s roadmap of reforms for workplace DC schemes indicate that the transition pathway for schemes that have more than £10bn but less than £25bn in their main scale default arrangement (MSDA) will be introduced from 2030 - ie at the same time as the £25bn scale requirement comes into force.

4.25. But what will happen to schemes with a MSDA currently below £10bn, but who are expecting to reach £10bn by 2030? It is likely that such schemes will increasingly be left off shortlists for new appointments when employers are reviewing their pension arrangements because they are not necessarily guaranteed to reach scale and can't easily do anything to signal to the market that they are on track to reach £10bn and thus be able to apply for the transition pathway on 1 January 2030 because the transition pathway won't open until then. In practice, for these schemes the transition pathway really needs to be opened much sooner so that they can effectively signal to the market that they are on track to join the ranks of those schemes with a MSDA between £10bn and £25bn by 1 January 2030 and we would urge the government to make this change as soon as possible to avoid further market disruption.

4.26. In addition, as the Bill is currently drafted, that means each scheme with a MSDA between £10bn and £25bn with an expectation of reaching scale by 2035 must immediately apply on 1 January 2030 for the transition pathway and the regulator must immediately suspend the scale requirement to allow consideration of the application, all on one day, because the transition pathway process does not open until then. That seems unnecessarily frenetic. We would recommend changes to the Bill to create a period for applications to be made before the scale requirement commences (i.e. staggered commencement) to allow for an orderly collapse of the market and greater certainty for employers selecting their providers. The Pensions Regulator may be able to advise on a suitable period from their experience of introducing the requirement to authorise master trusts.

4.27. *Recommendation: We recommend that the transition pathway application process for schemes that have a main scale default arrangement that is less than £10bn in s28D needs to come into force as soon as possible to avoid further market disruption.*

Contractual override

4.28. SPP welcomes the contractual override allowing unilateral amendments to terms, changes to investments and member transfers (Part 2, chap 4).

4.29. Points for the Committee to consider:

4.30. Clause 41(2) of the Bill (inserting new Part 7A of FSMA 2000) leaves a lot of the detail to be prescribed by regulation. The Delegated Powers Memorandum is silent on what is intended, but Parliament needs better visibility now of what will be covered if the clause as drafted receives Royal Assent. We have listed below some of the key policy elements which should be disclosed for consideration while the Bill is being debated:

Considerations for delegated functions in the Bill

- How providers can evidence that they have satisfied the "best interests tests" (e.g. how this will interact with the VfM requirements, need for professional advice etc.).
- The role of an independent person in certifying this.
- Who will be eligible to act as an independent person in this context (e.g. IGCs?), what expertise they will need, their potential liability etc.
- Any role for employers in this process.
- How providers should evaluate/ compare the protections afforded by the FCA's Consumer Duty to those available in occupational pension schemes (e.g. if considering moving members from GPPs to master trusts).

4.31. *Recommendation: further clarity is needed on a range of issues here from how providers will need to evidence that they have satisfied "best interest" tests to how they should consider the protections afforded by the FCA's Consumer Duty to those in occupational pension schemes.*

Small Pots

4.32. The SPP supports efforts to address the growing issue of deferred small pots, and the proposed duty on schemes to enable the consolidation of over 13 million pension pots, starting at those that are worth £1,000 or less.

4.33. Points for the Committee to consider:

4.34. Authorisation to transfer in breach of a contractual term: Clause 24(7) should cover breaches of a term of the scheme (or of a contractual term for contract-based schemes) so that a transfer can take place even if it breaches a term of a contract that governs the relationship between a provider/scheme and a member.

4.35. Statutory discharge for transferring trustees: Clause 25 requires small pot transfers but does not include a discharge for the transferring trustees. A suitable statutory discharge should be included in Clause 25, applicable where trustees have made an automatic transfer in accordance with the legislation.

4.36. Recommendations: Match the safe harbour for transfers breaching scheme rules with an equivalent for breach of contractual terms for contract-based schemes and include a statutory discharge for trustees making an automatic transfer in accordance with the legislation.

Value for Money

4.37. The SPP very much supports the overarching objective of improving Value for Money.

4.38. Points for the Committee to consider:

4.39. Test to satisfy before transferring out from a "not delivering" scheme: The test (Clause 14) is that the transfer "could **reasonably be expected** to result in the generality of members receiving **long-term value** for money". Trustees have to be able to choose a recipient based on what it does now. Long-term commitments are unlikely to be viable, or even sensible in the rapidly evolving world that the Delegated Powers Memorandum for this Bill anticipates. The words highlighted would create an impossible test, given their natural meaning. The Bill should be amended to include a regulation-making power to define those highlighted terms very clearly to help trustees understand, and therefore pass the test. This issue also affects TPR as regulator (clause 16(3)(a)(i)).

4.40. Trustee knowledge and understanding: clause 17(11) amends the TKU requirements for trustee boards to require skills/knowledge for "ensuring that the scheme… improves its performance as regards [VFM] provision". To be operable, this requirement in the Bill should be downgraded to an understanding of how to improve performance. There is a stark divide between knowing what could be done and having the cash resources to bring in the right services to ensure the scheme does do that.

4.41. Parity with FCA-regulated schemes: Having one regime in the Pension Schemes Bill applying to trust-based schemes, and a different VFM regime for FCA-regulated schemes to be covered in the FCA Handbook risks a continuing lack of consistency across both types of scheme (e.g. given differing framework for compliance with the Consumer Duty vs. occupational pension scheme rules). The Bill should be amended to require the FCA to track this legislation to ensure parity between occupational and FCA-regulated schemes.

4.42. *Recommendation: the Bill should be clear on the test for transferring out from a "not delivering" scheme, standards of trustee knowledge and understanding should be proportionate, and parity between occupational and FCA-regulated schemes on value for money should be ensured.*

5. **<u>About The Society of Pension Professionals</u>**

5.1. As set out in the above introduction, 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.

5.2. The breadth of our members is a unique strength for the SPP and includes actuaries, lawyers, professional trustees, DC consultants, investment managers, providers, administrators, covenant assessors, and other pension specialists, delivering a wide range of services.

5.3. We were founded in 1958, as the Society of Pension Consultants, bringing together professionals to positively influence pension policy, support the development of legislation and provide members with access to technical information and insight into key industry policy debates.

5.4. In 2014, we renamed as The Society of Pension Professionals, broadening the range of professionals engaged in membership.

6. <u>Further information</u>

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

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

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

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

The Society of Pension Professionals, August 2025

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