

# FYI<sup>®</sup> Alert

## For Your Information<sup>®</sup>

### Update on the Regulator's work on value for money

The Pensions Regulator has published its [Corporate Plan](#) for 2023 to 2024, setting out its key priorities for the year ahead.

This shows that the work it is undertaking, both jointly with the DWP and the Financial Conduct Authority and alone, on demonstrating value for money in DC schemes, is going to be a key area of focus over the next year.

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#### Background

While trustees should focus on the needs of their own members, and their own particular plans for their scheme, it is always worth being aware of the Regulator's key priorities. The Corporate Plan is informed by the Regulator's five strategic priorities set out in its [strategy document](#) from March 2021:

1. Ensuring the security of savers' money invested in pension schemes.
2. Ensuring savers get good value for their money.
3. Scrutinising the decisions made on behalf of savers to ensure they are in their best interests.
4. Embracing the market innovation necessary to meet savers' needs.
5. Be a bold and effective regulator.

This FYI Alert focuses on the key DC issues covered in the Corporate Plan. Other Regulator priorities include the on-going work to revise the funding requirements for DB pension schemes and the response to last year's market turbulence following the government's 'mini-Budget', as well as increasing attention on tackling pension scams, supporting schemes to prepare for connecting to pensions dashboards, and helping to develop the CDC scheme market. The Corporate Plan also covers the Regulator's work on climate change and improving equality, diversity and inclusion on trustee boards, as well as a look ahead to the forthcoming general code of practice.

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## Value for money

The Regulator will drive good value for money as it:

- works with the FCA and DWP to deliver a value for money framework;
- takes regulatory action against schemes (for example, where they do not undertake value for member assessments, or where unremedied shortcomings are revealed); and
- steps up its engagement with administration providers.

### Implementing a value for money framework

A key priority in 2023 will be the Regulator's work with the DWP and FCA to progress a new value for money framework, following a [consultation](#) earlier this year.

The framework will help DC schemes to shift their focus purely from cost to a more considered and holistic assessment of value for money, with trustees needing to disclose clear and comparable metrics on their investment performance, costs and charges, and quality of services.

A response to the consultation is due in the summer, and work will then begin on detailed policy development and implementation.

### Regulating value for member assessments

Since 1 October 2021, trustees of all relevant pension schemes, regardless of asset size, have had to calculate and state the return on investments from their default and self-select funds (net of transaction costs and charges). This information is recorded in the annual chair's statement and must be published online.

The Regulator's research shows that small schemes are often unaware of their regulatory duties, so it is starting to identify schemes that offer poor value and drive them to either improve their standards or consolidate into a scheme that offers good value for savers.

### Engaging with administration providers

The Regulator states that high quality, efficient administration underpins a well-run pension scheme and good value services. Over the last year, the Regulator has been developing a new approach to administrator engagement, which aims to give it a better understanding of the sector, identify areas where changes will improve savers' outcomes, and ultimately raise standards.

### Preventing loss of value when savers access their pensions

Going forward, the Regulator will focus on ensuring that savers get good value and can make good decisions when it comes to taking their pension at retirement. The aim is that schemes either offer, facilitate or signpost decumulation vehicles and services that provide savers with good value for money.

During the year, the Regulator will be broadening its work by exploring options for better protecting value at decumulation for DC savers, which will be treated as a priority by the Regulator.

## Comment

The press release announcing the Regulator’s latest Corporate Plan for 2023 to 2024 states: “Plan sends clear message that those who can’t comply should improve – or leave the market”.

Chair, Sarah Smart, writes of the importance of the Regulator’s work “to enhance and protect people’s financial futures” in the environment of economic uncertainty. She goes on to mention that “times of financial strain underline the importance of saving for later life”.

The Regulator is clearly committed to driving high standards of governance and trusteeship and schemes are being asked to provide good value for money or, if they cannot, to wind up.

The consultation on the value for money framework closed on 27 March this year. It will be interesting to see the outcome, together with the further consultations from both the DWP and the FCA which will follow.

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