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The Pensions Regulator's latest Corporate Plan

The Pensions Regulator has published its new corporate plan, which sets out how it will "protect savers' money, help to enhance the pensions system and support innovation in the interest of savers" over the next three years.

Key priorities include the new DB funding regime and the value for money (VFM) framework for DC schemes.

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The Regulator's vision for the pensions industry

Fewer schemes and good outcomes
Consolidation, of both DB and DC schemes, will lead to fewer schemes, but these will be well run and delivering good outcomes from the point a saver joins a scheme through to their retirement.

The Regulator will support consolidation in three ways:

- Evolving the supervision of master trusts and developing a VFM framework in conjunction with the Financial Conduct Authority (FCA).
- Working with the Pension Protection Fund (PPF) where DB schemes are unlikely to be able to meet their liabilities.
- Developing good quality consolidation vehicles, such as CDC schemes.

Well-run schemes
Trustees will be expected to demonstrate continuous improvement and the Regulator will increasingly focus on the quality of scheme administration and compliance with the pensions dashboards requirements. There will also be closer engagement with professional trustees and a promotion of the requirements in the general code.

Scrutiny of the quality of Task Force on Climate-related Financial Disclosure (TCFD) reporting (that applies to schemes with assets of at least £1 billion) will also be increased.

Following the LDI crisis in 2022, the Regulator is to liaise with other regulators to ensure that any systemic risks in the pensions industry don't spread to the wider financial system.

Good outcomes for savers
The Regulator will continue to focus on employer compliance with their automatic enrolment duties.

To ensure the security of pension savings at retirement, the Regulator will:

- work with DB trustees on the journey to low dependency funding, buy-out and/or consolidation
- ensure DC savers are offered decumulation choices
- protect savers from pension scams

Key priorities for the coming year

The Regulator's key challenges in 2024/25 will be establishing the new DB funding regime, while also increasing its attention on DC VFM, and good governance and administration.

DB funding
In addition to overseeing the introduction of the new funding regime, the Regulator will also be supporting the consolidation and risk transfer markets. It will be working with the DWP to support the development of DB superfunds.

It also plans to publish guidance later this year on consolidation options, including capital-backed journey plans, DB master/multi trusts and superfunds. This will highlight features of these solutions and what trustees and employers should consider.

Driving value for DC savers
The Regulator is to focus on VFM in master trusts as well as continuing its work with the FCA and the DWP to develop a VFM framework, with data disclosures across key areas including investment performance, costs and charges, and quality of services. Voluntary disclosures for trust-based schemes will be encouraged.

The Regulator will also prioritise ensuring the continuing compliance with existing requirements, especially the VFM assessments for schemes with assets of less than £100 million.

Good governance and administration
The Regulator's trustee focus will initially concentrate on liaising with the largest professional trustee firms, as it is felt this will help to influence progress and help ensure high standards across the industry. It will also be seeking to understand the extent to which trustees have adopted the principles of the general code, to help guide its future strategy.

In terms of administration, attention will be given to preparing for pensions dashboards, particularly in relation to improving systems and data quality. Support will be offered to trustees as they prepare for their new dashboard duties.

The Regulator's focus in subsequent years

Beyond 2024/25, the Regulator will be shifting its attention away from introducing the new DB funding regime to delivering the DC VFM framework, along with further work on enhancing administration and governance, and promoting innovation – particularly in terms of solutions for decumulation and tackling deferred small pots.

The Regulator will work with the DWP to prepare for the reforms in the automatic enrolment legislation, in terms of including younger workers and removing the lower limit of the qualifying earning band.

As trustees continue to incorporate the requirements of the general code into their scheme management, the Regulator will look to see that its expectations are met and that trustees have an effective system of governance, including appropriate levels of risk governance.

Through improvements in the Regulator's data coverage and insights into trusteeship, it will be seeking to scope requirements for the development of a trustee register, and gain a greater understanding of how the diversity and inclusion on trustee boards is changing.

A framework will also be developed for oversight of professional trustee firms.

Comment

There are few surprises in terms of the Regulator's 'to do' list. The Regulator will obviously want to ensure the new DB funding regime is successful while the amount of work involved in delivering the forthcoming VFM framework should not be underestimated.

Consolidation, pensions dashboards, governance and automatic enrolment also feature prominently on the Regulator's agenda. One thing is clear from the latest corporate plan: the Regulator's level of scrutiny and expectation of trustees will remain very high.

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