

# DWP Consultation:

Trust-based Pension Schemes – Trustees and Governance,  
Building a Stronger Future

Independent Governance Group Response

## About Independent Governance Group

Independent Governance Group (IGG) is a leading provider of professional pensions trusteeship, governance and communication services.

Operating across the UK, Ireland and beyond, IGG has a total of 500+ appointments with a combined asset value of approximately £322bn. Schemes range in size from the low millions to multi-billions, with over 50 of IGG's schemes being £1bn+.

Widely viewed as a leader in its field, professional pensions trusteeship and scheme governance, risk and compliance services are at the heart of IGG's offering and are delivered through a combination of chair of trustees, co-trustee and professional corporate sole trustee appointments. Around a third of IGG's trustee appointments are to act as professional corporate sole trustee, accounting for 150+ appointments. Pensions support services strengthen the professional trusteeship side of the business, with IGG providing secretarial, pensions managerial and governance solutions for over 140 appointments.

The 220+ team includes pensions expertise drawn from many different backgrounds, such as pensions managers and consultants, lawyers, investment specialists, and actuaries. The team is known for providing diversity of thought and wide-ranging collective experience.

IGG is a multi-award-winning active member of the Association of Professional Pension Trustees (APPT). Members of the group play a prominent part in APPT committees, and all Trustee Directors are fully accredited as professional trustees.

We also offer a range of services through the companies within the IGG group which include:

- IC Select – an independent organisation focused entirely on selecting and monitoring investment consultants, fiduciary manager and DC master trusts.
- Likeminds - a specialist member communications and engagement agency.
- KGC Associates - a boutique organisation providing independent pensions and management consulting services to trustees, employers and the industry.

This response is submitted on behalf of the group.

Should you wish to discuss any elements of our response, please contact **Louise Davey** ([louise.davey@weareigg.com](mailto:louise.davey@weareigg.com)) in the first instance.

## **Executive Summary**

The trust-based pensions system continues to provide strong foundations for effective governance, supported by a clear regulatory framework, proportionate oversight and increasing levels of professional trusteeship. Our view is that these strengths should be built upon, rather than fundamentally reshaped.

### **Raising the Bar**

The current framework largely works well. TPR's codes, the master trust regime as well as risk-based supervision have set clear expectations and strengthened governance consistency. Professional trusteeship has enhanced capability, continuity and decision-making standards across many schemes.

However, challenges remain. Lay-dominated boards can sometimes struggle with speed and coordination, particularly as they respond to market events or deal with complex transactions. Smaller schemes face a disproportionate burden from rising regulatory requirements - including ESG, cyber, data and reporting obligations - while increasing costs and limited access to specialist services add further strain. Professional trustees are well placed to mitigate these issues.

Looking ahead, trustees will require broader skills in data governance, AI, cyber resilience and digital transformation, complementing traditional pensions expertise. Strong executive functions will become essential as schemes consolidate and governance models evolve.

### **Professional Trustees and Integrated Services**

Conflicts of interest arise in all governance structures, not only within professional trustee firms. Firms of professional trustees with an integrated service model have developed in response to client demand and are well-equipped to deliver better alignment with scheme objectives and efficiency when properly governed, providing high quality governance to schemes that would otherwise be unable to access it. The focus should therefore remain on robust governance processes - transparency, documentation, and clear roles and responsibilities - rather than restricting business models.

Professional trustee firms often already operate strong conflict-management frameworks, including internal separation of duties, comprehensive registers and formal declarations. Residual risk is low where such frameworks are in place. Additional safeguards should be business-model agnostic and targeted at strengthening governance quality, not limiting market flexibility.

### **Multiple Appointments and PCSTs**

Blanket limits on the number of scheme appointments a professional trustee may hold would be overly simplistic and risk reducing market capacity. Capacity is determined by scheme complexity, the quality of support functions and the

structure of the trustee firm. A data-led approach - via a trustee identifier and enhanced register - would allow TPR to identify outliers and intervene proportionately.

Professional Corporate Sole Trustees (PCSTs) can be effective for a wide range of schemes when supported by strong governance structures. Team-based decision-making, clear delegation protocols and robust oversight enable PCSTs to replicate the strengths of well-run boards while offering speed, independence and efficiency. Existing APPT and TPR codes provide a strong foundation, though firm-level governance expectations could be further developed.

### **Skills, Accreditation and Lay Trustee Support**

Trustees require a blend of technical knowledge, judgement and strong board-level skills such as challenge, collaboration and effective decision-making. Mandatory, tiered accreditation for professional trustees - supported by firm-level oversight - would help ensure consistent standards across the market. Lay trustee expectations should remain proportionate and focused on scheme-specific needs; excessive CPD requirements risk discouraging participation.

### **Appointments, Diversity and Tenure**

Future safeguards should focus on capability and skills-mapping, rather than narrowing eligibility criteria. Scheme sponsors play a central role in trustee appointments and transitions, and expectations of them should be clearer, particularly for PCST appointments. Trusteeship must remain accessible and appealing to a diverse pool of candidates - across backgrounds, skills and lived experience. Structured learning pathways, better diversity data and accredited development routes will support a sustainable pipeline.

Term limits can support board renewal, but rigid or mandatory limits could disrupt major projects and undermine continuity. Any approach should allow flexibility, focus on individual representatives rather than firms, and encourage staggered transitions.

### **Governance of Megafunds**

The master trust regime provides a strong basis for large-scale consolidated models, but Megafunds will require refined oversight. Independence becomes more important where trustees are appointed by commercial funders, and structural conflicts may grow. Effective governance will depend on a well-resourced executive function spanning operations, risk management, investment implementation and provider oversight.

Operational risks - including the scalability of administrators, complexity of consolidation and deeper allocations to private markets - will require enhanced regulatory scrutiny. Supervisory teams will need more sophisticated investment, operational and technology expertise to oversee increasingly complex schemes proportionately.

### **Regulatory Powers and Trustee Directory**

There may be merit in enabling TPR to intervene earlier where capability gaps or conflicts persist. However, any expansion of powers must remain proportionate and avoid undermining trustee autonomy. A unique trustee identifier recorded through existing scheme returns would give TPR effective oversight while avoiding additional administrative burden. A separate register may be appropriate for professional trustees but would be disproportionate for lay representatives.

### **Member Voice**

Fiduciary duty already centres member interests, but structured engagement - panels, surveys and behavioural analytics - provides trustees with deeper insight into member needs and preferences and ensures “no member is left behind”™. Digital-first communication and AI-driven insights can help to replicate and enhance the benefits historically associated with lay trustees’ workforce knowledge.

### **Administration and Market Stability**

Mandatory standards for administrators and ISPs would improve consistency, operational resilience and accountability. SLAs alone are insufficient; accreditation, governance metrics and resilience requirements are needed, particularly in the context of dashboards and consolidation.

Consolidation heightens data, cyber and capacity risks. TPR should adopt early-warning mechanisms, proportionate reporting and targeted intervention powers to mitigate the impact of potential administrator failures.

## **Response to consultation questions**

### **Raising the bar**

#### ***1. What do you think works well in the current trusteeship and governance system?***

We consider many elements of the current trusteeship and governance framework to be operating effectively across trust-based schemes and believe these should be refined, rather than fundamentally reshaped. The regulatory framework has established clear expectations around accountability, member security, and governance standards. The DC master trust authorisation regime has strengthened discipline and clarified responsibilities, while TPR's codes and guidance have created a widely understood governance baseline. Although improvements are possible, this framework is now embedded and functioning well.

Proportionality is another core strength. The trust-based landscape is diverse, and a risk-based approach allows schemes - whether small DB arrangements, single-employer DC schemes, or commercial master trusts - to focus on governance activities that genuinely matter for member outcomes. In most circumstances, this flexibility avoids unnecessary procedural burden and supports practical, outcome-focused governance, though this flexibility has been eroded somewhat in recent years with some of the newer governance requirements.

Trustee commitment and fiduciary accountability also continue to serve the system well. The clarity of duties encourages strong engagement with funding, investment, administration and member communication. Increasing professionalism, supported by advisers and structured processes, is evident across many boards.

The growth of professional trusteeship and PCST models has brought further benefits, offering clearer decision-making, deeper technical expertise, and governance continuity—particularly valuable for schemes navigating complex funding issues or endgame planning. These models operate within the same fiduciary framework and can streamline governance and reduce conflicts. Crucially, the system continues to deliver on its primary purpose: paying members the benefits they are due. Taken together, defined legal accountability, proportionate oversight, and flexibility of governance models mean the current system largely works well. Any future reform should build on these strengths and preserve the diversity and adaptability that underpin effective governance across trust-based schemes.

## **2. What are the barriers to good trusteeship?**

A number of practical challenges within the current trusteeship and governance framework merit consideration. Trust-based governance is intentionally collegiate, which supports scrutiny and balanced decision-making, but it can also slow progress. Boards made up of lay trustees, often juggling day jobs, can struggle to make timely decisions, particularly when coordinating diaries, securing quorums, or working through multiple layers of advice. This becomes more acute in periods of market volatility, corporate activity, or during funding and endgame transactions where speed is essential. It can also be difficult to manage conflicts of interest and organisational dynamics, which can lead to entrenched views and adds to the time taken to make decisions.

The challenges noted above are by no means universal, though they are common and in our experience tend to be more pronounced for smaller schemes. Limited scale restricts access to specialist investment options, strong administration, and competitive adviser pricing, while rising regulatory expectations add further strain. Although higher standards are positive in principle, the cumulative burden can feel disproportionate, with governance becoming increasingly compliance-led rather than strategic.

Resource and cost pressures are rising across all scheme types. The average cost of running a DB scheme is now far from the figures published by TPR in its 2014 survey of DB costs. New funding requirements, ESG and stewardship expectations, dashboards, data and cyber standards, and enhanced reporting obligations demand substantial trustee engagement. This can crowd out longer-term strategic decision-making and increase reliance on advisers, adding further cost and complexity and divorcing the connection between who is, in practice, leading decisions and who is legally accountable and responsible for those decisions.

Professional trustees, including PCSTs, can mitigate many of these challenges by bringing dedicated time, technical expertise, objectivity and experience of complex regulatory and transactional environments. They can streamline decision-making, ensure continuity, and reduce dependency on meeting cycles constrained by lay availability.

Finally, questions remain about whether regulatory intervention thresholds are appropriately calibrated, especially for smaller schemes. While TPR has powers to appoint or replace trustees, the bar for intervention is perceived as high and processes slow. There may be merit in exploring more accessible or streamlined powers to address persistent capability issues or unmanaged conflicts before member outcomes are put at risk.

### **3. Looking ahead to 2030 and beyond, what further support will trustees need to ensure effective scheme governance?**

As schemes consolidate and “Megafund” models emerge, there will be an increasing need for a professional secretariat and stronger executive function to support day-to-day operations. A professional executive layer – covering operations, risk, technology, investment implementation and member strategy – will be essential to deliver trustee decisions and provide timely, high-quality information. In this environment, the trustee–executive relationship becomes more akin to a board–executive partnership, with a clearer distinction between strategic oversight and operational delivery. Policy thinking will need to recognise and support this different dynamic.

Trustee entry routes will also need to evolve. By 2030, trustees will require skills beyond traditional pensions, legal and investment expertise, including data governance, AI, cyber resilience, digital administration and large-scale technology change. Policymakers may need to consider whether they wish to develop a pipeline of career trustees or encourage recruitment from other sectors such as technology, data science, consumer finance and risk. Broadening the talent pool will be critical for overseeing increasingly complex and technology-enabled schemes.

The future system will also be more segmented. Different models – long-term DB run-on, buy-out focused DB schemes, DB consolidators, CDC, single-employer trusts and DC Megafunds – have distinct objectives and risk profiles, requiring different governance structures and skill sets. A single approach to capability, accreditation or supervision is unlikely to be effective.

As professional trusteeship grows, issues may arise where multiple professional trustees sit on a Megafund board, particularly under joint and several liability. Differing PI terms, risk appetites and governance models could create complexity, and some degree of clarity or standardisation may be helpful.

Finally, governance should increasingly focus on collective board capability rather than solely individual skills. Effective oversight of Megafunds depends on the board having the right mix of expertise, experience and diversity of thought, supported by skills mapping, succession planning and regular board evaluation.

## **Governance of Megafunds**

### **4. Does effective scheme governance in a Megafund require additional support or any specific changes in regulatory approach?**

We consider the existing master trust authorisation and supervision framework to be a strong foundation for Megafund governance, but the scale and pace of consolidation envisaged will require targeted refinements. In many master trusts, trustees are appointed and remunerated by the scheme funder. As

schemes reach £25 billion and above, commercial incentives intensify, making visible independence and robust challenge even more important. Clearer expectations around conflict management and independence could therefore be helpful.

At Megafund scale, governance depends not only on trustees but also on a capable executive function. Executives are responsible for operational delivery, investment implementation, service provider oversight, risk management, data integrity and member servicing. They form the bridge between trustee strategy and day-to-day execution, especially during consolidation. Regulatory focus may therefore need to extend beyond trustee competence to include expectations around executive capability, resourcing and governance.

Contractual arrangements with third-party administrators can also constrain trustees' theoretical ability to change core providers. This creates moral hazard and limits leverage when service quality or scalability becomes a concern. Stronger scrutiny of TPA contracts at authorisation and through ongoing supervision could ensure trustees have practical control, supported by a sufficiently empowered executive team. Greater visibility and scrutiny of liability caps may also be beneficial and prevent over reliance on the trustee's PI insurance, which is increasingly a challenge.

Master trust consolidation remains complex and resource-intensive, typically taking 9–14 months. As schemes grow, weaknesses in executive capacity or TPA scalability could pose risks to member outcomes. Increasing allocations to private markets will also require deeper investment and operational expertise, and consolidation may heighten concentration risk in the advisory market. Regulatory capability must evolve accordingly, ensuring supervisors have the technical expertise to oversee large, sophisticated schemes while maintaining a proportionate, risk-based approach that avoids unnecessary intrusion into trustee discretion.

## **Professional Trustees – Other Services**

### ***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?***

Conflicts of interest are inherent in all trust-based governance structures and are not new or unique to professional trustee firms. We can provide numerous case examples of having been appointed to boards or as PCST where unmanaged conflicts of interest were evident among the trustee board and advisers. Professional trustees are remunerated and therefore technically in a position of conflict. This is well understood in law and managed through disclosure and informed consent from the sponsor, which means that as fiduciaries the trustees are not in a position of 'unauthorised conflict'. In many cases, professional

trustees are appointed precisely because they can identify and address unmanaged conflicts among existing trustees and the commercial drivers of advisers and service providers.

The provision of other services by professional trustee firms has developed in response to sponsor-led demand for integrated services which can often be delivered for a lower cost. For small schemes in particular, integrated service models provide access to services of a calibre that would otherwise be unaffordable, bringing the suite of skills and expertise needed to ensure members interests are best served, particularly as many schemes navigate new end-game options.

For firms offering multiple services, the main potential conflict arises when the trustee firm also delivers additional services, such as governance services, project management or trustee-led covenant support, and it is the trustee's power to appoint. The key decision point is whether to appoint the trustee firm or procure externally, or where multiple services are procured by the sponsor at the initial appointment, whether to retain those services at the point of review. The question is which party can provide the right service at the right price and for the right reason. Integrated service models can deliver genuine benefits when properly governed, including efficiency, better alignment between governance and execution, reduced duplication and provide strategic opportunities for the scheme that might otherwise be unavailable. The important factor is not whether a provider offers multiple services, but whether the appointment and review process is transparent, robust and clearly in members' interests.

Comparable commercial conflicts exist across the wider advisory market, including employee benefit consultancies that provide bundled services. In many cases, introducing an independent professional trustee has improved governance by challenging incumbent providers and raising standards, and asking better, more tailored questions of independent advisers, therefore obtaining more effective and helpful advice that provides value.

Conflicts today are managed through fiduciary law, regulatory expectations and firm-level controls. Many professional trustee firms, including IGG, operate clear internal separation between trustee and non-trustee service lines, follow strong procurement standards, maintain comprehensive conflicts registers and appropriate restrictions on personal incentives to fiduciary decision makers, and require formal declarations to the sponsor at both individual and firm level. Decisions to appoint in-house services are documented, benchmarked where appropriate and may be supported by independent advice, as well as being discussed in advance with the sponsor where possible.

Professional trustee firms are legally accountable for their decisions, and their reputation, liability exposure and PI insurance requirements provide strong incentives for robust governance. In addition, firms are more easily able to

directly address any under-performance from services provided internally by having direct control over resourcing and performance management. While conflicts cannot be eliminated, strong frameworks mean the residual risk to members is generally limited. The priority should be rigorous management, transparency and accountability, rather than restricting trustee firms from offering complementary services that, when properly governed, can enhance scheme effectiveness and provide affordable access to high quality governance that for some schemes would otherwise be unachievable.

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

There is merit in considering formalised firm-level governance frameworks as the primary mechanism for managing these risks, rather than assuming that conflicts can be addressed solely through additional individual-level regulation. Any additional safeguards should focus on clarifying and strengthening existing governance responsibilities, with a focus on transparency and robust internal governance processes. Importantly, safeguards should be business model agnostic, focussing on the processes for managing the relevant risks however they present themselves, rather than the structure or service model of a particular professional trustee firm or EBC.

### **Multiple Appointments**

**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?**

We do not believe there should be blanket restrictions on the number of schemes an individual professional trustee can serve. An individual trustee's capacity and ability to respond to a system wide event depends on multiple factors, including the business model of the professional trustee firm and the level of support provided to the trustee directors, the quality of the secretariat and executive functions, the size and complexity of the schemes in their portfolio, and where the schemes are on their journeys. A portfolio of well-funded, well-advised schemes with strong operational support, for example, may require significantly less individual trustee capacity than one large, complex multi-employer or DB scheme.

Rather than imposing arbitrary limits, capacity can be monitored more effectively through transparency and data. Linking appointments to a trustee register would allow TPR to identify outliers - such as individuals holding unusually high numbers of appointments - or to spot patterns of governance issues across schemes where a particular professional trustee is appointed. TPR's evolving data strategy and integration plans should allow risk metrics to be

applied, enabling targeted follow-up on cases where capacity or performance may be a concern, without restricting the broader market unnecessarily.

Introducing strict numerical limits could inadvertently reduce the pool of available professional trustees, potentially undermining market capacity and the ability for firms to operate sustainably, and markedly increase costs. A more flexible, evidence-based approach focused on oversight, data analysis, and case-by-case intervention is therefore preferable, balancing scheme governance quality with the operational realities of professional trustee provision.

## PCSTs

### ***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?***

A PCST model can be appropriate for a wide range of schemes, from smaller arrangements to large, complex schemes, provided that robust governance structures are in place. While PCSTs were traditionally associated with smaller schemes due to their efficiency and streamlined decision-making, the model is increasingly adopted by billion-pound plus schemes to reduce governance complexity, improve responsiveness, and manage costs, particularly where traditional co-trustee boards might otherwise slow decision-making or duplicate oversight.

PCSTs are particularly valuable at technical decision points, such as buy-in/buy-out exercises, run-on strategies, or complex corporate restructuring. They can provide an independent, pragmatic perspective backed by knowledge and experience of the market where sponsor-trustee relationships are strained or where timely consensus is required. By consolidating accountability while maintaining robust oversight, the PCST model can support high-quality, timely outcomes across a broad spectrum of schemes.

In practice, professional trustee firms operating PCSTs do not rely on a single individual to carry all fiduciary responsibility. Typically, teams of at least two to three trustee directors share fiduciary duties and decision-making, with responsibilities allocated in a manner akin to subcommittees covering governance, investment, funding, and DC matters. The wider team provides specialist support, replicating the oversight and expertise normally found in larger, well-run co-trustee boards. This integrated, team-based approach includes clear delegation, signing protocols, and distinctions between fiduciary and non-fiduciary decision-making, ensuring clarity of responsibility and avoidance of conflicts.

Formal terms of reference and delegation frameworks are essential to ensure that the PCST operates with the same discipline as would be expected on any well run board. When these are in place, the model can function effectively for

both smaller and very large or complex schemes. However, it should be noted that PCSTs are currently not permitted in certain types of arrangements, such as DC master trusts, due to the regulatory framework and the need for broader trustee accountability in these contexts.

Given these safeguards, blanket restrictions beyond existing regulatory prohibitions are unnecessary. Suitability should continue to be assessed on a case-by-case basis, considering scheme complexity, fiduciary responsibilities, and the strength of supporting governance and executive structures. This approach allows the PCST model to deliver efficiency, clarity, and robust governance across a wide range of schemes while protecting member interests.

**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?***

Any enhancements or strengthening of requirements on professional corporate sole trustees should build on, rather than duplicate, the existing APPT PCST code and TPR's General Code of Practice. In our view, the current codes already cover much of what is needed in terms of individual trustee behaviour, fiduciary duties, and decision-making standards. The APPT code sets out clear expectations for individual trustees, while the General Code and related ORA requirements reinforce broader governance principles, including trustee effectiveness.

However, there are areas where a more explicit or dual-level approach could be beneficial. The current APPT code focuses on individuals, with some expectations around firm-level processes, but it does not impose direct obligations on professional trustee firms themselves. Introducing firm-level obligations, such as AAF requirements, could formalise requirements for governance frameworks, delegation protocols, conflict management, and oversight of multiple trustee directors acting as a team. This would complement the individual-level standards already in place and provide a clearer structure for accountability that better reflects the professional trustee market as it operates today.

Other areas that should be addressed include:

- Ensuring the code is business model-agnostic, rather than inadvertently biased toward certain commercial structures.
- Balancing oversight and flexibility: while greater TPR oversight could bring benefits such as reduced commercial conflict and stronger monitoring, excessive rigidity could slow implementation or limit responsiveness.

This approach would formalise good practice that already exists in some professional trustee firms. It would strengthen the current regime overall, address practical concerns about commercial bias and employer influence, and

ensure the PCST model continues to operate effectively while maintaining high standards of member protection.

It is also important to recognise that much of the behaviour that has been cited as concerning policymakers arises from employer behaviour rather than that of trustees. For example, the process of appointing a PCST, giving notice to the existing trustee board, and transition handling is largely an employer responsibility. Any enhanced code could therefore link to requirements or guidelines for employers to ensure transparency and good practice in appointments.

### **Appointment and replacement of trustees**

#### ***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?***

Given the future pensions landscape – consolidation, greater scale, digitalisation, dashboards, AI-enabled administration and more complex investment strategies – any additional safeguards should focus on capability and governance structures rather than tightening eligibility criteria.

A key consideration is the evolving trustee–executive dynamic. In larger or consolidated “Megafund” schemes, outcomes rely not only on the trustee board but heavily on a well-resourced, technically capable executive function. Safeguards should therefore ensure appropriate skills and capacity at both trustee and executive levels, recognising that weak executive resourcing can undermine even a highly competent board.

At trustee level, stronger and more formalised skills-mapping requirements would be valuable. Rapid technological change in areas such as AI, data governance, cyber resilience and digital engagement means traditional pensions or investment knowledge is no longer sufficient on its own. Regular skills audits, gap analysis and succession planning should be embedded, with clear accountability for addressing deficiencies. The emphasis should remain on collective capability rather than expecting every trustee to be an expert in every domain.

In the near term, the role of the employer remains critical across non-commercial schemes. Sponsors typically appoint and remove trustees, including PCSTs, yet regulatory focus on employer responsibilities is limited. Strengthening expectations around employer engagement and understanding – including greater transparency when appointing or replacing trustees – could improve member protection. TPR’s emerging guidance for employers on appointing a PCST is a welcome step, and clearer expectations could help ensure sponsors understand their responsibilities, assess suitability properly and plan transitions effectively, including appropriate consultation with incumbent trustees.

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

Government and regulators have an important role in widening and strengthening the pipeline into trusteeship – both for lay trustees appointed by employers and those entering professional trusteeship. As governance expectations rise, the role is becoming more technical and time-intensive, risking a shrinking candidate pool unless active steps are taken to attract and retain diverse talent.

Diversity should remain a core objective, but the focus should extend beyond protected characteristics to include diversity of skills, backgrounds and lived experience. Better data collection is needed to understand where gaps exist, as there is currently no comprehensive visibility of trustee diversity.

Employers play a central role in appointing employer-nominated trustees and shaping governance structures. Government and regulators can encourage employers to view trusteeship as part of leadership and talent development, identify candidates through internal networks and succession planning, and promote trusteeship as a strategic, developmental opportunity.

Access to resources is also a growing barrier. Rising expectations around funding, investment, covenant, cyber, data governance and emerging technologies such as AI can deter potential candidates. Government and regulators can support by promoting structured, accessible learning pathways, including:

- Explicit budgeting for training
- Access to recognised qualifications
- Modular, tiered training aligned to scheme complexity
- Clearer entry pathways to build competence progressively

These considerations equally apply to professional trusteeship. As the market professionalises, entry risks becoming concentrated among experienced pensions specialists. To maintain resilience and diversity of thought, accessible pathways should exist for people transitioning from adjacent sectors such as technology, risk, or financial services. Structured accreditation routes, mentoring and staged competency requirements can facilitate this, complementing existing graduate and trainee programmes run by firms like IGG.

Importantly the objective should not be to lower expectations. High governance standards must remain, but training, employer engagement, funding and entry routes must evolve in parallel to sustain a strong trustee pipeline.

**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?**

There are clear advantages to periodic refreshment of trustee boards, but rigid or inflexible limits could have unintended consequences.

There is merit in considering term limits as a mechanism to encourage fresh thinking, greater diversity, and skills renewal. Introducing structured review points or maximum tenure guidelines could create opportunities to reassess the skills mix, address gaps, and bring in new perspectives - particularly in light of emerging areas such as technology, data and AI oversight.

However, in the context of professional trustees the focus should be on reviewing individual representatives rather than the appointed firm. Particularly within team-based models, continuity and institutional knowledge often sit at professional trustee firm level rather than solely with one individual. A blanket prohibition on repeat appointments to the same trust could undermine stability without necessarily improving governance quality.

Knowledge retention is a critical consideration. Trustee turnover can create disruption and increase cost, particularly in complex schemes or those undertaking significant projects such as buy-ins, buy-outs, restructurings or major administration transitions. Mandatory term limits that force change mid-transaction would be detrimental both to member interests and the ability to pursue claims in the event of errors, thus forcing work to be repeated so that it can be properly warranted by the new trustee. Any approach should therefore allow flexibility to reflect scheme circumstances, including the stage of the scheme journey.

If term limits are adopted, staggering appointments would be important to avoid wholesale board turnover at a single point in time. Structured succession planning, skills mapping and managed transitions would mitigate the risk of knowledge loss while still delivering renewal benefits.

## **Public Trustee**

### ***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?***

We are unclear what specific problem the introduction of a public trustee is intended to address. The consultation does not identify a clear failure in the current system that would justify such a change.

A public trustee would need to meet the same knowledge and regulatory requirements as existing professional trustees, so it is not evident what additional value this role would bring. If operating outside a wider Professional Trustee firm, there is also a risk the role would lack broader professional insight and become siloed.

The Pensions Regulator's own description of the current register system does not highlight significant issues, and no evidence has been provided of cases the existing framework has failed to address. On that basis, we do not consider a convincing case for change has been made.

There are scenarios in which professional trustees are appointed to schemes where they are unable to recover their own or their advisers' fees from either the employer or the scheme assets. This may be because there are insufficient assets or because it is not appropriate to use the assets for that purpose. It is possible that a public trustee with a different funding model would not face this issue, but that would seem to be a disproportionate solution to the issue.

***14. Are there any reasons why TPR's powers of intervention regarding trustees should be modified and if so in what way should they be modified?***

We recognise that there may be some merit in considering whether TPR's powers of intervention operate as effectively as intended in all cases.

For example, there may be scope for TPR to provide stronger support to trustee boards where concerns are raised, such as situations involving pressure to appoint overly "compliant" trustees. Clear regulatory backing in these circumstances could help reinforce trustee independence.

Where governance is weak or trustee capability is clearly insufficient, there is also a question as to whether regulatory intervention thresholds are appropriately calibrated, particularly for small schemes that are not 'systemically important'. Although TPR has the power to appoint or replace trustees, the practical bar for intervention is perceived as relatively high and processes can be protracted. Consideration could be given to whether TPR should have more streamlined and accessible powers to replace persistently underperforming or non-compliant trustees or appoint a Professional Trustee before member outcomes are materially at risk. Earlier and more decisive intervention, particularly in cases of clear capability gaps or unmanaged conflicts, could reinforce accountability and support consistent governance standards across the sector.

That said, any expansion of powers would need to be carefully balanced to avoid unintended consequences, including unnecessary regulatory burden or reduced trustee autonomy.

## Trustee Directory

### ***15. How can TPR ensure it has the information it needs for the directory without creating greater administrative requirements for schemes?***

TPR could minimise additional administrative requirements by introducing a unique identifier for professional trustees that is recorded on scheme returns. Each professional trustee would have a single identifier, similar to a company director ID, which schemes would include as part of their existing return. TPR could then triangulate scheme return data with a central trustee register to identify multiple appointments, monitor trends, or flag potential areas of concern linked to particular individuals.

Importantly, we are not suggesting that the trustee register itself should maintain a live list of all schemes to which a trustee is appointed. That information could instead be derived by linking the unique identifier to scheme return data. This would avoid duplication, reduce inconsistencies, and limit additional reporting burdens while still giving TPR effective oversight.

We would not be opposed to a separate register for professional trustees, or those with multiple appointments, if this proves more efficient than collecting the same information repeatedly on a scheme-by-scheme basis.

However, for lay trustees — particularly those appointed to only one scheme — a separate register may be disproportionate. In such cases, the existing scheme return should provide sufficient information without introducing unnecessary additional requirements.

## Skills and knowledge – accreditation

### ***16. What skills will trustees of trust-based pension schemes need in order to be an effective and efficient trustee board?***

Trustees of trust-based pension schemes will need a balanced combination of technical knowledge, practical experience and strong board-level skills in order to operate effectively and efficiently in the evolving pensions landscape.

A key theme is the tension between formal qualifications and practical experience. While structured qualifications can provide a valuable knowledge base, many schemes derive significant benefit from member-nominated and employer-nominated trustees who may not hold formal credentials but bring deep sector knowledge, workforce insight, and lived experience. An effective framework should therefore align qualifications with practical experience, creating formal learning routes that recognise on-the-job development rather than displacing capable individuals who contribute strong governance value.

At board level, the most critical skills are often not purely technical. Effective trustees require strong capabilities in negotiation, collaboration and decision-making. The ability to engage constructively with sponsors, advisers and fellow trustees, to challenge appropriately, to assess risks and opportunities, and to reach balanced and well-reasoned decisions is central to delivering good member outcomes. As schemes consolidate and governance structures evolve, particularly in larger schemes or “Megafunds”, these interpersonal and collective skills become even more important.

Learning should therefore extend beyond technical study. Shadowing experienced trustees, structured testing of understanding, mentoring, and practical exposure to real decision making scenarios are essential. ‘On-the-job’ development remains one of the most effective means of building confidence and judgement, particularly in complex funding, investment or risk scenarios.

Looking ahead to Megafunds and Superfunds, the core skills required are largely transferable from well-governed existing schemes. While scale increases operational complexity, the fundamentals of fiduciary duty, risk oversight, strategic judgement and member focus remain constant. The emphasis should be on collective board competence - ensuring that across the board there is sufficient expertise in investment, funding, covenant, operations, technology and communications - rather than expecting every individual trustee to possess deep technical mastery in all areas.

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

As a professional trustee firm, we would support TPR setting statutory higher standards for professional trustees, provided the framework is proportionate, builds on existing good practice, and recognises both individual and firm-level governance.

We are supportive of mandatory accreditation for individual professional trustees. The existing APPT standards provide a robust foundation for competence, conduct and continuing professional development. Placing accreditation on a statutory footing would enhance consistency across the market and reinforce public confidence. We would support a tiered accreditation model, aligned to scheme size, complexity or appointment type. This would allow trustees to develop progressively, support trainee and pipeline programmes, and recognise differing levels of experience and specialism - similar to models used in other professional services sectors. Such an approach could also help identify trustees qualified to act on more complex or high-risk schemes.

However, focusing solely on individual standards would not fully address the realities of modern professional trusteeship. Governance risk in this market often sits at firm level, particularly where trustee directors operate within a team-

based structure. We would therefore support the introduction of proportionate firm-level oversight alongside individual accreditation. This should encompass governance frameworks, conflicts management processes, quality assurance mechanisms, remuneration transparency, and oversight of trustee directors acting collectively. The Own Risk Assessment (ORA) framework provides a useful basis for developing an audit-style standard for professional trustee firms, embedding structured internal review and continuous improvement.

We also support the creation of a formal trustee directory. A transparent register confirming accreditation status, CPD compliance and any applicable tier would provide assurance to schemes and sponsors, while enabling TPR to apply targeted, data-led supervision.

### **Skills and knowledge – support for lay trustees**

***18. We are moving towards models of trusteeship that do not include as many lay trustees as now, what important benefits or skills of lay trustees should we try to replicate in consolidated structures? And how should it be achieved?***

As trusteeship models evolve - particularly within consolidators, Megafunds and professional corporate sole trustee (PCST) structures - it is important to reflect carefully on what lay trustees have historically contributed, and how those benefits can be preserved in different governance models.

Lay trustees in traditional schemes often bring valuable knowledge of the sponsoring employer and the wider business environment from a different perspective. That insight can help boards understand workforce dynamics, employer affordability considerations and cultural context. However, it is important to be clear that the legal role of a lay trustee is no different from that of any other trustee. Lay trustees are not appointed to act as the “voice of the member”; acting in members’ interests is the duty of all trustees, regardless of background. Equating the presence of lay trustees with stronger member consideration risks misunderstanding fiduciary responsibility.

In commercial consolidator structures, the specific business knowledge of a historic sponsor may be less relevant, particularly where there is no ongoing employer covenant in the traditional sense. In those cases, the governance emphasis shifts toward scale, operational efficiency and long-term risk management. Nonetheless, the broader benefits that lay trustees can bring - practical judgement, workforce understanding, and challenge grounded in real-world experience - remain important qualities to replicate.

There are alternative mechanisms to achieve this. Boards within consolidators or PCST models can build structured engagement frameworks to ensure access to member and employer perspectives. This might include formal consultation panels, member surveys, targeted focus groups, or advisory committees. These

mechanisms can allow boards to test ideas, understand member preferences and assess communication effectiveness without relying solely on board composition to deliver that insight.

In larger consolidated arrangements, data will play an increasingly central role. Consolidators will have access to significant volumes of behavioural and demographic data, offering far deeper insight into member engagement patterns, retirement choices and communication effectiveness than many smaller schemes historically possessed. To replicate and enhance the member understanding historically associated with lay trustees, boards will need the skills to interpret and challenge data effectively. This requires expertise in data governance, analytics and behavioural insight, alongside traditional pensions knowledge.

***19. What support/continuing professional development (CPD) would you like to see put in place for lay trustees? Should all trustees be accredited? Would it lead to a trustee shortage? Who would pay for it including time as well as any learning and development costs?***

There would be merit in revisiting the definition of “professional trustee” to ensure that all relevant trustees are appropriately captured — and that individuals are not inadvertently brought within a more onerous regime where this is not intended.

Lay trustees do not necessarily require the same breadth or depth of knowledge as professional trustees. Their knowledge and understanding requirements should be proportionate and linked to the specific circumstances, complexity and risk profile of their scheme. Stronger and more consistent expectations around skills mapping would be helpful, with trustee training programmes designed to address identified gaps rather than applying a uniform, ‘curriculum’ in all cases.

It is also important to recognise that effective boards require the right mix of skills overall — not solely pensions technical expertise. Skills in areas such as technology, data, AI, governance and soft skills (including challenge and communication) are increasingly valuable. CPD expectations should support the development of a balanced and complementary board.

Introducing onerous or expensive requirements for lay trustees, would likely exacerbate existing challenges in recruiting and retaining individuals willing to take on these roles. However, overall, we do not believe this would lead to a ‘shortage’ of trustees, as professional trustees are able to fill this gap.

For trustees with multiple appointments, or those involved in running commercial funds, requirements should not differ based on whether they are labelled “professional” or “lay” — the substance of the role should determine the

expectations. In these cases, the cost of meeting training and CPD requirements should be borne by the scheme funder. For single trust scheme employers could usefully be required to provide a specific budget for trustee training to ensure standards can be met in practice.

## Member Voice

### ***20. How can we ensure trustee boards take into account the perspectives of members in their decision making?***

Trustee boards are legally bound by fiduciary duty, which already requires them to act in beneficiaries' best interests. There are practical steps and good practice approaches that can help ensure member perspectives are systematically captured and reflected in decision making processes.

Boards can use a range of engagement mechanisms, such as member panels, surveys, and retaining access to outgoing lay trustees, to gather insight into member needs, preferences, and concerns. These methods allow trustees to test proposals, check the effectiveness of communications, and validate decisions against member priorities. A key challenge is achieving meaningful engagement, as members often do not participate actively or consistently. Within the IGG group we believe in 'No Member Left Behind'™ and this philosophy underpins the member communication services that we offer.

Data is becoming more critical – in all schemes but particularly in larger commercial or multi-employer schemes, where membership is particularly diverse. Behavioural patterns, contribution trends, retirement choices, and engagement metrics can all be analysed to inform decisions. Emerging technologies, including AI, can assist in identifying trends and highlighting areas where member outcomes could be improved. This data can feed directly into scheme design, member communications, and broader governance decisions, effectively replicating the insights that smaller schemes may have historically gained from lay trustees.

### ***21. Can you give any examples of best practice in the UK or internationally that demonstrate schemes taking appropriate account of their member views?***

The extent to which a scheme can or should go in seeking member views will be proportionate to its size, type and resources, but examples of good practice we have seen in the industry include:

Digital-first Member Communication:

- Prioritising online portals and apps for member interactions.
- Clear, transparent communication using plain language (e.g., Plain English Mark).

- Targeted nudges based on age, pot size, or life events (new baby, retirement milestones).
  - Replacing traditional annual newsletters with timely, relevant communications.
  - Tailored benefit statements, though some data gaps remain for minority groups.
- Offering incentives to drive engagement with digital platforms.
- Accessibility features powered by AI (translations, disability support).

#### Digital Tools for Education and Engagement:

- Online modelling tools, linked to frameworks such as Pensions UK Retirement Living Standards.
- Training videos on investments, retirement preparation, and other key topics to build member confidence.
- Pulse surveys to capture timely feedback and sentiment

#### Interactive Webinars and Events:

- Roadshows
- Quarterly online member events hosted by larger schemes to:
  - Gather direct feedback.
  - Discuss scheme updates and educate members.
  - Provide interactive Q&A sessions.

#### Helplines and Direct Support Channels:

- Phone support across all schemes, supplemented by live chat and email support.
- Specific protocols for vulnerable members
- Multi-channel support ensures members can provide feedback in ways that suit their needs.

#### Employer-mediated Engagement:

- Leveraging employer trust and networks to reach members:
  - Employer-led training sessions.
  - Employee Q&A sessions or AGMs.
  - Posters and internal campaigns.
  - Coordinating with employer communication strategies to embed pension messaging.

#### AI-enabled Communication and Insights:

- Chatbots and AI agents for first-line member engagement and targeted communications.
- AI-driven behavioural insights to:
  - Identify patterns in engagement, confusion, or distress.
  - Flag vulnerable members for human follow-up.
  - Tailor communications to individual circumstances and accessibility needs.

- Retirement modelling powered by AI to:
  - Simulate multiple scenarios in user-friendly formats.
  - Help members with lower financial literacy understand projections.

Behavioural and Data Analytics:

- Dedicated data teams, particularly in Master Trusts, to monitor:
  - Engagement patterns.
  - Member actions and drop-off points.
  - Effectiveness of communication formats.
- Insights are continuously evolving to refine engagement and tailor interventions to members' needs.

## Administration

### ***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?***

Introducing mandatory minimum standards for scheme administrators and wider administration services, including Integrated Service Providers (ISPs), could bring significant benefits but also presents practical challenges that must be carefully managed.

A clear benefit would be consistent, measurable delivery standards across schemes which give trustees more leverage to demand appropriate levels of service from the administrator, regardless of the scheme size or value.

The gaps in regulation for ISPs is notable and has been highlighted through the experience of implementing pensions dashboards, where trustees, although ultimately accountable for the success of pensions dashboards, have no agency or control over ISPs and the terms and conditions that their administrator enters into. Trustees are exposed to fines for failures related to dashboards or other reporting obligations, even where administrators and ISPs control the underlying processes - a risk that could be catastrophic for professional trustee firms given the scale and structure of the penalties for pensions dashboards failures.

There is currently over reliance on SLAs, which alone are insufficient. SLAs are transactional and often fail to capture broader governance, operational resilience, and data security standards. Moving beyond SLAs to more meaningful performance metrics, combined with formal accreditation and more balanced contractual obligations, would provide trustees with a more comprehensive and reliable view of administrator performance.

Mandatory standards should build on existing frameworks that are already robust and widely recognised, including PASA accreditation, Cyber Essentials, ISO certifications, and AAF, rather than creating entirely new requirements.

Accreditation, combined with random auditing, would help ensure consistency, accountability, and transparency, giving trustees confidence that administration services meet minimum quality expectations.

While service measures are intended to be captured within the DC value for money framework, this will not capture DB schemes. There may be merit in considering whether the service elements of the value-for-money framework could be replicated for administrators of DB schemes, with performance metric disclosure across cohorts of schemes which could further enhance benchmarking and transparency.

However, there are practical challenges. Implementing mandatory accreditation will be costly, especially for smaller administrators. Introducing a requirement for performance-based penalties or credit mechanisms requires careful contractual design to be enforceable and to avoid driving up costs as TPAs recover the risk of penalties through higher baseline charges.

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

We believe that TPR should have greater oversight of administrators. The level of oversight and any associated powers must ensure the relevant risks can be effectively addressed. Whether this can be achieved by replicating the FCA approach would need to be assessed taking into account the risks in the occupational pensions administration sector which are operational in nature, and the cost implications.

***24. Should administrators have to be registered with TPR to be involved in administering a scheme? If so should TPR be able to deregister an administrator?***

We would support a requirement for all pension administrators - across both large and small schemes - to be registered with TPR. Such a framework would help rebalance accountability within the system by increasing transparency, responsibility and regulatory oversight of those performing a critical operational role. Administrators play a central part in member outcomes, and it is appropriate that they are subject to clear and visible regulatory expectations.

We would suggest that registration operates on a periodic basis, for example every two years, to ensure information remains current. This could include confirmation of relevant accreditations, such as those issued by Pensions Administration Standards Association (PASA), alongside consideration of audit frameworks such as AAF reporting. It would be helpful to clarify the extent to which TPR already has access to PASA or AAF data, and whether data-sharing mechanisms could reduce duplication.

It is also important that TPR has clear visibility of which entities administer specific schemes, together with an understanding of their day-to-day risk profile. This would allow for more targeted and proportionate supervision.

As part of any registration regime, there should be a strong emphasis on data certification and confirmation that whistleblowing obligations are clearly understood and embedded in practice.

If administrators are required to register, it follows that TPR should also have the power to deregister an administrator in cases of serious or persistent failure, subject to appropriate safeguards and due process. The availability of deregistration would reinforce accountability and provide a meaningful regulatory lever where standards are not met.

***25. What risks, if any, does increased levels of consolidation activity in the DC sector pose to administration service providers? How can these risks be mitigated to ensure an orderly transition to Megafunds?***

Increased levels of consolidation activity in the DC sector present a number of operational risks for administration service providers, with data being the most significant.

Consolidation exercises are typically complex and data-intensive, often taking more than 12 months to complete. They require detailed data cleansing, reconciliation, mapping between systems, and careful transition planning. Where data quality is poor or inconsistent across schemes, the level of effort — and therefore risk — increases materially.

A key risk is resourcing. Sustained consolidation activity across the market will stretch administrator capacity, particularly where firms are managing multiple transitions simultaneously alongside business as usual activity. If adequate skilled resource is not available, this could lead to delays in consolidation timetables, increased operational risk, and potential impacts on member service.

There is therefore a clear link between the pace of consolidation and the sector's ability to resource and manage data migration effectively. Without sufficient planning and capacity, increased consolidation could create bottlenecks and increase operational risk within administration providers.

Post consolidation, the biggest risk is that an administrator suffers a cyber-attack or data breach which could have catastrophic consequences, potentially affecting millions of members. The more the market consolidates the bigger this risk becomes, enhancing the need for extremely effective and well tested cyber controls.

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

The Pensions Regulator could play a proactive role in reducing the risk and impact of a disorderly market exit by an administration provider, which, while very low likelihood, would be a high-impact scenario for members and schemes. In reality such failures are highly unlikely to occur overnight, but even if a market exit is not sudden there are risks to members if not managed well.

With the registration of administrators, TPR could collect proportionate data or introduce a “notifiable event” requirement, ensuring emerging business risks are flagged early and addressed before they escalate.

Elements of the Master trust framework could inform this approach, providing a model for the type of data and key metrics that administrators should report. Linking registration and data collection in this way would give TPR visibility of operational and business risks without creating an overly bureaucratic process. By combining proportionate data collection, early risk notification, and targeted intervention powers, TPR could mitigate risks in this low-probability, high-impact scenario and help ensure continuity and protection for scheme members.