Consultation response: The Value for Money Framework

August 2026

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+, including several master trusts.

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), having been named DC Independent Trustee of the Year at the Corporate Adviser Awards 2026 for the fourth consecutive year, recognising its member-focused governance and innovation in pensions. Members of the group play a prominent part in APPT committees, and all Trustee Directors are fully accredited as professional trustees.

Also within the IGG group is our communications business – Like Minds - a leader in pensions and financial communications, using independent research, technical knowledge and creative expertise to help clients engage and inspire members about their money.

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<u>Executive summary</u>

We welcome the overall direction of the proposed Value for Money Framework and support the policy objective of improving member outcomes through clearer, more consistent assessment of investment performance, costs and charges, and service quality. The revised approach contains a number of sensible and pragmatic changes, including the proposed phasing, the initial six-month data collection period, the return to geometric averaging for backward-looking investment metrics and the simplified approach for the first year of implementation.

However, the framework will only be effective if the data collected is comparable, decision useful and capable of being interpreted in context. Important practical challenges remain around historic data, chain-linking, quasi-default identification, UK asset allocation, service quality metrics and the publication of first-year data. These challenges should not prevent implementation, but they do require clear guidance, appropriate caveats and a genuinely transitional approach in the early years.

In particular, we encourage the Government and regulators to ensure that risk, ESG integration, decumulation aims and differences in investment strategy are properly reflected in the assessment process. Value for money should not be reduced to narrow comparisons of past performance and charges. Trustees need sufficient flexibility to explain member outcomes, particularly where schemes have different investment objectives, private markets exposure, charging structures or retirement pathways.

We also support the introduction of clear consequences for arrangements assessed as not providing value, but believe these should be applied carefully. In the early years, the framework should be used to test data quality, improve consistency and support better trustee decision making, rather than to drive inappropriate consolidation or conclusions based on immature data.

Key themes

- The phased implementation approach is welcome and should help schemes manage the operational burden of collecting new data.
- The first year should be treated as transitional, with clear caveats around data quality, comparability and publication.
- Historic data requirements may be difficult to meet consistently, particularly following transfers, mergers, provider changes or master trust consolidation.
- Risk, including portfolio resilience and systemic risk, ESG integration and differences in investment strategy should be embedded in the assessment process rather than treated as peripheral context.
- Asset allocation disclosures need clear guidance where look-through data is unavailable, particularly for pooled, layered or multi-asset structures.
- Service quality metrics should be developed further so that they reflect the factors trustees consider important in practice, including digital journeys, targeted support and member understanding. An industry standard for member communications should be developed.
- Consequences for poor value should be clear, but applied with care while the framework and data are bedding in.

Response to consultation questions

Chapter 2: Scope and thresholds

Question 1: Phasing. We welcome the proposed phasing of the assessment period and the introduction of consequences. This is a sensible and pragmatic approach. It will still be challenging for smaller schemes to collect and provide the data within the proposed timescale, but it is helpful that assessment and publication will not be required at the same stage. We note that the proposed threshold captures some large single trust DC schemes as well as master trusts, but this appears consistent with the policy intent of focusing on the number of members affected rather than the legal form of the arrangement.

Question 2: Six-month data collection period. We welcome the initial six-month data collection period as a helpful practical step. However, the volume and nature of the data will still be onerous to collect, particularly for those schemes and providers that do not already hold data in the required format.

Question 3: Exemptions and inclusions. We welcome the exclusion for schemes in wind-up or with concrete plans to bulk transfer. This should avoid significant unnecessary cost for schemes where the framework would serve limited practical purpose.

Questions 4 and 5: no comments.

Chapter 3: Investment performance - backward-looking metrics

Question 6: Updated methodology. We welcome the move back to geometric averaging. This is a sensible change because it reduces the number of data points, better reflects how investment performance is assessed in practice and should make the framework more useful for trustee decision making.

Question 7: Removal of standalone five years to retirement disclosures. We support the removal of standalone five years to retirement disclosures. This removes an unnecessary layer of data collection and disclosure and should reduce burden without materially weakening the assessment.

Question 8: Risk metric. Risk should be treated as a core part of value rather than a peripheral consideration. The framework should ensure that risks such as concentration, exposure to particular markets or sectors, and single stock exposure are considered alongside performance and asset allocation. It should also recognise portfolio resilience and the management of systemic risks, including how an arrangement may perform under market-wide stress. These considerations are related to, but not fully captured by, volatility. Further consideration may therefore be needed as to whether one volatility measure is sufficient across all arrangements.

However, ESG integration remains a concern. Although the consultation appears to acknowledge previous feedback, ESG is still not treated as a core part of the framework. ESG integration should move from being contextual to being properly embedded within the assessment process.

Questions 9 to 11: Historic data and chain-linking. There may be practical issues with access to historical data. Industry practice differs and some schemes may find chain-linking more difficult than others, particularly where there have been transfers, mergers, provider changes or master trust consolidation. An approach that allows accurate net performance to be calculated without reconstructing historic cost data may materially reduce burden, provided comparability is not weakened. There may also be practical limitations in retrospectively identifying quasi-default status, particularly where scheme design, member behaviour, default mapping or provider arrangements have changed over time. Clear guidance is needed on expectations where historic information is incomplete or unavailable on a consistent basis.

Chapter 4: Investment performance - forward-looking metrics

Question 12: FLM disclosures and safeguards. Some safeguards may only be effective once a period of time has passed, so there remains a risk of inflated metrics in the early years. The removal of a specific requirement to take advice on forward-looking metrics may be acceptable if broader advice requirements remain effective, but there is a risk that providers or schemes could be incentivised to present more optimistic projected outcomes. This should be monitored carefully.

Chapter 5: Asset allocation disclosure

Question 13: Asset allocation. The deployed capital approach raises questions about how the data will be used. For private markets, there can be a significant perceived difference between the percentage committed and the percentage deployed. If committed but undeployed capital is not identified, the framework may miss an important element of private markets exposure and may give a misleading view of the intended allocation. It is increasingly important that capital committed for future deployment remains invested rather than being held in cash, for example within a long-term asset fund while deployment is awaited. The framework should therefore distinguish committed, deployed and temporarily invested capital and explain how each is treated. It should also recognise that comparability is weakened where schemes have materially different levels of private markets exposure or materially different investment strategies.

Questions 14 and 15: Definitions and UK assets. As the consultation acknowledges, the requirement to report UK allocation may be difficult to apply consistently because schemes and providers may not always have full look-through data. This is particularly relevant where investments are held through pooled, layered or multi-asset structures. It is helpful that there will be an opportunity to explain where it is not possible to obtain the required look-through. It would also be helpful to define what is meant by reasonable estimation, so that reported UK allocation data is as comparable as possible across schemes and providers.

Chapter 6: Costs and charges

Question 17: Maximum, minimum and median cost metrics. We agree that disclosure of maximum, minimum and median cost metrics may be useful where there are material variations across employers or member groups. It could help highlight whether small pot members or other cohorts are disadvantaged. A further general comment relates to the definition of investment charges. While we support the inclusion of performance fees within the definition, we would welcome clarification on whether it also captures performance fees within fund of funds arrangements. In such cases, the headline charge may not include a performance fee, but performance fees may nevertheless be incurred at the level of the underlying funds. It would be helpful to ensure the definition clearly addresses the treatment of these underlying charges.

Question 18: Member-level calculations or model pot sizes. Member-level calculations may be more accurate where available, but they are likely to be more burdensome. The model pot size approach may be more practical and comparable, provided assumptions are clearly defined and consistently applied.

Questions 19 and 20: Pot size effects and commercial variations. We support separate disclosure of complex charging structure impacts and commercial fee variations. This should help trustees understand whether differences arise from the design of the charging structure or from employer-specific commercial terms. Both peer comparison and internal assessment have value. Peer comparison supports consistency across the market, but internal assessment is also important to identify whether small pot members are disadvantaged relative to larger pot members within the same arrangement. Given the intention of the framework is to enable consistent assessment across the market, peer comparison may be most appropriate, supplemented by internal analysis where appropriate.

Chapter 7: Quality of services

We feel strongly that the service quality measures remain too basic and do not yet reflect how trustees assess value for money in practice. A clear timeline for when further engagement and communication metrics will be developed would be welcome, rather than simply noting that this will be considered in future.

The engagement metric based on expression of wish forms is particularly weak. It will also almost certainly be affected by the inheritance tax changes applying to most unused pension funds and pension death benefits from 6 April 2027. The design and interpretation of this metric should therefore take account of possible changes in member behaviour, communications and scheme processes arising from those reforms. Trustees are likely to consider factors such as targeted support, online retirement guidance journeys, whether members can see and understand their options, the ease of completing key processes, the quality of digital tools and apps, and the use of AI to improve efficiency and experience. The current metrics should be treated as a starting point only, rather than as a sufficiently decision-useful assessment of service quality.

Recent member research undertaken by pensions communications specialist Like Minds underlines why service quality metrics should go beyond basic administration measures. In Like Minds' No Member Left Behind™ Report 2026[1], research showed only 44% of members surveyed recalled having received a pension communication in the previous 12 months, and of those only 21% took action as a result of that communication. The same research found that 72% of members say they understand their pension, but only 53% feel confident planning for retirement, while 53% agree that pensions are complex and confusing. This suggests that member understanding, confidence, communication clarity and ability to take action should be treated as core indicators of service quality, rather than as peripheral engagement considerations.

We recognise an opportunity to develop a formal No Member Left Behind™ standard against which member communications can be assessed - measuring their effectiveness and inclusivity for all scheme members.

The standard would assess factors such as language, design, user experience and accessibility, and enable compliant schemes to bear a No Member Left Behind™ kitemark. This would give members, and those running schemes, the reassurance that the scheme's communications go above and beyond statutory minimums, and are designed to deliver the best value for members and in turn the opportunity for members to achieve the retirement outcomes they want and deserve.

Question 21: Straight-through processing. We support defining straight-through processing as a fully automated process. This should make the metric a clearer differentiator across schemes and providers. Administration measures should move towards end-to-end measurement rather than relying only on basic service-level agreement measures, which remain widespread. Ideally there should be universal sets of service-level agreements for DB and DC schemes. We believe that DWP and TPR should work with bodies such as PASA to develop standard measures so that meaningful comparability can be achieved. At present, service-level agreements vary not only in the time periods specified but also in how performance is calculated, for example whether the measure stops when a case is suspended pending information or records the actual end-to-end period taken.

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[1] Likeminds No Member Left BehindTM Report 2026

Any standard approach would need to accommodate applicable statutory time periods.

Question 22: Complaints. We welcome the broad complaints definition, including oral and written expressions of dissatisfaction. However, there remains a risk of inconsistent capture in practice, particularly for oral dissatisfaction where identification depends on call handlers recognising and logging complaints. Clear operational guidance is needed so that providers are compared on as even a basis as possible.

Question 23: No comment.

Chapter 8: Assessment process

Questions 24 to 26: Decumulation aims. We support the principle of considering decumulation aims separately for the zero years to retirement cohort, as schemes targeting different outcomes should not be compared on a simple like-for-like basis. However, this may be difficult to apply in practice where default strategies have materially different landing points at retirement. Decumulation aims should be reflected in the assessment process, whether through the proposed approach or through step 3 rationalisation. The key point is that trustees need enough flexibility to explain why apparently different outcomes may still represent value for members. The proposed sub-categories are helpful but need to be clearly defined. Cash should not automatically be treated negatively: for some members, particularly those with smaller pots, taking cash may be a sensible outcome. Cash should be split out and contextualised where it is being used deliberately as an end-game position or for tactical or strategic reasons.

Questions 27 to 31: Simplified first-year approach. We support a simplified first-year approach, provided it is clearly transitional. The first year should be used to test data quality, consistency and comparability, rather than to draw overly firm conclusions. Publication should be handled carefully to avoid misleading comparisons while the data is bedding in. There is also a risk that forward-looking metrics could be used too heavily where backward-looking metrics are less favourable. Any flexibility should be clearly limited and justified, for example where there are significant investments affected by J-curves or where a strategy has recently changed in a way that makes historical data less meaningful. The J-curve effect should be expressly accommodated in performance comparisons so that early negative returns and subsequent value creation in private market investments are not assessed on a misleading basis. A simplified approach may not be appropriate on an ongoing basis once consequences attach, particularly for bespoke, legacy or single employer arrangements.

Question 32: Minimum, median and maximum metrics. We support consideration of minimum, median and maximum metrics for multi-employer arrangements, as this should help identify where member outcomes or charges vary materially across employers or cohorts.

Chapter 9: Actions for arrangements offering poor value

Question 33: Actions for not value arrangements. We support the principle of clear consequences for arrangements assessed as not delivering value. However, the framework will need to be applied carefully in the early years to avoid driving inappropriate decisions based on immature or inconsistent data. Any requirement to transfer members should be supported by a reasonably high degree of certainty that the receiving arrangement is well run and offers value. It cannot be assumed that another trustee board will be willing or able to absorb a scheme presenting material operational, data or governance difficulties, particularly where an increased pipeline of schemes wishing to consolidate may create capacity challenges. Where consolidation is expected, trustees should be able to explain why remaining single trust is in members' interests, supported by evidence on returns, engagement, service quality and overall value.

Chapter 10: Disclosure requirements

Question 34: Shorter initial data collection period. A shorter initial data collection period may create analytical limitations and may not be representative, particularly for measures that fluctuate over time or where seasonal activity affects service data. This can be mitigated by clear caveats, consistent reporting guidance and treating the first collection as transitional.

Question 35: Publication. Proceeding with publication may be acceptable if the limitations of the first-year data are made clear. There is a risk of misleading comparisons if data quality, definitions or collection approaches are inconsistent. Publication should include appropriate caveats and regulators should be clear that early data should not be over-interpreted.