



TPR consultation on reducing the number of inadequately governed pension schemes

The Pension Regulator (TPR) has published a consultation considering how the trustee model can be made more effective. The paper outlines the TPR's vision of all savers being in schemes that have excellent standards of governance that deliver good value. Over time the TPR suggests that this will mean having fewer, but better governed schemes in the market.

The consultation poses the question about how to improve trustee knowledge and understanding, how to promote diversity on boards, whether sole trustees are able to govern effectively and the role of accreditation.

David Fairs, TPR's Executive Director of Regulatory Policy, Analysis and Advice, said: "*Things need to change. We want all savers to have access to well-run schemes. The trustee model isn't broken but it does need to work better. This will require attention from TPR, employers, advisers, trustee representative bodies and trustees themselves.*"

The three key areas that the paper notes as the risks that TPR see today and that are in the interest of protecting the interests of savers in the future, are:

- Trustee knowledge and understanding, skills and ongoing learning and development.
- Scheme governance structures for effective decision making. Boards should be diverse, inclusive and be able to demonstrate that they have the right mix of skills, knowledge and understanding for running the scheme.

- Driving DC consolidation. Schemes that are unable to meet standards of trusteeship and governance, will need to improve, face enforcement action or be actively encouraged to wind up.

The paper also discusses:

- **Should there be an accredited professional trustee on every board?** TPR have higher expectations of professional trustees and hold them to a higher standard than lay trustees. Given the higher standards and skills that professional trustees generally bring to pension boards, TPR think the vast majority of pension schemes would benefit from appointing an accredited professional trustee.
- **Should there be a legal requirement for trustees to meet minimum standards of knowledge, understanding and ongoing learning?**
- **How can barriers to consolidation be removed?** There are some, mostly smaller, DC schemes that do not meet the standards TPR would expect. Any schemes that are unable or are unwilling to improve their governance standards will be given the opportunity to wind up their scheme and move savers to a well run alternative. TPR anticipate the route that many of the schemes will take is to consolidate into a master trust, although employers may also choose to provide a Group Personal Pension Plan (GPP), which savers may choose to transfer their benefits to.

If you have any queries please contact your usual 44 Consultant or email admin@44benefits.co.uk

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