



## *LCP's response to DWP consultation on Trusteeship - March 2026*

**4 March 2026**

*This document sets out LCP's response to the DWP consultation on Trust-based pension schemes: Trustees and governance, building a stronger future [published](#) 15 December 2025*

### **Who we are**

LCP is a firm of financial, actuarial, and business consultants, specialising in pensions, investment, insurance, energy, health and business analytics. We have over 1,200 people in the UK, including over 180 partners and around 250 qualified actuaries.

The provision of actuarial, investment, covenant, governance, pensions administration and benefits advice, and directly related services in relation to DB pension schemes is our core business. We also provide DC pension scheme consultancy services. About 80% of our work is advising trustees and employers on all aspects of their DB and DC pension arrangements, including investment strategy. The remaining 20% relates to insurance consulting, energy, health and business analytics. LCP is authorised and regulated by the Financial Conduct Authority for some insurance mediation activities only and is licensed by the Institute and Faculty of Actuaries for a range of investment business activities.

LCP runs an [annual survey](#) on the professional trustee market (LCP Sole Mates) which is now in its 5th year. The survey maps the rapid change in the professional trustee market over the past 5 years. LCP also produced a report – The [Pensions Powerbrokers](#) covering the trustee market and the influence that a relatively small number of trustees have over the market.

## Contact us



**Nathalie Sims**, Head of Strategic Pension Relationships

+44 (0)20 7432 6773, [Nathalie.Sims@lcp.uk.com](mailto:Nathalie.Sims@lcp.uk.com)



**David Fairs**, Partner, previously Executive Director for Regulatory Policy, Analysis and Advice at the Pensions Regulator

+44 (0)207 432 6681, [David.Fairs@lcp.uk.com](mailto:David.Fairs@lcp.uk.com)



**Holly McArthur**, Head of Sole Trusteeship

+44 (0)203 824 7420, [Holly.McArthur@lcp.uk.com](mailto:Holly.McArthur@lcp.uk.com)



**Christian Macnab**, Partner, Pensions Admin

+44 (0)1962 872764, [Christian.Macnab@lcp.uk.com](mailto:Christian.Macnab@lcp.uk.com)

## About Lane Clark & Peacock LLP

We are a limited liability partnership registered in England and Wales with registered number OC301436. LCP is a registered trademark in the UK and in the EU. All partners are members of Lane Clark & Peacock LLP. A list of members' names is available for inspection at 95 Wigmore Street, London, W1U 1DQ, the firm's principal place of business and registered office.

Lane Clark & Peacock LLP is authorised and regulated by the Financial Conduct Authority for some insurance mediation activities only and is licensed by the Institute and Faculty of Actuaries for a range of investment business activities.

© Lane Clark & Peacock LLP 2026

<https://www.lcp.com/en/important-information-about-us-and-the-use-of-our-work> contains important information about LCP and LCP Delta (including LCP's regulatory status and complaints procedure), and about this communication (including limitations as to its use)

## LCP's response to the questions in the Consultation

### Chapter One: Good Governance

#### Raising the bar:

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

Trustees currently oversee a wide range of schemes, from large Master Trusts to small pension schemes operating for not-for-profit entities and there are a lot of aspects of the current trusteeship and governance systems that work well. This includes:

- **Trustee law has operated in the pensions arena since 1925 and is generally well understood and supported** by a substantial body of case law, providing a stable and trusted foundation for governance.
- **The existing framework has also proved sufficiently flexible to adapt to policy and industry change.** For example, as defined benefit (DB) schemes have closed to new entrants and future accrual, it has in some cases become harder to appoint employer-nominated (ENT) or member-nominated trustees (MNT). The growth of the professional trustee market has enabled schemes to maintain effective oversight, either by supplementing trustee boards or through Professional Corporate Sole Trustee (PCST) appointments.
- **The professional trustee industry is thriving.** There are over 18 professional trustee firms employing over 900 people, with over a third of these being trustee directors, and a large number (70+) of sole traders, actively operating in over half of UK DB and defined contribution (DC) schemes. This is a market which holds over £3.2 trillion in DB and DC scheme assets. When focusing on the DB market alone our LCP Pensions Powerbrokers research found that c500 people control how over £600bn is invested, evidencing the prominence and growth of professional trusteeship.
- **Member-nominated trustees can play an important role in bringing member perspectives** into trustee decision-making. For many schemes, including those operating with a PCST, this is supplemented by other engagement mechanisms such as member consultative committees (while recognising that these are not universal across all PCST appointments).
- **The current approach leaves room for innovation and judgement** rather than imposing rigid, one-size-fits-all structures. Employers and trustees can establish governance arrangements that are tailored to the specific needs of their scheme and membership, taking account of scheme design, size and long-term strategy. This has allowed schemes to fill knowledge gaps, adopt efficient governance structures (including PCST where appropriate), replace or supplement existing trustees, and draw on a thriving professional trustee market.
- **The Pensions Regulator (TPR) has also set out clear expectations** of trustees through its codes and guidance. Most pension schemes that LCP interacts with either meet or exceed these expectations, supporting high standards of governance across the sector.

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

Trustee boards sit at the heart of the UK pensions framework. Their ability to take timely, well-informed and independent decisions directly affects member outcomes and employer confidence.

The demands on trustees have increased significantly in recent years, driven by an expanding regulatory framework, a wider range of end-game options, and more complex funding and surplus considerations and we have seen many trustees rise to these challenges and continue to operate very effectively.

While trusteeship has generally delivered robust and effective governance, there remain opportunities to strengthen practice for certain schemes, including:

- Giving greater consideration to future governance structures and skills requirements when making trustee appointments;
- Being more alive to actual and perceived conflicts of interest;
- Improving focus on Equity, Diversity and Inclusion (EDI) to widen the pool of potential trustees and skills;
- Strengthening governance arrangements to ensure adviser recommendations are appropriately challenged; and
- Ensuring decision-making processes are sufficiently agile to respond to periods of market stress (for example during the 2022 gilt crisis).

We elaborate on a few of the points mentioned below:

### **Conflicts of interest:**

Conflicts of interest have long existed within the pensions system, and the industry is well practiced at identifying these and managing them appropriately. Conflicts are unlikely ever to be eliminated entirely. However, recent market developments appear to be increasing both the *scale* and *visibility* of potential conflicts.

#### *Commercial conflicts:*

- Ongoing consolidation across the pensions landscape has intensified competition for trustee appointments. This, combined with commercial and strategic growth objectives, has led some professional trustee firms to broaden their service offerings beyond pure trusteeship. In many cases this can deliver genuine efficiencies.

These integrated models can operate effectively where appropriate safeguards are in place. However, it is important that trustees are able to demonstrate that decisions to appoint additional services are made independently, are in members' interests, and deliver value when compared with external alternatives.

LCP's 2025 Sole Mates survey found that nearly three-quarters of the main professional trustee firms provide PCST services extending beyond core trusteeship. Ensuring that such arrangements are subject to appropriate scrutiny is therefore increasingly important.

As the pool of available trustee roles contracts, trustees must remain alert to whether commercial considerations could, consciously or otherwise, influence strategic decision-making. This includes reflecting on whether scheme outcomes, such as run-on versus other end-game strategies, are being shaped by the long-term interests of members rather than the pressures of continuation of trustee appointments.

#### *Conflicts on appointment:*

- Our Sole Mates research indicates that around 80% of professional trustee appointments are made through a formal tender process. However, certain structural features of the appointment process can still give rise to perceived or actual conflicts.
- For example, in DB schemes the appointment of a PCST is typically made by the employer, who also retains the power of removal. Even where a robust tender process is followed, there may be a perception that employers favour trustees whose approach aligns closely with the employer's objectives, potentially reducing the degree of challenge on strategic matters.
- While this is often a perceived rather than an actual conflict, it can be mitigated through the use of an independent appointment process (and a third party) that clearly evidences

objective decision-making. Across our client base, we have observed many instances of good practice in this area but also examples where transitions to a PCST model have occurred very rapidly and without meaningful input from the departing trustees. In some circumstances speed is unavoidable, but in most cases a more structured and transparent transition process could have supported better confidence in the governance framework.

We welcome the timing of the consultation as an opportunity to take a step back and consider these conflicts, whether mitigations should be put in place or whether some conflicts are so significant that they should not be permitted.

### **Governance, appointment and oversight:**

Strong governance and ensuring trustees deliver on what was promised at appointment is critical to maintaining confidence in the model and in good trusteeship.

- LCP's Sole Mates 2025 survey showed 19% of trustees' performance is assessed every 3 months post PCST appointment with 56% being assessed every 12 months. In the majority of these cases, the assessment is carried out by the employer without independent input.
- The Chair plays a pivotal role in ensuring trustee board effectiveness under TPR's General Code. As the head of the governing body, they set the tone for inclusivity and foster an environment where all trustees feel empowered to challenge and contribute, and ensure advice is properly debated before decisions are made. The Chair must therefore lead by example and demonstrate key skills and behaviours specified in the Code. While the majority of Chairs meet these requirements, in a few cases, the Chair's skills and experience fall short of the expectations set out in TPR's Code. This gap can hinder effective governance and may impact decision-making and member outcomes.
- Continuous regulatory updates (eg single code, DB funding code, GMP equalisation, dashboards) absorb trustee agenda time, crowding out strategic discussion and lengthening decision cycles.
- According to LCP's latest Sole Mates survey, four professional trustee firms each oversee more than £880bn of assets. While scale can bring efficiencies and access to expertise, this level of concentration also heightens the importance of strong internal governance, risk management and quality assurance. In a highly concentrated market, weaknesses in governance or controls at a single firm could have wide-ranging implications for member outcomes. It is therefore essential that professional trustee firms maintain robust risk frameworks, including risk registers, escalation processes and independent challenge mechanisms. Our research suggests that many firms have such frameworks in place, although the depth and consistency of their application varies.

### **Time and cost pressures:**

- Many employer- and member-nominated trustees balance their trustee responsibilities alongside full-time employment. In some cases, they may not be given sufficient time or support to undertake training or devote the necessary capacity to their role.
- This can result in longer project timelines, greater reliance on advisers, and more cautious or delayed decision-making at critical moments. In volatile market conditions, such delays can lead to missed opportunities and, in some cases, poorer outcomes for members.
- Smaller schemes may face particular challenges in funding training, data remediation or independent assurance, despite the heightened expectations set out in TPR's General Code.

### **Equity, Diversity, Inclusion and Accessibility:**

Strong governance is enhanced where trustee boards have diverse representation, an inclusive culture and accessible environment. Diversity brings broader perspectives and improves representation from communities who may engage with pensions in different ways and consider challenges and problems from different lived experiences. It can ensure that advice received by

trustees is robustly debated and challenged before decisions are made. Diverse and inclusive boards can resist groupthink and improve debate and ultimately decision-making.

- Rigid “prior experience” criteria and the rising regulatory burden can deter new or non-traditional candidates.
- PCST appointments may narrow the pool of views, as only two individuals (under the APPT code) are required to make a decision (though many firms voluntarily involve a third specialist or referral to a wider committee on complex matters and individuals bring a broader range of experience as they are often working with more than one scheme).
- These benefits are less likely to be accessed for diverse groups where there are significant discrepancies in knowledge and experience within a trustee board. It is therefore important to address barriers including accessibility, lack of confidence and lack of trust and respect.

We acknowledge that increasing regulatory requirements and standards can sometimes discourage individuals from considering trustee roles, which highlights the importance of supporting and encouraging diverse participation and care and sensitivity that needs to be taken when considering action in this area.

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

Looking ahead to 2030 and beyond, we expect the pensions landscape to be characterised by a smaller number of significantly larger DB, DC and emerging CDC arrangements, many of which will have “too-big-to-fail” characteristics.

These trends are likely to be accompanied by a larger involvement by professional trustees including increased use of PCST models, greater reliance on specialist committees, rapid advances in data, AI and governance technology, and heightened public scrutiny of how pension capital is deployed and scheme surpluses are shared.

These are very much in line with the results we saw as part of our Sole Mates survey. We asked what key trends and themes the professional trustee firms expect to see in the pensions industry over the next five years. The main themes that came through were “Consolidation, increased use of AI, more PCST appointments as well many more schemes moving to buy-out”. There were also multiple responses highlighting the more contentions discussions over use of surplus that are expected to occur.

These developments create opportunities for the industry to evolve again to deliver effective governance models and this will need trustees to develop their skills further (which could be supported) and the regulatory framework to evolve in step.

#### **What further support will trustees need to ensure effective scheme governance?**

- In an environment where the regulatory burden is significantly increased, trustees will need to be engaged more frequently than at present to make sure that they react to issues in a timely manner. This greater level of oversight might impose a greater time commitment on individual trustees and restrict the number of appointments they can realistically hold.
- For very large and more complex schemes, trustees may also need a level of expertise in areas such as organisational design, understanding of the behavioural impact of different cultures and also reward and incentive structures.
- More generally trustees will need to adapt to changing technology including use of AI to provide better outcomes for members, for example in terms of efficiency and member communications.

- Communication in particular will become more important as the pensions industry moves further towards DC and CDC rather than DB and the Pensions Dashboard launches to the public.
- A method for monitoring and managing consolidation risk, of a high proportion of mandates to a small cluster of PT firms, resulting in increased concentration risk.
- Conflict management support in a world of surpluses. Clearer guidance on managing conflicts, particularly in PCST environments, and avenues to retain the member voice could be helpful.

### Ideas to support effective governance for 2030 and beyond:

To support effective governance in this evolving landscape, we see a strong case for a targeted set of regulatory and market-led interventions that enhance transparency, accountability and trustee capability, without undermining proportionality or innovation.

- TPR oversight of PT firms through a trustee register.
- Market share and concentration statistics published annually to keep risks visible.
- TPR-endorsed skills-matrix templates and mandatory CPD hours for all trustees.
- A central register of accredited specialists that boards can draw on ad-hoc (eg. cyber, AI ethics). TPR may wish to play a role in recruitment of such trustees, including for example interviewing candidates, particularly in relation to the Chair role.
- TPR guidance covering the new surplus release legislation and decision hierarchies. Safe-harbour processes that insulate trustees from retrospective challenge if they follow the framework.
- A review by TPR to understand where the largest concentration risk (number of trustees vs schemes) lies and whether this poses a problem to the system in the unlikely event of a systemic risk issue.
- TPR guidance on the need for regular and ongoing independent reviews of trustee appointments, to ensure they are continuing to meet KPIs. This is even more relevant for PCSTs.
- Periodic independent governance reviews commissioned by the scheme employer, not the PCST (current LCP data shows that 80% of reviews are still carried out by the employer without external input).

## Governance of Megafunds

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

Megafunds will hold the retirement savings of millions of members and would therefore need to demonstrate the strongest governance, particularly in relation to investment strategy and investment operations as well as very high administration standards.

Regulatory oversight would need to include close examination of trustees, that they met appropriately high fit and proper standards and individually (and collectively) had the expertise and skills to govern such a systemically important and complex entity.

TPR would need to consider what is acceptable and appropriate in terms of governance structures, approach to risk management, monitoring and mitigation. They would need to understand the culture, reward incentives and behavioural drivers within the organisation, the approach to risk management and control frameworks. TPR would, therefore, need to have expertise in organisational design, HR and reward in order to appropriately monitor and challenge these characteristics within Megafunds.

For certain elements, such as asset allocation, Megafunds may be required to provide real time information to TPR who will need to develop appropriate systems to receive and monitor the information. Consideration should also be given as to whether such information was made available to others to ensure stability of the financial markets and also feed into considerations around areas such as gilt issuance.

Demonstration of value for money requirements may also result in greater transparency and disclosure of information. Such information may be commercially sensitive and influence the commercial competitiveness of the Megafund. Guidance may be required on trustee involvement in ensuring such information is accurate, unbiased and issued in a time sensitive manner.

#### **Provision of 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 exist in many areas of the pensions system. Complete elimination of risks is potentially neither feasible nor desirable and the industry is well practiced in managing conflicts suitably. The challenge is the nature and scale of those conflicts and the ability to manage and mitigate them.

#### **Provision of services beyond core trusteeship:**

A growing feature of the professional trustee market is the provision of services beyond core trusteeship, including secretariat, project management, wind-up support and administration. Our Sole Mates research found that nearly 80% of the 18 largest professional trustee firms offer such services.

Bundled services can deliver clear benefits, including efficiency, cost savings and access to expertise that might otherwise be unavailable, and this can be particularly effective for smaller schemes. In these circumstances, the advantages may outweigh potential conflicts, provided that appropriate governance safeguards are in place. However even for smaller schemes, it remains important to test whether bundled models dilute independent challenge or reduce scrutiny of adviser recommendations. Independent providers can bring additional challenge, alternative perspectives and enhanced accountability, particularly in areas such as investment, covenant, legal advice and administration where this delivers demonstrable value for members.

For larger schemes with more substantial governance budgets, the case for bundled services may be less compelling but this will depend on their individual circumstances.

Across both contexts, a key consideration is the trustee's practical ability to replace an in-house service provider if performance falls short. Clear procurement processes, transparent decision-making and documented conflict management are therefore essential. We are aware that many professional trustee firms already operate robust internal controls and conflicts committees, and we see scope for regulatory guidance to help ensure greater consistency of approach across the market.

Consideration should also be given as to whether there are commercial pressures or incentives that further increase those conflicts or whether there are structures or steps in place to manage and mitigate them. One example could be an internal committee that reviews appointments or conflicts.

#### **Appointment / removal of trustees:**

As highlighted in our answer to question two, appointments and removal of trustees can be conflicted if made directly by the employer without input from existing trustees and / or an independent party. This is, often a perceived rather than actual conflict but can be mitigated by having an independent appointment process in place.

### **Residual risk:**

Some level of residual risk is inevitable and is likely to increase as consolidation and PCST models become more prevalent. Even where formal controls are in place, conflicts can still arise at the intersection of commercial interests and fiduciary responsibilities.

In this context, how independence is perceived by members and stakeholders is almost as important as independence in practice. Effective identification, management and communication of conflicts is therefore critical to maintaining confidence in the trusteeship model.

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

Whilst trustees already have processes to manage the risks mentioned above, this could be enhanced by further TPR guidance. In particular it would be helpful if TPR issued guidance on what it considers to be acceptable conflicts with appropriate mitigation. TPR may wish to set out clearer expectations in relation to the appointment of service providers where those services are delivered by the professional trustee firm itself or a connected entity.

As a safeguard, professional trustee firms could be required to operate a documented procurement and conflicts assessment process where in-house or connected services are being considered. We are aware that some firms already have robust conflict management protocols in place but it would be helpful if TPR could set out a standard process for this purpose.

This might include:

- Demonstrating that a structured comparison has been undertaken between the in-house offering and external providers, considering cost, quality, expertise and independence;
- Evidencing how value for members has been assessed and how the decision aligns with fiduciary duties; and
- Recording how the conflict has been identified, assessed and mitigated, including whether the decision was subject to review by an independent conflicts committee or non-conflicted decision-makers.

Consideration could also be given to requiring firms to retain documentation of this process and, where requested, provide a summary to TPR confirming that an appropriate comparative assessment has been undertaken and that the appointment represents value for members. This approach would promote transparency and robust governance without preventing efficient integrated service models where these demonstrably operate in members' interests.

### **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?**

The capacity of trustees to take on appointments depends both on the nature of the appointment including how demanding a particular scheme is (which in turn will depend on the scheme's circumstances) and the operating model used by the professional trustee firm to service that appointment.

Leveraged models that enable experienced lead trustees to oversee a high number of schemes supported by a large number of support staff can be efficient and provide smaller schemes access to professional trustees and broad and deep expertise at an affordable price.

For operating models where trustees operate in a sole trader capacity with little junior support, capacity can be more stretched and the number of schemes each trustee can look after could therefore be expected to be smaller.

Our Sole Mates research, which analysed data for the firms which have more than 40 appointments, found on average 78% of professional trustees have 6 or more appointments, with 6-14 being the most common amount. 20% of trustee directors are estimated to have more than 15 appointments. But interpreting this metric in isolation risks oversimplifying a more complex picture.

For PCST appointments, capacity is less straightforward to judge, for example due to trustee meetings becoming less regular and more ad-hoc, training days reducing and a team approach of two or more trustees. It also depends on the sole trustee model adopted. In our [2024 Sole Mates Professional Trustee Survey](#), we identified 3 core operating models:

- Model 1 where one lead trustee is the main point of contact supported by a co-trustee and support team;
- Model 2 where a lead trustee is supported by two co-trustees to form a simplified board; and
- Model 3 where two lead trustees jointly lead the appointment.

In each case, the level of support provided to lead trustees in such models can vary. In situations where lead trustees have a significant level of support resource, the support team may well be doing the majority of the work, leaving the lead trustee just to formally ratify decisions. Therefore, imposing restrictions on individuals, such as the number of trustee appointments they can hold, may not address the challenge of capacity directly.

These models also present different challenges in relation to EDI, both in terms of representation and in terms of bringing divergent views forward for debate and challenge. Support teams can often be more diverse than is typically found at lead trustee level, permitting debate and challenge before recommendations are put to a lead trustee but in turn that potentially reduces the level of debate and challenge at the decision-making level.

Despite the significant trend towards consolidation that has occurred, particularly in the DC market and the Government's drive for consolidation in both DB and DC, there remains a significant number of smaller schemes, some of which relate to not-for-profit organisations. The ability for these smaller schemes to afford access to professional trustee support can be limited. Some firms are structured to serve the not-for-profit sector and/or smaller schemes and rely on the highly leveraged model described above to facilitate that often resulting in larger than average portfolio of schemes per trustee director.

For larger schemes, such as Megafunds and Superfunds there are different considerations. Such schemes are likely to have in-house support functions and will be more reliant on the expertise and insights of individual trustees. They will generally not require the professional trustee firm to have administrative support. For trustees of these large and complex schemes, there may well be an argument to limit the number of appointments. Such appointments are likely to be reasonably remunerated, require significant time commitments and require higher levels of expertise or experience. These appointments might also have wider implications for the stability of the financial sector.

### Professional Corporate Sole Trustees (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?

Moving to a PCST model can address a number of challenges and be an appropriate solution to manage schemes efficiently. For example:

- Where there is a lack of member nominated and/or employer appointed candidates.
- Where there is a clear objective for the scheme such as buy out, and the PCST has the requisite skill and experience to most efficiently fulfil that objective. By definition, professional trustees are more likely to have experience and expertise in such areas. Our Sole Mates research found that broadly a quarter of moves to PCST were a result of 'having a large project that requires specific expertise'.
- Where there is a need to react in real time to a rapidly developing and complex situation eg the insolvency or refinancing of the employer or there is a degree of complexity in the scheme which could be potentially better managed by a PCST. Our Sole Mates research showed that increasing the speed of decision making was one of the most referred to reason for moving to a PCST.
- PCST appointments can be more cost effective. Whilst this can be the case for all schemes, many smaller schemes opt for a PCST model for this reason. 86% of PCST appointments are to schemes with less than £100m of assets, as shown in our Sole Mates report.

A PCST model may be less compelling where there is a properly functioning and efficient board which is providing effective governance and appropriate challenge to the employer. In such cases, having a professional trustee join the existing board could also address some of the points above, for example bringing experience and skills, and thus a full move to PCST may not be required.

TPR has set out that it believes a diverse board encourages debate and challenge which ultimately leads to higher quality decision making and so better governance. It can be harder to generate the same level of debate and challenge with a PCST appointment especially if a smaller number of trustees under a PCST model (2-3 trustees) replace a large board. However as mentioned elsewhere, professional trustee firms often bring in different individuals (and perspectives) for particular projects or for material decisions (which for some trustee firms could go to a review board).

There can be an inherent conflict that most PCST appointments are made by the employer and particularly for DB arrangements, this can lead to a heightened level of conflict (actual or perceived) in for example, setting the investment strategy, negotiating actuarial valuation approaches, providing discretionary increases or releasing surplus. Conflicts could be mitigated if the appointment was facilitated by an independent third party – by running an independent selection process for example alongside the employer.

One important consideration about PCST is that the member voice arguably can get lost in the process. Some PCST appointments have set up a consultative committee to keep the member voice for a period of time, although the effectiveness of these committees seems to vary.

**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 (Code of practice) already cover some or all of this?**

An enhanced code of practice could include:

- Mandatory use of an independent third party in the selection and appointment of PCSTs.
- Mandatory review of the PCST at specified time intervals. For example, an effectiveness review or review of performance versus KPIs every 3 years, and a strategic, more in depth, review every 7 to 9 years (for DB schemes covering every two valuation cycles with some flexibility for timing).
- A formal process to provide the incoming PCST with information as to why the previous arrangement was terminated.

- A submission to TPR when there is a change in trustee to a PCST where the outgoing trustee has any concerns on PCST appointment.
- All PCST appointments needing to be governed by two or more trustees as per the APPT code.
- Clear guidance on when decisions need to be made by two or more individuals.
- A mandatory policy on EDI and how diverse views, debate and challenge are incorporated into decision making.
- A mandatory risk and governance committee within each professional trustee firm to provide challenge and guidance on complex or contentious decisions, to conduct quality reviews and provide output from those reviews to TPR.
- Mandatory reviews by TPR on adherence to the enhanced code.

The APPT code does cover a number of the above items and could provide similar outcomes to a statutory code with TPR giving clear guidance on areas where APPT Council members may have a commercial conflict and supporting the APPT in its enforcement of the guidance.

## Chapter Two: Trustees and their appointment

### 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?

Consolidation of occupational DC arrangements and the creation of Megafunds is likely to result in a smaller number of systemically important arrangements. As DB schemes either consolidate into DB Master Trusts, superfunds or buy out, the number of schemes requiring trustees, advisers, investment managers etc. will reduce.

At the same time, these larger systemically important arrangements will require high standards of governance just as commercial pressures are heightened.

For DC Megafunds and Superfunds, consideration could be given as to whether these require a higher level of skill or expertise than a regular scheme given their likely size and importance to the UK economy. TPR might be given specific powers in relation to appointments to these arrangements.

Similarly, TPR could be given powers in approving PCST appointments at scale to ensure the decision to move to PCST strikes the balance of being in the employer's and the members' best interest. While not all firms formally track this data, responses to our Sole Mates survey suggest that over 50% of PCST transitions include ongoing engagement with previous trustees post appointment – whether via member councils, observer roles, or structured handovers.

As mentioned elsewhere, our Sole Mates research also found that 80% of professional trustee appointments were through a formal tender process, so perhaps it is via the tender process itself, that more information could be gathered to ensure the appointment is made in member's best interests.

As stated above, we believe appointments should include:

- use of an independent third party in the selection and appointment of PCSTs
- review of the PCST at specified time intervals. For example, an effectiveness review or review of performance versus KPIs every 3 years, and a strategic, more in depth, review every 7 to 9 years (every two valuation cycles with some flexibility for timing).

Having a completed trustee register would also help the industry gain a better understanding of capacity amongst the trustee directors, concentration and potential for systemic risk.

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

The role of a trustee is a key one in ensuring that pension scheme members achieve good outcomes. Individuals choosing to become trustees need to take the role seriously, ensure that they meet the knowledge and understanding requirements set out by TPR and commit sufficient time to the role.

An effective trustee board is one that brings together the appropriate skills and experience for the challenges facing their particular scheme and creates an inclusive environment where all voices and perspectives are heard.

Consideration should be given to skills and expertise beyond those traditionally associated with being a trustee. As the consultation document suggests skills in negotiating or communication can be just as important as more traditional skills in law, investment or actuarial science.

At the same time, onerous examination requirements or lengthy training requirements can act as a deterrent particularly where more diverse recruitment is desirable.

Consideration could therefore be given to setting minimum requirements for the board as a whole rather than for individual trustees, allowing those without trustee experience to build knowledge and understanding over time.

Member and employer nominated trustees should be given appropriate time and support to carry out the necessary training and attend trustee meetings. Employers should be made aware of the diversity benefits of having member and employer nominated trustees on the trustee board. There could be a mandatory requirement for enough time to be given to trustees for them to meet their trustee duties. Employers should also be encouraged to suitably reward individuals who are trustees to make sure their role is respected and given value.

The practical guidance that TPR gathered and hosts on its website as part of its focus on EDI, is highly valued within the sector. TPR could be encouraged to similarly gather and host practical guidance from the industry in other areas.

## **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?**

While rigid or arbitrary limits on trustee tenure are likely to not be appropriate in all circumstances, we believe that clear terms of office play an important role in maintaining effective governance. Regular renewal points help prevent entrenchment, encourage periodic skills review, and provide a natural opportunity to assess whether the governance model remains appropriate.

For ENTs and MNTs, it would be consistent with wider governance practice for schemes to adopt 3–5 year terms, with a maximum tenure of around 10 years, similar to expectations for non-executive directors in corporate governance frameworks. This ensures continuity while also creating natural review points and reducing the risk of entrenchment.

For professional trustees, fixed contractual terms can also be appropriate. A defined appointment period, combined with regular performance reviews, provides flexibility while ensuring continued alignment with scheme needs. Reappointment should operate on a comply-or-explain basis, with evidence that the trustee continues to be the right fit.

Regular performance and effectiveness assessments remain essential for all trustees. Results from our Sole Mates survey found that the responses on term time varied significantly from 3-10 years for reviews, with some firms specifically looking to TPR for guidance.

We see merit in standardising expectations, for example through an effectiveness or KPI review every 3 years, supported by a more strategic, in-depth review every 7-9 years (typically covering two to three valuation cycles for DB schemes with some flexibility for timing).

For schemes operating under PCST model, there is also a strong case for such reviews to be independent, helping to provide assurance that the governance model is operating effectively and in line with the APPT code, and offering an opportunity to revisit strategic objectives.

### **Is there a role for a Public (independent) 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?**

Given that there is a thriving market for professional trustees which is continuing to improve levels of governance and oversight it is hard to see what a public trustee would add.

Consideration could be given to a public trustee where the scheme was unable to afford a professional trustee but consolidation might prove to be preferable route for member outcomes rather than a public trustee.

**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?**

TPR has the power to appoint trustees and does so where there is no current trustee or where the existing trustee is not providing adequate levels of governance.

The process could be made less bureaucratic for TPR but it is not clear that TPR needs greater or broader powers in this area. Consideration could be given to lowering the bar for intervention. For example, it could be given the power to appoint a trustee if there is an unacceptable or perceived to be unacceptable level of conflict.

**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 implement a system similar to the director validation arrangement just brought in by Companies House. This would validate trustees against the schemes that they are then appointed to.

## Chapter Three: Skills and knowledge

### Accreditation for Professional trustees:

#### **16. What skills will trustees of trust-based pension schemes need in order to be an effective and efficient trustee board? For example, areas such as leadership experience, negotiation skills, investment management, (including sustainability-related investment management), communications, financial planning? What other areas should trustees have proficiency in?**

A number of professional trustee firms have already given thought as to how to increase their pool of trustees with individuals from diverse backgrounds: recent introductions of graduate schemes, apprenticeships and hiring individuals from non-pensions backgrounds has meant that the pool of trustees is becoming increasingly diverse.

There is a clear tension between attracting individuals from a broader range of backgrounds and communities and being prescriptive about the skills that trustees should have.

Pension schemes face different challenges and issues depending on whether they are DB, DC, hybrid, Master Trusts, superfunds or new CDC arrangements. They will vary in size and maturity, have different memberships and profiles and trustee bodies could be traditional board structures or PCST models.

It is hard to see how a prescriptive set of disciplines can accommodate such a wide variety of circumstances. It is also important to look at the trustee board as a whole rather than skills existing in a single individual. Consideration should also be given to the expertise available to the trustee board through in-house support teams and external advisers.

However, knowledge of climate and sustainability, communication, cyber and the use of social media, use of technology including AI, and negotiation skills are ones that are valuable additions to the more traditional skills expected of trustees. Negotiation skills are also valuable for trustees of DB schemes where there may be asymmetry in competency between the employer and trustees with employers perhaps achieving better outcomes because of their skill in this area.

With regards to the forthcoming statutory guidance on trustees' fiduciary duties, which we welcome, we note that trustees need relevant knowledge and skills to take account of the full range of relevant factors when making investment decisions.

We therefore encourage DWP to consider how trustees can best be supported to ensure they are equipped to utilise the flexibilities afforded to them by the guidance. For example, there are UK Government initiatives seeking to encourage pension schemes to allocate more capital to productive UK investment, transition finance and investment opportunities in EMDE (Emerging Markets and Developing Economies) to help deliver economic growth and tackle climate change. We expect the statutory guidance will clarify the circumstances in which such investments may be appropriate, but we believe this needs to be accompanied by trustee training to materially alter capital flows.

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

Professional trustees should be held to higher standards, reflecting both their expertise and the influential role they often play within trustee boards. They are typically appointed for their specialist knowledge, familiarity with TPR requirements and the General Code, and their ability to support schemes through complex or strategic decisions. In practice, this can give professional trustees a particularly significant role in shaping outcomes.

Given this position, professional trustees should be expected to demonstrate high levels of professionalism, independence and accountability. As with all trustees, they may be exposed to actual or perceived conflicts, for example through appointment structures, wider firm activities or

commercial relationships. Higher standards should therefore include clear expectations around transparency, identification and management of such conflicts, supported by robust governance processes.

Overall, statutory standards for professional trustees should be proportionate, principles-based and focused on reinforcing trust, decision quality and confidence in the governance framework, rather than creating unnecessary barriers or rigidity.

### 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?**

Lay trustees can be important for a number of reasons:

- They can provide challenge and debate and avoid groupthink because of the different perspectives they bring.
- They are likely to have different incentives and conflicts and may therefore provide balance to decisions.
- They can provide insights from a member centric perspective and for example be able to provide insights as to the right level of communication and appropriate media.

Rather than consider how the skills and insights provided by MNTs could be incorporated into trustee boards of Master Trusts, superfunds and multi-employer CDC arrangements, consideration could be given to requiring a minimum number or percentage of the trustee board to be drawn from AMNT members.

#### **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 L&D costs?**

Lay trustees play a vital role in bringing independent challenge, member insight and diversity of thought to trustee boards. It is therefore important that they are supported through clear, proportionate and accessible development pathways.

At a minimum, all trustees should be expected to periodically refresh their knowledge of TPR's General Code. A pragmatic approach would be for trustees to self-certify, on a three-year cycle, that they have revisited the relevant guidance, supported by clear signposting from TPR to updated content. This self-certification could, for example, form part of the Own Risk Assessment that schemes are required to complete every three years.

However, certain roles warrant higher expectations. In particular, we believe that all Chairs of trustees should be required to demonstrate a higher standard of capability and governance leadership. The Chair plays a pivotal role in setting board culture, enabling effective challenge, leading complex strategic discussions, overseeing risk management and ensuring decisions are taken in line with fiduciary duties.

This requirement could be met in one of two ways. Chairs could either hold a recognised accreditation, such as those offered through the Pensions Management Institute (PMI) or the Association of Professional Pension Trustees (APPT), or, where accreditation is not practical or appropriate, demonstrate equivalence through a combination of length of service, relevant experience and a fit and proper assessment potentially including an interview process with APPT / PMI. This would allow experienced Chairs who may be long-serving or unable to undertake formal examinations

to be recognised, while still providing assurance to members, employers and regulators that the role is being performed to a high standard.

For systemically important schemes, such as Megafunds, superfunds and multi-employer CDC arrangements, there is a strong case for higher expectations still, with most or all trustees expected to meet accredited or equivalent standards, reflecting the scale, complexity and potential market impact of these arrangements.

At the same time, a blanket accreditation requirement for all trustees across all schemes could have unintended consequences, particularly for smaller schemes and not-for-profit employers with limited governance budgets. In these cases, a proportionate approach would be more appropriate, for example requiring a minimum proportion of trustees (such as one-third) to be accredited or assessed as equivalent, with the remainder supported through structured CPD and on-the-job development.

CPD should focus on practical, relevant training that develops both technical knowledge and behavioural skills, helping trustees remain effective without imposing unnecessary burden. Employers should continue to provide reasonable time and support for trustee duties, recognising the value that capable and well-supported trustees bring to scheme governance and member outcomes.

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

Trustees should be encouraged to carry out member surveys with this perhaps being mandatory for systemically important schemes. For smaller schemes, these might be every three years but for larger schemes they could be annual. Our Sole Mates research found that 50% of transitions to PCST include ongoing engagement post PCST appointment – therefore to ensure boards take into account perspectives of members this could be compulsory or at least be monitored to highlight where member voice may be lacking.

There could be some other system for member engagement, through accountability and reporting from an independent party on the performance of the PCST in their appointment, on an ongoing / regular basis.

However, it is important to recognise that trustees have ultimate responsibility for decisions and must act in line with their fiduciary duties – taking account of member views does not mean always acting in line with those views.

## **Chapter Four: Member voice**

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

At LCP we actively seek member feedback every time we issue a benefit quotation or payment, issuing thousands of member feedback forms a year. Encouraging member engagement is very important to us, and we want to find out what we're doing well and where we could do better. We ask members to score us on our service and ease of understanding our communications and provide any narrative comments on the service they received. This is then shared with the trustees of that scheme.

Feedback is reviewed on a weekly basis by our dedicated member feedback team. If a member provides any negative comments or scores us five or below for service, the feedback team works with the administration team to understand what went wrong from the member's perspective. Feedback is also reviewed quarterly to identify any trends.

Our Sole Mates research found that 50% of transitions to PCST include ongoing engagement post PCST appointment to the previous trustees - whether via member councils, observer roles, or structured handovers. This aims to retain the member voice, at least for a period of time, when transitioning to a new sole trustee arrangement. We see this as helpful.

An innovative approach used internationally is the Participant Dialogue undertaken by Pensioenfonds Detailhandel, a Dutch scheme, in 2024. A representative group of around 50 members took part in three one-day meetings to share views on responsible investing and develop 49 recommendations that are being taken forward by the scheme's board. We note that Nest is currently undertaking a similar exercise, involving a 'Member Assembly' to seek views on how Nest should invest and exercise ownership rights.

## **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?**

The introduction of mandatory minimum standards could help drive consistency and raise baseline quality across the market. However, there is a significant risk that creating a new, standalone regulatory framework would duplicate existing requirements, increase cost and complexity, and add unnecessary regulatory burden to administrators at a time when capacity and resourcing are already stretched.

The Pensions Administration Standards Association (PASA) has created an administration standard and accreditation system which is consistent with TPR's General Code. Accreditation is a demonstration of compliance with the Code.

Rather than introducing a separate set of minimum standards, consideration should be given to leveraging the existing PASA framework.

This could include either requiring administrators to become accredited or TPR setting a stronger expectation that schemes will become accredited.

This approach would achieve TPR's policy objectives while avoiding duplication, reducing additional red tape, and allowing administrators to focus resources on improving member outcomes rather than repeatedly evidencing compliance against overlapping standards.

The introduction of separate minimum standards would take considerable time and would create uncertainty for trustees and administrators in the interim period. This uncertainty could result in plans by any prospective PASA members to become accredited or for firms' improvement initiatives to be put on hold, neither of which are good outcomes.

Given the pace of change in the pensions market, a rigid statutory set of standards might not prove to be fit for purpose by the time legislation is introduced. Changes reflected in TPR's General Code to adapt to changing circumstances are generally reflected in PASA's standards and accreditation process within very short timeframes.

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

It is important that similar regulated operating entities within the pension sector are treated consistently whether regulated by the FCA, TPR or both. Regulatory gaps are harmful, and it is equally inefficient when regulators set inconsistent expectations or requirements.

If there is significant consolidation in the market consideration should be given to harmonising regulatory oversight of pensions into a single body. This would prevent conflicting rules and guidance between contract and trust-based service oversight. There are key differences between services which must be acknowledged and better understood. For example, trust-based administrators do not service identical 'products' and currently must comply with statutory regulation and the trust deed and rules of individual schemes. It would be essential for these differences to be appropriately provided for.

## Chapter Five: Administration

### **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? (A model similar to that in Ireland)**

Yes, administrators should have to be registered with TPR to be involved in administering a scheme, and for it to have oversight of practising administrators. Furthermore, TPR should set an expectation that registered third-party administrators would either need to be PASA Accredited or be working towards accreditation. Where failure to meet standards is persistent or irrevocable, TPR should be able to deregister administrators, following a process that is designed in consultation with the administration industry. Although we would hope deregistration occurred very infrequently, if at all, it could still be a helpful incentive to maintain higher standards.

For smaller schemes that are administered in-house, similar standards should be applied; however, TPR should acknowledge that a more proportionate approach may be appropriate in certain circumstances.

### **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?**

By definition, consolidation will drive a move to fewer schemes and there will therefore also be a requirement for fewer administrators due to economies of scale. The creation of new CDC arrangements, multi-employer CDC arrangements and superfunds is not likely to overall increase the number of appointments. Remaining schemes are however likely to become larger and more complex to administer.

There must be a possibility that this causes some administrators to either voluntarily or involuntarily exit the market.

LCP is supporting the PASA Working Group looking at how a sudden exit from the market might be dealt with, with a primary objective that retired members continue to receive the benefits in payment and new retirees or member bereavements do not suffer an undue delay before receiving payment of their benefits.

One potential solution is either for a consortium of remaining administrators to take on a proportion of the failed administrators' orphaned schemes or for an entity like NEST or the PPF to step in on either a temporary or permanent basis.

#### **Disorderly Exit:**

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

In addition to trustees monitoring their own administrators, TPR should actively monitor and engage with the market and intervene if it sees that there is a threat to the payment of benefits or effective administration of a pension scheme. TPR should also consider the periodic publication of its findings to help better inform the market on what it perceives to be developing key risks or areas of resilience.

Where an administrator is found to be consistently underperforming, de-registration may not always be the answer and for third-party administrators, the option of suspension from taking on new business should be considered whilst remedial action is in progress. Where TPR however sees a significant threat that is irretrievable, it should consider de-registration and mandate the orderly transfer of business.

Ideally, trustees should build steps into their business continuity plans and disaster recovery policies and procedures, to allow for a disorderly market situation. Additionally, TPR should encourage trustees to ensure there is a minimum contractual exit timeframe for third-party administrators and give notice, to allow schemes sufficient time to transition administration services in an orderly manner and protect members from disruption and poor service. To ensure consistent procedures between outgoing and incoming administrators, industry guidelines would need to be developed, which could incorporate or be an extension of PASA's existing administration transfer guidance.

As a minimum, third-party administrators should be expected to follow PASA guidance, with this forming part of TPR's regulatory expectations. Where an administrator is of a certain size or asset value, PASA accreditation should be required to provide additional assurance around governance, resilience and exit planning.

To provide oversight on third-party administrators, TPR could regularly gather details of the total number of members managed by each TPA to understand the potential risk exposure in the event of a disorderly market exit. This data is available via Annual Scheme Returns.

### Miscellaneous

**27. To help us better understand the trustee landscape and the potential impacts of any changes emerging from the consultation, we would welcome some information regarding the scheme or provider you are answering on behalf of in the table below**

LCP employs over 1,200 people in the UK, including over 180 partners and around 250 qualified actuaries. The provision of actuarial, investment, covenant, governance, pensions administration and benefits advice, and directly related services, is our core business. About 80% of our work is advising trustees and employers on all aspects of their pension arrangements, including investment strategy.

As part of this we provide advice through one or more service areas to over 800 pension schemes in the UK, including some of the largest with £800bn+ assets under advice. We work with most of the main professional trustee firms.