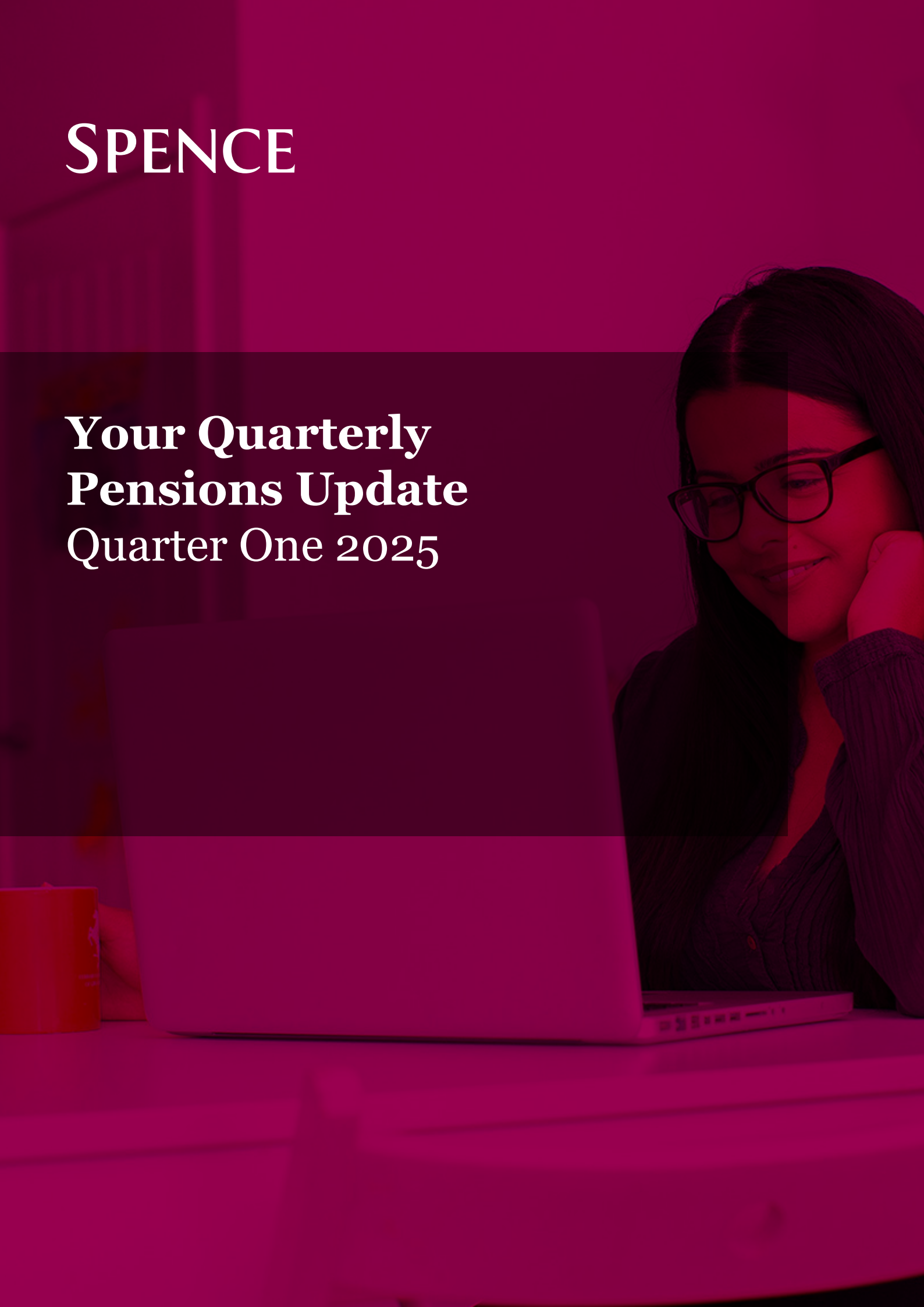


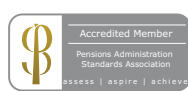
SPENCE

Your Quarterly Pensions Update Quarter One 2025



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Welcome to your Quarterly Pensions Update

The purpose of this report is to update sponsors and trustees with recent pensions industry changes in the quarter.

For your convenience, Spence has summarised the key developments and highlighted the necessary actions sponsors and trustees may need to take.

The report combines brief written comment with links to any further relevant information and any deadlines you should be aware of. We trust you will find the update useful and informative. If you require further information about how any of the topics covered might impact on your scheme specifically, please get in touch with alan.collins@spenceandpartners.co.uk or your usual Spence contact.



Looking Back at 25 Years of Spence & Partners: A Perspective from Within

So here we are...

As Spence & Partners enters its 25th established year, Angela Burns takes a look at the changes in the pensions industry, and how Spence & Partners has evolved alongside them.

25 years ago I was wearing low rise jeans and pointy shoes, dancing the weekend away, barely aware that the pensions industry even existed. At that time defined benefit ("DB") pension schemes were relatively well funded, but the landscape was about to change – increasing life expectancy, low interest rates, and the dot.com bubble burst of 2000 all factored in DB schemes becoming more difficult to manage.

Brian Spence, alongside David Davison and Neil Copeland founded Spence & Partners in the year 2000 (you are all singing Busted now aren't you?). Their vision was to simplify pensions. The founder of Mantle Mike Selby was helping them realise that vision and by 2010 Mantle is almost ready to hit the market. I remember joining in 2012, the team was 70 staff members strong, and I was part of the team given the exciting task of testing the initial calculations.

2010s: A Decade of Transformation

We started using Mantle in 2013, and the pensions landscape was a very different place. We had the 2004 Pensions Act, the introduction of The Pensions Regulator and the 2008 financial crisis, along with 'lower for longer' interest rates. All these things making DB schemes more costly with an increasing regulatory burden. Members now gained more protection from the PPF providing a safety net, should their pension scheme sponsor become insolvent, pension scheme related or otherwise.

Spence developed 'The Spence Approach' which audited schemes from the ground up to allow 100% automation and a better Trustee and member service through improved efficiency.

In 2020, Spence hit its 20th year and had grown to around 200 members of staff. It was an interesting year that had Tiger King, the Black Lives Matter movement, and something you may have heard of – Covid.

2020s: Navigating Uncertainty and Growth

The industry suddenly had a new challenge – operating in a global lock down. Markets reacted negatively to the pandemic and DB pension scheme deficits increased. Easements were introduced to allow Trustees to support employers struggling during the pandemic. As a member of the PPF panel we expected a material number of employers to become insolvent and our PPF teams to be very busy. The opposite happened – the grants and support offered by the Government kept employers going. It's funny when things happen so differently to how you expect – much like the hoarding and bulk buying of toilet roll during that time.

Thankfully due to Brian's love of technology and innovation Spence transitioned seamlessly from an office to home working environment. The industry, however, faced deeper questions: What would the long-term impact of remote work be? How would it affect learning, loyalty, and workplace culture?

So here we are....2025....ready to celebrate a quarter of a century and 'that' mini budget which caused massive impact throughout the industry has brought us full circle. Higher interest rates and well-funded schemes (for the most part) have Trustees considering risk transfer options and the market for insurance solutions is extremely busy. We have a new DB funding code to manoeuvre and additional regulatory considerations around ESG and climate change.

At Spence, we are now operating in our 'New World' with Mantle. Offering Trustees an efficient service with significant risk reduction due to working under one system with no movement of scheme data, and live funding positions every day. We now have around 280 employees with exciting prospects of growth. Brian, David and Neil have stepped aside to enjoy retirement (or partial retirement!), and we have investment from Synova, a private equity firm that shares our culture and values and understands what we are trying to do and the value it brings. The future is exciting.

While the future is bright, I do have some concerns. I worry about the new generation working in a post pandemic world. Throughout my career I have learned a lot from listening to more experienced colleagues on the phone whilst in the office. Will people still form meaningful relationships with their colleagues or merely find the highest paid and most flexible working pattern? Can we still have fun at work? We are at work more than we are anywhere else – things risk getting very depressing.

Then there is AI. As a vocal hater of anything IT related and an open lover of the Terminator movies you can see why I have some reservations. Something that can help you and advise you on literally anything? How do we ensure people continue to actually learn? How do we retain our integrity? How do we protect ourselves from bias? Something to think about for the future, and the many challenges that I am sure are still to come.

When I thought about how to end this article, I asked a very well-known AI bot if it's possible for AI to become self-aware and its response was that 'it's a very complex question'.....worrying to say the least.....Skynet is coming....

FINAL THOUGHTS

When you look back at the last 25 years, anyone working in the industry over that time should feel proud to have survived the countless challenges that have arisen. At Spence, we've grown and adapted while staying true to our core mission. The industry has never stood still, and I expect the next 25 years will bring new challenges—but if history has taught us anything, it's that resilience, adaptability, and a little fun go a long way.

Investment Update

Q1-25 Market Commentary

Global Bonds generated a positive return this quarter at 2.6%* due to the increased risk of a global recession. Global Equities generated a negative return of -4.1%, driven mainly by US equities (72% of the global equity benchmark)*, as the potential impact of tariffs being implemented by the Trump Administration weighed on growth expectations and equity valuations.

Growth Assets

Commodities generated the strongest returns this quarter at 8.9%* mainly due a significant increase in the price of gold as the rise in geopolitical risks caused the demand for the precious metal to increase, given its safe haven status.

European and UK Equities generated the strongest returns at 7.6% and 5.2% respectively. European equity valuations were bolstered both by a rotation away from richly valued US Equities as well as the pro-growth agenda being pursued by the new German Government. Within the UK, the strong performance came from the larger cap names within the financial, energy and healthcare sectors which also benefited from the rotation away from richly valued US stocks. However, small and medium-sized companies suffered amid concerns around the overall economic outlook for the UK. The US market fell by 7.3% over the period mainly due to the news that new Chinese Artificial Intelligence ("AI") app Deepseek had been produced at a significantly lower cost to its US competitors as well the potential negative impact on US growth coming from the policies implemented by the Trump Administration around the tariffs and public sector job cuts.

Emerging Markets ("EM") generated a positive return of 3.0%* which was driven mainly by Chinese Equities, due to a combination of less punitive tariffs coming from the US and also around the release of Deepseek. Conversely Japanese equities declined by -2.5% during the period, driven by falls in large cap stocks, as fears around the potential impact of US tariffs on exports weighed on Japanese equity valuations.

UK Property generated a positive return of 1.0% for the quarter, as continued improving fundamentals within the sector were conducive for property values.

Bonds

Within Fixed-Income, Global Inflation-Linked Bonds generated the highest returns at 3.4%*, driven mainly by US inflation-linked bonds (which make up the majority of the index), as US inflation rose more than expected in February leading inflation linked bonds to outperform nominals. US Treasuries also generated strong returns over the period at 2.9%* as the uncertainty created by the Trump Administration was positive for US interest-rate sensitive asset classes. However, the broad performance among sovereign bond markets was relatively divergent during the quarter as the new German government's decision to significantly increase spending on both defence and infrastructure caused yields to rise and German Bonds to generate a negative return of -1.6%*. Japanese Government Bonds generated the worst performance of all fixed income markets at -2.4%* as positive inflation and wage growth data caused yields to rise during the period which was negative for the asset class.

Within Credit, Global Investment Grade Bonds generated strong returns at 2.8%*, driven mainly by falling interest rates given concerns around the potential impact of the new policies coming from the Trump Administration. Within Europe however the rise in bond yields was negative for European Investment Grade which generated a negative return of -1.3%*. Strong corporate fundamentals meant that high yield credit spreads didn't move materially during the period leading US and European High Yield Bond returns to remain muted.

In the UK, during the spring statement the UK Chancellor Rachel Reeves announced a raft of new spending cuts to comply with the government's fiscal rules. Given the relative fiscal prudence of the spring statement gilt yields ended the quarter slightly higher than where they started.

Within the UK, long-term UK gilt yields marginally increased by 0.2% to 5.2%. All else being equal, the move will have acted to decrease the value placed on pension schemes' liabilities.

Real yields increased by 0.2% to 2.0%. All else being equal, the move will have acted to decrease the value placed on inflation sensitive pension scheme liabilities.

Long-term inflation has remained the same at 3.1%.

All returns shown are shown in GBP terms unless stated otherwise, sourced: FTSE, Morningstar

*Local currency, except for EM and global indices, which are in US dollar, sourced: JPM and MSCI

Past performance is not a reliable indicator of current and future results.

Data as of 31st March 2025.

Risk transfer and endgame

Summer is on it's way and the pension risk transfer market is warming up with the seasons!

Fresh from the Westminster & City 22nd annual Bulk Annuities Conference held in London, where c450 industry experts/leaders gathered to share insights and knowledge, there are a number of exciting and important developments in the pension risk transfer marketplace which are bringing new opportunities to pension schemes of all sizes.

Blumont Annuity UK have received their regulatory approvals and have become the first newly formed life insurer focussed on the UK BPA market since Rothesay Life received their regulatory approvals in 2007! Thomas Olunloyo, CEO of Blumont Annuity UK, shared their vision for the market and how they intend to participate and increase market capacity to assist in the rapid growth in number of bulk annuity transactions we have seen (50% growth in number of transactions between 2022 and 2024).

Of great interest to Spence & Partners is the proposed launch of Blumont's streamlined solution for smaller pension schemes ("BluPrint"). This solution is anticipated to deliver the following:

No requirement for exclusivity from point of market approach, no matter how small the scheme – between enabling multi-insurer processes for smaller pension schemes, increasing choice and potentially improving competitive tension

The ability to send Blumont scheme data and benefits in any format – making it potentially quicker to approach the market (as opposed to the more common approach of requiring streamlined solution template spreadsheets to be completed)

A streamlined contract that is expected to be used (similar in principle to what other insurers' streamlined solutions deploy), however Blumont are suggesting that the terms they will offer for small schemes will be the same terms they offer for large schemes

We are looking forward to shortly working on our first processes involving Blumont and we are sure that given their experienced team, they will exceed our expectations!

Utmost and Royal London shared their respective experiences as recent new entrants to the UK bulk annuities marketplace. It was clear that for both insurers, there had been a heavy focus on the pension scheme members themselves and their ability to successfully support scheme members long into the distant future. Utmost saw Mantle as a core foundation in doing this – operating in its actuarial capacity for pricing etc but then being able to "flick the switch" if successful, turning on seamlessly the administration capabilities of Mantle.

A consistent theme throughout the two days was the sheer volume of transactions recently completed and likely to be completed over coming years and the pressure and tension this will potentially be placing on administrative resources on both sides of the deals (Trustee side and insurer side). The pressure comes from these schemes completing data cleansing post buy-in and working through the wind-up processes before fully transitioning onto the insurer books. No "magic pill" came to light, but increasingly efficient and effective administration will be fundamental to delivering on this demand, as well as schemes being even better prepared before they go to market. Bringing forward much of the data work that would normally be completed post buy-in to before they even approach insurers for bulk annuity quotations. It truly looks like being prepared will be a valuable strategy for schemes going forwards if they wish to reduce the risk of languishing for longer than expected in wind-up, with ongoing operational costs either gradually chipping away at any potential remaining surplus in the scheme or Trustees having to unexpectedly approach the scheme sponsor for additional funding (when it wasn't expecting to have to find yet more funding for the pension scheme).

The “buzz” around the coffee breaks for me was being approached by insurers that have been primarily focussed on the larger deals marketplace (ie schemes of £100m or more in size) up until now. And consistently the conversation were along the following lines...”We are looking at how we can start to regularly price for smaller transactions and participate in this part of the marketplace as well, we’d like to meet with you to discuss how we may be able to engage with some of Spence & Partners clients in providing pricing.”. It was great to feel that the focus and attention was continuing to swing towards the smaller end of the marketplace delivering greater choice, a more competitive process and importantly more opportunities!

This is just the tip of the iceberg of developments – to find out more stay in touch.

Corporate accounting: Defined Benefit (DB) schemes pensions update

Companies with 31 March year ends will have recently worked through their annual DB pensions disclosures. Here’s an overview of the key issues and the likely impact of market conditions on disclosed positions.

Lower DB assets and liabilities on balance sheet

Many companies can expect to disclose lower DB assets and liabilities on balance sheet this year end. Those with surpluses last year will probably still be in surplus at this year end. The table below shows some key market indicators for DB pension accounting, and how they have moved between 31 March 2024 and 31 March 2025. The rise in corporate bonds yields and fall in market implied inflation will lead to lower liabilities. Meanwhile, whilst most asset classes had a positive performance, the negative returns on bonds means most schemes will see a fall in asset values, particularly highly hedged schemes. Note the significant market volatility in early April 2025 will not impact on 31 March year end disclosures.

Metric	31 Mar 2024	31 Mar 2025	Comments
Liability side			
AA 15+ corporate bond yield	4.8%	5.7%	Reduces liabilities by 13.5% for a 15 year duration
15 year market implied RPI	3.5%	3.4%	Small decrease (c. 1%) in liabilities
Asset side			
Equities	Up around 5%		Most asset classes up other than bonds that are down reflecting the rise in yields.
Multi Asset Credit	Up around 4%		
15+ index linked gilts	Down around 15%		

Key considerations for employers

The key considerations for employers this year end are generally:

Assess the impact of the Virgin Media Court Case on your scheme. This case means that benefit changes made between 1997 and 2016 could be ineffective if the required actuarial confirmation for “contracted out” schemes is not available for your scheme, leading to an increase in liabilities. It remains the case that future Court cases or DWP intervention could change the position, so it is too early to fully cost the exposure or put a past service cost on balance sheet. However, most auditors are expecting a disclosure note to be included on this case, explaining the issue, with narrative around the potential impact, and an explanation that uncertainty remains on the final impact. We recommend early engagement with your auditors on this point.

If risk transfer activity has taken place over the year (e.g. a buy-in or a buy-out), be clear on the accounting implications. Auditors can have different opinions on when risk transfer becomes a settlement item rather than an investment decision. Generally, a buy-in is considered an investment decision, and a buy-out is a settlement. If a settlement is expected next year, consider carefully the assumptions used at this year end, and the value placed on the liabilities, as this will drive the size of the settlement loss next year.

Take actions to minimise the level of auditor queries and streamline your pensions accounting process. If corporate accounting deadlines were tight, consider engaging with your actuary and auditor in advance of the year end in future to agree the principles for the assumptions and tackle any initial auditor queries. The improvement in funding positions and shrinking of DB schemes in recent years means pensions disclosures are less material than previously. There is less value in looking to ‘stretch’ assumptions, possibly unless looking to manage the size of a settlement loss on risk transfer. Instead, consider taking a standardised approach that will be most easily meet your auditor’s requirements.

Employer Covenant Guidance

Hailed by TPR as the “last piece of the jigsaw to help schemes carry out valuations under the new DB funding code”, TPR’s revamped covenant guidance sets out how trustees should evaluate employer covenant. It also includes worked examples.

Trustees will be pleased to hear that a major theme of the Code is proportionality. Trustees are encouraged “to review whether their existing covenant analysis is focused in the right areas”, particularly if a scheme’s funding position has changed significantly. This article sets out the key themes covered in the new guidance and recommended actions for trustees.

Identifying Employers

The starting point for a review of covenant is to identify the correct scheme employers. Trustees need to understand the “balance of powers”, including who has the authority to amend or wind up the scheme, trigger a section 75 employer debt, and determine ongoing and Deficit Reduction Contributions (DRCs).

If an employer depends on a parent company, a larger corporate group, or other third parties, trustees should factor that into their assessments. In multi-employer schemes where it is not proportionate to assess each employer, the Guidance offers alternative approaches such as grouping employers, evaluating aggregate performance, or focusing on those with the largest share of scheme liabilities.

Key Components of Covenant Assessment

With TPR stressing the importance of understanding that the risk being taken “on the journey plan to their low dependency target” is supportable, key areas involved in assessing covenant are:

Cash Flow

Trustees need to evaluate how much money an employer has available to support the scheme, focusing on projected cash flow rather than just past performance. “Free cash” is what remains after paying for essential business costs but before making DRCs or other financial commitments, like dividends or intra-group payments. The over-riding principle is that funding deficits must be recovered as soon as the employer can reasonably afford.

Prospects

Trustees need to assess how stable an employer’s financial future looks, the “extent and duration of reliance” that can be placed on the employers continuing support. This includes examining industry trends, competition, environmental and social risks, and the likelihood of insolvency. While trustees should get most of this information from the employer, they may also need external reports to validate or supplement what they’re being told.

Reliability Period and Covenant Longevity

Trustees need to determine two new key timeframes:

- Reliability period: How far into the future (typically three to six years) they can reasonably predict an employer’s ability to generate cash.
- Covenant longevity: How long the employer is expected to be able to keep supporting the scheme. This period is typically, but not always, expected to be longer than the Reliability period.

Since things can change, stress testing of “material risks” is advised to understand how these might disrupt projections. The Guidance includes examples showing how the assessment of the reliability period and covenant longevity should be undertaken.

Contingent Assets

Trustees must reassess contingent assets (like guarantees or security over property) that an employer has pledged to support the scheme at each valuation or more frequently if needed. The new Guidance details the valuation process to evidence that these assets will provide the specified level of support when required.

Maximum Affordable Contributions

The Guidance details how to assess whether the level of risk being run in the scheme's funding and investment strategy is supportable by the covenant. It outlines how to calculate "maximum affordable contributions" over the Reliability period, where these maximum affordable contributions are assessed after allowing for outgo such as dividends, DRCs and investment in the sustainable growth of the business.

When combined with other tangible support such as contingent assets, these maximum affordable contributions must exceed the risk being run in the Scheme¹. If this test is failed, TPR expects investment risk to be reduced unless appropriate mitigation can be provided.


Monitoring Covenant

TPR expects trustees to monitor the employer covenant throughout the scheme's lifetime. A good monitoring approach should include:

- Spotting key risks (e.g. losing major clients, financial trouble, reputational damage, or industry shifts).
- Setting early warning thresholds for these risks.
- Agreeing on appropriate responses if things go wrong—this could mean increasing oversight, engaging covenant advisers, or adjusting the investment strategy.

Trustees need to document their approach and review it at each scheme valuation. Monitoring relies on up-to-date management accounts, analyst reports (if available), and public financial information. Building strong relationships with employers and setting up clear information-sharing protocols is also important.

Helpful Links

 <https://www.thepensionsregulator.gov.uk/en/document-library/scheme-management-detailed-guidance/funding-and-investment-detailed-guidance/assessing-covenant-detailed-guidance>

Benefits of a Master Trust

In November 2024, Chancellor Rachel Reeves announced plans to create large pension “megafunds” by consolidating existing pension schemes. This initiative aims to unlock up to £80 billion for investment in UK infrastructure and businesses, addressing the under-investment issue that has historically hampered economic growth. The government believes that larger funds will be better equipped to make significant investments, drive economic growth, and enhance retirement savings.

However, this proposal has faced criticism from some quarters. Pension managers have raised concerns that mandating minimum scale requirements for pension schemes could reduce competition, hinder innovation, and lead to suboptimal financial performance. They argue that scaling benefits should arise naturally through careful selection and evolution, rather than being enforced.

One existing way that schemes can capture the advantages of consolidation are Defined Benefit Master Trusts. They have existed for decades but maybe the current environment means they will appear more often as a credible option for scheme’s long-term planning.

The Pensions Regulator (TPR):

TPR has expressed support for the consolidation of DB schemes, viewing it as a means to strengthen the resilience of pension funds and improve investment capabilities. In its 2024 Annual Funding Statement, TPR noted that well-funded DB schemes have various options, including targeting surplus generation, consolidation, or buy-out with an insurance company. The statement highlighted that larger, consolidated schemes are better equipped to invest in the UK economy, potentially offering better value for savers and supporting higher standards and innovation within the market. [The Pensions Regulator Reuters](#)

Advantages of Defined Benefit Master Trusts

A Defined Benefit (DB) Master Trust is a pension scheme that pools multiple employers and their members into a single trust arrangement, allowing them to benefit from economies of scale, operational efficiencies, and robust governance. DB Master Trusts are becoming an increasingly popular option for employers and pension plan sponsors, providing notable benefits to all parties involved—members, sponsors, and trustees. Below, we explore these advantages in detail.

Benefits for Members

DB Master Trusts can provide higher-quality member support services compared to individual schemes. Since these trusts pool resources from multiple employers, they often have greater bargaining power when it comes to negotiating services. This typically results in more efficient administration and higher-quality service, which benefits members by ensuring that their pension is well-managed and that they receive more value and better technical support.

Moreover, members benefit from professional governance and management within DB Master Trusts. The involvement of experienced trustees and fiduciaries ensures that pension assets are managed in the best interests of members, enhancing both the security and value of their pensions.

Benefits for Sponsors

Employers or sponsors of pension schemes can also derive significant advantages from participating in DB Master Trusts. One of the primary benefits is the reduction in administrative and operational burden. Traditionally, managing a DB scheme requires substantial resources to handle actuarial valuations, compliance, funding requirements, and other administrative tasks. By joining a Master Trust, sponsors can shift many of these responsibilities to the trust provider, allowing them to focus more on core business activities.

In addition, DB Master Trusts provide access to economies of scale, which can lead to cost savings for the sponsoring employers. With multiple employers pooling their resources, the overall cost of running the scheme is

distributed among all participants, reducing the individual costs for each sponsor. This enables smaller employers, who might not otherwise be able to support a standalone DB scheme, to provide high-quality pension benefits to their employees at a more affordable cost.

There is a perception from a Sponsor perspective that there is a loss of control. However, a Master Trust is similar in Trustee structure to having professional independent trustees or sole professional trustee boards which is the dominant model in the UK already.

What about existing Trustees and their advisors?

Trustees are responsible for overseeing the management and governance of the DB Master Trust, ensuring that it is run in accordance with legal and regulatory requirements. One of the key advantages for trustees is the opportunity to manage a larger, more diversified portfolio of assets, which allows for more sophisticated investment strategies. The economies of scale inherent in Master Trusts allow trustees to access institutional-quality investment opportunities that might be unavailable to smaller, standalone pension schemes.

Additionally, DB Master Trusts provide trustees with greater access to expert resources and advice. The trust's professional management and governance structures often involve experienced fiduciaries, actuaries, legal advisors, and other professionals, providing trustees with the support they need to make informed decisions and ensure that the scheme is well-governed and compliant with relevant laws.

Trustees also benefit from the collaborative nature of Master Trusts, which brings together a diverse group of employers and members. This diversity can foster more innovative solutions to pension management and help ensure that the interests of all parties are balanced and well-represented.

Conclusion

DB Master Trusts can provide well-governed, large-scale pension schemes with access to high-quality investment opportunities. As the pension landscape continues to evolve, DB Master Trusts present a compelling model for providing secure and efficient retirement benefits over the long term.

Demonstrating an ESOG and completion of an ORA

Demonstrating an ESOG and completion of an ORA

Following the publication of the Pensions Regulator's General code of practice early feedback from trustees seemed to suggest that most were comfortable they were already operating an Effective System of Governance (ESoG) albeit recognising that some refinements were required. So more of a tidy up than a ground-up activity!

However, the required submission of an Own Risk Assessment (ORA) (applicable to schemes with over 100 members) is the most significant aspect of the new code. This will assess how well a scheme's ESOG is working and identify areas where risks may arise.

The scope of this could be wide ranging but governing bodies should at least be focused on reviewing policies and procedures for the following key areas:

- Governing Body and the role of trustees
- Funding and Investment
- Administration

In summary, trustees should consider anything that can reasonably be considered part of the operation of the scheme and assess any risks or gaps. Following this, trustees can put in place steps in place to mitigate, monitor and report on these risks.

Key to this, however, will be to ensure they meet the expectations without adding unnecessary complexity. Therein lies a challenge of assessing proportionality to ensure any steps are considered against size, and complexity of the scheme.

Once all the policies have been reviewed, the trustee needs to document how risks are mitigated and integrated into management and decision-making processes.

Documenting & Reviewing the ORA

The ORA must be recorded in writing – ideally as a live electronic document which can be updated and amended as needed. It should be made available to all members of the governing body in a central location for accessibility. In addition, members of the scheme can also request a report showing the findings of the ORA. Careful consideration needs to be given as to what information will be provided to members.

The Regulator, has reassured that, for well-run schemes, this should be a straightforward project and once in place, it should be business as usual. Schemes are able to design their own and even collate current risk assessment documents, where appropriate.

It would be prudent to integrate a regular review of the ORA into trustee meetings in a similar way to Risk Registers and Conflicts of Interest. This will maintain a living, breathing, and evolving ORA which will ensure that an ESoG remains robust.

The ORA allows trustees to spend quality time on governance to ensure better decision making, clearer strategy and better outcomes for members.

Regulatory Expectations and Submission

Despite the Regulator expecting an ORA to be submitted every 3 years there is no statutory requirement to do so. However, failure to complete will be seen as poor governance and will draw focus and more scrutiny from the Regulator, and perhaps reputational damage.

Over the next year, trustees will complete their first ORA and ensure an ESOG is in place for their schemes. The focus on governance is taking up a lot of time, however it is an important part of ensuring the scheme is run effectively.

Demonstrating an ESoG is a team effort between the trustees and their advisors who all should work together to address all elements of the General code.

Coming up next

June

In his speech to the PLSA on 11 March, the Pensions Minister confirmed that the Pensions Schemes Bill should be delivered before Summer Recess(22 July 2025). This should include the outcomes of the Investment Review, Superfunds, Releasing scheme surplus (with a strong hint about first using to benefit members with pre-1997 benefits which aren't index linked) and amending legislation to allow a reduced PPF levy. Although requiring trustees of occupational DC pension schemes to offer default retirement income solution(s), to members wasn't mentioned, the Minister did cover poor returns, including during decumulation, and that members shouldn't have to become pension experts. We can also expect provisions to ensure that The Pensions Ombudsman decisions on overpayment are enforceable without a court order, and which allow the Pension Protection Fund (PPF) and Financial Assistance Scheme (FAS) to make terminal illness payments to those with a life expectancy of 12 months, instead of only up to 6 months. It is also possible that the Bill includes amendments to the Conditions for Transfers Regulations.

On 29 April the government announced the creation of a Small Pots Pension Consolidator, to be included in the upcoming Pensions Bill. A PLSA led Feasibility Review on the Small Pots Data Platform will start in Spring 2025 and report back key findings in June 2025. Secondary legislation will be drafted during 2026, with elements coming into force during 2027/28. Implementation will be phased, with the first pension schemes being required to transfer and consolidate eligible pots from 2030.

Later

On 17 March TPR committed to review its scheme return and supervisory return data collection requirements before April 2026. DWP may then legislate to change reporting requirements to reduce unnecessary burdens on schemes. During 2025/26 TPR will monitor the quality and value of regulatory interaction and make sure that new interventions are not just clearly linked to delivery of better outcomes for savers but are also efficient and effective in delivery.

In a speech at an LCP Conference the Pensions Minister confirmed that CDC secondary legislation will be laid in Autumn 2025 to allow multi-employer collective CDC schemes to be established. The government will continue to work with industry stakeholders to develop decumulation only CDC.

The outcome of the PPF Levy Consultation 2025/25 was published on 30 January 2025. This included provisions which would allow the risk-based levy and scheme-based levy to be reduced to zero if the Pensions Bill introduces amendments to the current legislation which restricts future increases provided those amendments are expected to become law in 2025/26. The levy invoicing for 2025/26 will be delayed to allow time for the situation to become clear and an update will be provided by end of September 2025.

The HMRC consultation on how to administer Inheritance Tax on Pension closed on 22 January. The response and a technical consultation on draft legislation will follow later this year, ahead of the 6 April 2027 implementation date.

On Monday 17 March the Chancellor announced a plan to cut the administrative cost of regulation on business. As part of this the TPR will review the amount of capital reserving that Master Trusts are required to hold, with a view to safely freeing up millions of pounds for schemes by the end of 2025/26.

There are currently two methods which Master Trusts can use to calculate their required level of financial reserves. The basic method is £75 multiplied by the expected membership at least 12 months after the calculation date, subject to a minimum assumed membership of 2,000. The detailed method allows the Master Trust to calculate their own reserves. This an amount sufficient to allow the master trust to continue to operate for a period of six months to two years following a triggering event (the run on period) plus an amount sufficient to cover the additional costs following a triggering event (the compliance costs). The £75 is currently set out in the guidance to the Code of Practice and so it is likely that this is the figure which will be reviewed.

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