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The Pensions Regulator
Telecom House
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Dear all

TPR corporate strategy consultation

I am writing on behalf of the Association of Consulting Actuaries in response to the consultation on your corporate strategy.

We welcome the opportunity to comment on The Pension Regulator's (TPR's) strategy and we broadly agree with its priorities, as set out in the consultation document. There are however a few additional important issues which we would like to see referenced explicitly, or more extensively. In particular, we think the strategy should include additional comments on:

- Supporting trustees to consider the provisions set out in the Pension Schemes Act 2026 for use of DB surplus;
- Supporting professional trustees to manage conflicts of interest;
- Supporting the development of CDC schemes and Retirement CDC arrangements, in the context of TPR's vision of people having a sustainable income in retirement.

Further details are set out in the Appendix in response to your specific questions.

We hope that you find the contents of this letter of assistance. We would be happy to discuss them further if that is helpful.

Yours sincerely

Chintan Gandhi

Chair
On behalf of the Association of Consulting Actuaries Limited
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APPENDIX

Specific consultation questions

General questions

1: Does our vision of people having a sustainable income in retirement set the right long-term ambition for the pensions system? Could it be strengthened?

Sustainable is an interesting word to use. Looking at the issue from first principles might suggest that “sufficient” or “adequate” income in retirement would be a better description of an appropriate vision for UK pensions. However, we recognise that adequacy is a matter for government – and this is being considered by the Pensions Commission – and does not form part of TPR’s statutory objectives.

In this context we agree that “people having a sustainable income in retirement” is a reasonable vision for TPR’s strategy.

The vision of “a sustainable retirement income for all” is based around “a more forward-looking, innovative and system-wide approach to regulation”, which we also support. We note that the longer-term sustainability of the pensions system (in a narrow, financial sense) is dependent on the health of the environmental and social systems that underpin the economy and financial markets. We would like to see this explicitly acknowledged in the final strategy.

2: Are the trends we identify – including consolidation, scale, technology, digitalisation and artificial intelligence – the main forces that will shape the system over the next five years? What’s most important? Is anything missing?

These do appear to be significant trends. It is difficult to predict which is likely to be most significant over the next five years – and any predictions may well prove to be incorrect in any case. For the purposes of setting strategy, maintaining an ongoing focus on the important trends to be aware of, including remaining vigilant for new developments, would seem to be essential.

Climate change is another important force that will shape the pensions system over the next five years, especially given the signs that the physical impacts of climate change will be earlier and more severe than previously expected. (See, for example, the IFoA’s series of papers on planetary solvency.) The effects of climate change, and also nature loss, will become increasingly important as the time horizon is extended beyond five years. Action over the next five years is critical to mitigating these longer-term risks, which strengthens the case for prioritising them within the next five-year strategy. We note that the issue is mentioned as a strategic challenge and also as a ‘key area of focus’ on which you intend to provide clarity and certainty to the marketplace on at regular intervals. This is welcomed.

Other important trends include the increased importance of distributions of DB surplus, the rising prevalence of professional trustees, and the development of and increased importance of CDC schemes. We comment on each of these in our response to the next question.

3: Where could The Pensions Regulator's role be more active, or targeted, to maximise saver outcomes and support a resilient and sustainable market?

We strongly support TPR promoting coherence across the pensions system so that expectations, protections and outcomes are consistent, regardless of the type of arrangement – as you set out under "Taking a system-wide view". It will be particularly important for TPR to work with FCA around DC developments such as VFM, guided retirement and targeted support.

You note that trustees will face a wider set of choices including "surplus extraction". Once the new flexibilities for DB surplus distribution set out in the Pension Schemes Act 2026 are in force, the issue of how surplus is used (and, some cases, shared between employers and members) is one where TPR guidance will be key – and where regulatory balance may be required rather than TPR necessarily acting purely to 'maximise saver outcomes'. This significant issue would warrant additional comment in your strategy. We would also prefer that TPR ceases to refer to the new powers as "surplus extraction", given the negative connotations. "Surplus payment powers" would be more consistent with the wording of the Act.

We know that TPR is aware of the specific challenges relating to the rising prevalence of professional trustees, including appropriate conflict management. As noted in our response to your consultation on trusteeship and governance in March this year, these potential conflicts will become even more important to manage when the surplus flexibilities are in force. Given the significance of these issues, in our view this would warrant explicit comment in your strategy.

CDC will be key to achieving your vision of a sustainable income in retirement. TPR will need to devote adequate resources to ensure that new CDC arrangements can be considered and (if appropriate) authorised in a timely manner. It will also be important for the development of Retirement CDC to be integrated with the development of guided retirement. Suitably aligned timings will be key – and these could have a significant impact on TPR achieving its vision.

We note that CDC is only mentioned twice in the draft strategy – firstly, under "challenges and trends in the pensions landscape", you note the existence of CDC; secondly, under "supporting innovation and growth in members' interests" you note that you will "support the development of collective and pooled models – including ensuring CDC schemes are a well-governed collective option that can help deliver sustainable retirement incomes". We think that the strategy should more clearly state that TPR will be actively supporting CDC innovation as one of its key priorities. We anticipate that this will be the case in practice, but it would be helpful to make this clear in your strategy.

The timely development of Retirement CDC might also be mentioned in the context of too many members being exposed to drawdown risk under "our strategic challenges".

More broadly, we consider that innovation could be recognised more explicitly as a key enabler of TPR's objectives to maximise saver outcomes and support a resilient and sustainable market. In particular, it would be helpful for the strategy to set out more clearly how TPR intends to support innovation across areas such as CDC, the use of technology, evolving governance models for different schemes and potential new areas of focus, ensuring that the regulatory framework both enables innovation that benefits members, and maintains appropriate safeguards.

We noted your comment under ‘market outcomes’ that the pension system should support UK growth. This does not appear to form part of TPR’s statutory objectives and the related “asset allocation” powers set out in the Pension Schemes Act 2026 were significantly restricted following debate in the House or Lords. Whilst supporting UK growth might be a sensible aim for TPR to have regard to, where it is consistent with TPR’s statutory objectives, we do not think it should be referenced in TPR’s high level strategy.

We welcome the comment that you “will take every opportunity to simplify how pensions are regulated” and later undertaking to reduce “unnecessary burden wherever we can”. TPR should ensure it is always clear on which items of guidance remain relevant and which have been superseded or are no longer considered relevant.

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