



**The
Pensions
Regulator**

Making workplace pensions work

ACA Leeds Regional Meeting

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12 June 2025

Agenda

- DB Annual Funding Statement
 - Key messages
 - Clarifications on DB Code
 - Funding position of schemes and implications
- Policy developments and communications
- Changes to our regulatory approach

DB AFS – Key Messages

- Strong funding positions => move to endgame planning
- Understand risks from heightened trade and geopolitical uncertainty
- 80% of schemes should be able to meet Fast Track, with reduced regulatory burden
- Supporting first valuations under the new DB funding regime

Supportable Risk

Supportable Risk over the Reliability Period

- For schemes before relevant date the Code sets out the supportable risk the employer covenant can support over the reliability period
- Assesses support to cover deficit and any further deficit that could arise from a stress event

- Code expectation is that downside stress even is at least one in six and this is measured over the reliability period – it is not a one-year test.
- Pragmatic approaches to adjust one-year test to multi-year tests are acceptable
- We encourage proportionality
 - use the existing modelling where feasible
 - stochastic modelling is not expected
 - where prudent shorter periods than the reliability period can be used

Long Term Objective

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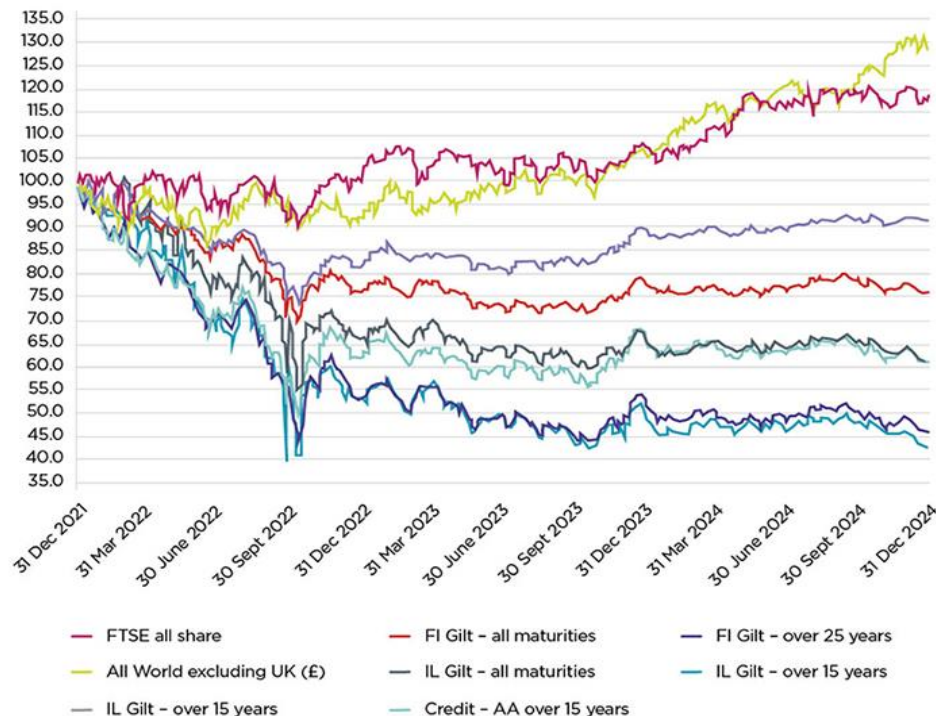
- As part of the Funding and Investment Strategy (FIS) schemes must set out the way in which they intend pensions to be provided over the long term – the long-term objective (LTO).

- Statement of strategy allows flexibility when describing LTO for schemes.
- The LTO can happen after relevant date (although the scheme must comply with principle of full funded on a low dependency funding basis)
- Trustees will need to decide if the commitment to achieve buyout, is clear and settled enough for it to be included in the FIS

DB AFS Analysis – market background

Figure 3: Asset returns

Source: LSEG

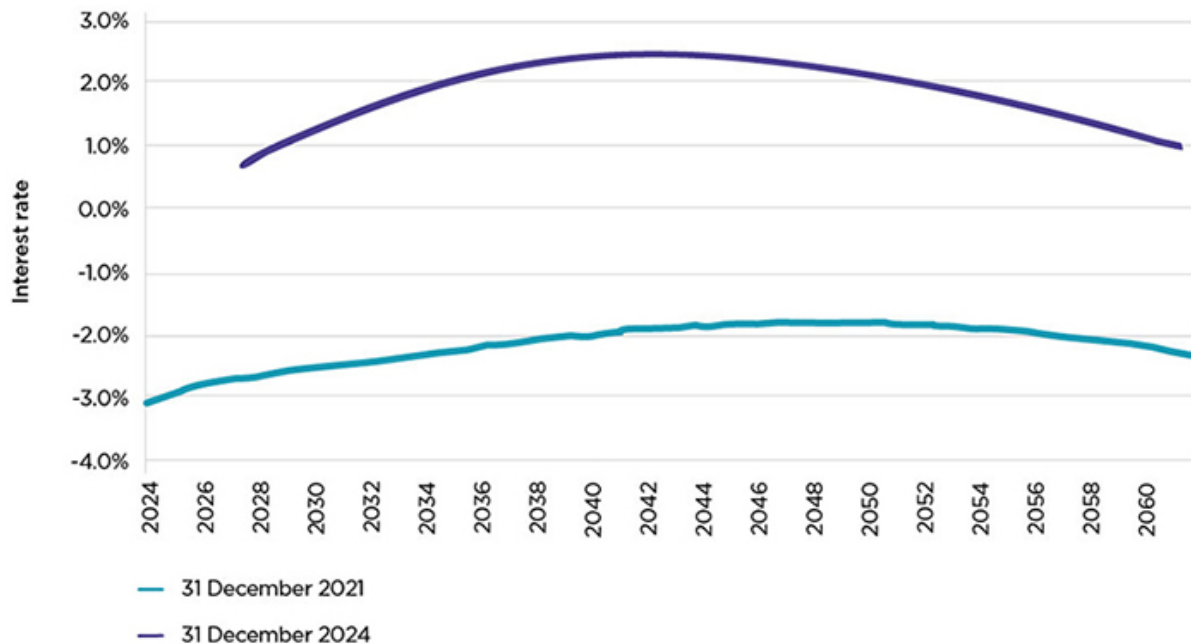


Index name (asset class)	Total returns over 3-year period
FTSE British Government Index Link over 15 years (index-linked gilts)	-57%
FTSE British Government Fixed over 25 years (fixed interest gilts)	-53%
FTSE British Government Index Link All maturities (index-linked gilts)	-39%
Iboxx UK Sterling Corporate Bond over 15 years (corporate bonds)	-39%
FTSE British Government Fixed All maturities (fixed interest gilts)	-24%
Iboxx UK Sterling Corporate Bond All Maturities (corporate bonds)	-9%
FTSE All Share (UK equities)	19%
FTSE All World Excluding UK Sterling (overseas equities)	28%

DB AFS Analysis – market background

Figure 2: UK instantaneous real forward gilt curves

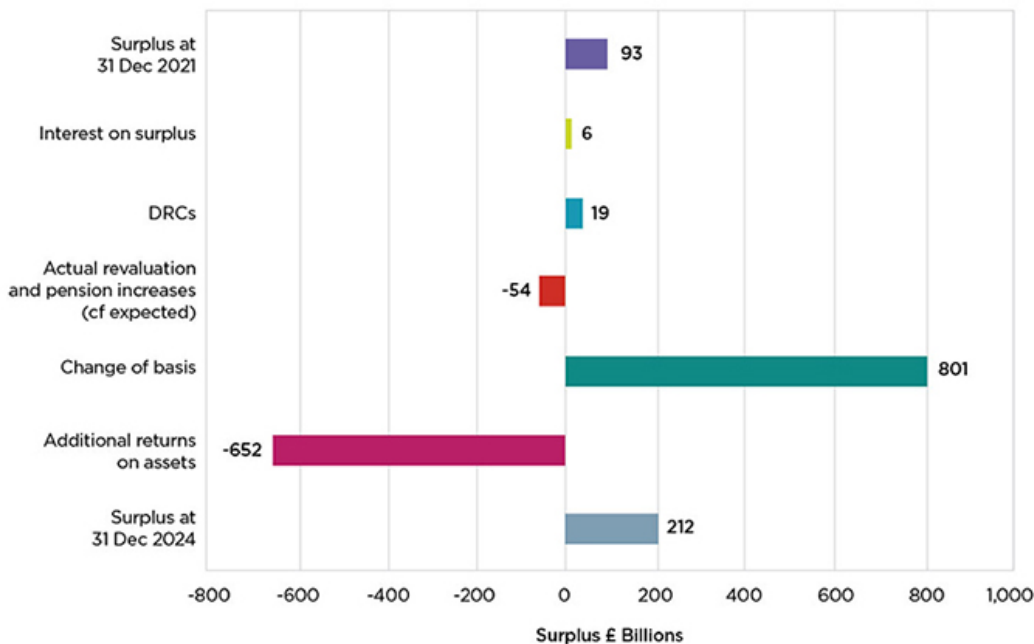
Source: BoE



DB AFS Analysis – Analysis of Surplus

Figure 5: Estimated impact of change in surplus over the period December 2021 to December 2024

Sources: TPR, LSEG, Office for National Statistics (ONS)



- Analysis of surplus for all 4,818 schemes
- TPs down c45%, asset values by c35%
- Relatively stable since 30 Sept 2023
- Assets c£1.2trn, TPs c£1.0trn

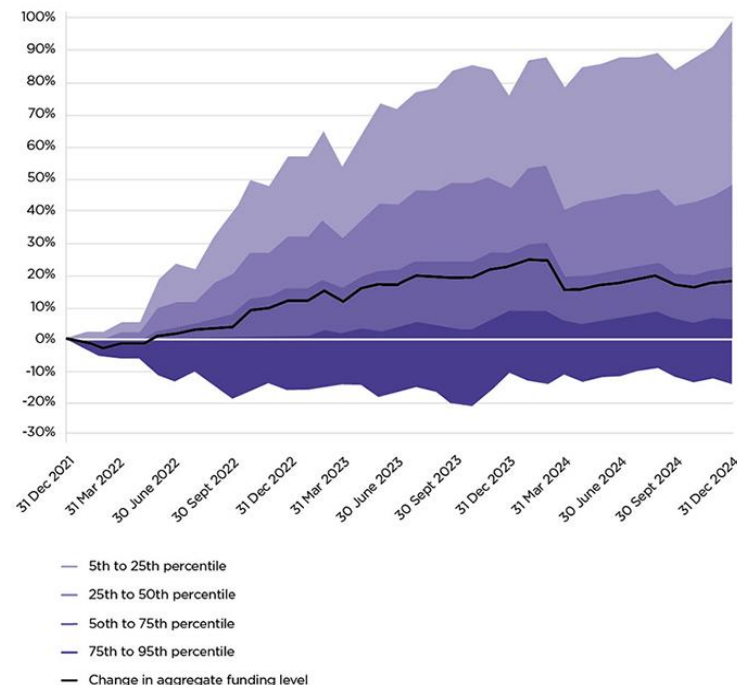
Overall estimated funding positions

Funding Basis	Technical Provisions	Low dependency	Buyout
Assets (£billions)	1,153	1,153	1,153
Liabilities (£billions)	941	1,021	1,127
Surplus/(Deficit) (£billions)	212	133	26
Funding level	123%	113%	102%
% of schemes in surplus	85%	76%	54%
% of schemes in deficit	15%	24%	46%

4,818 schemes in data set

Figure 6: Variation of impact on funding level of all schemes – December 2021 to December 2024

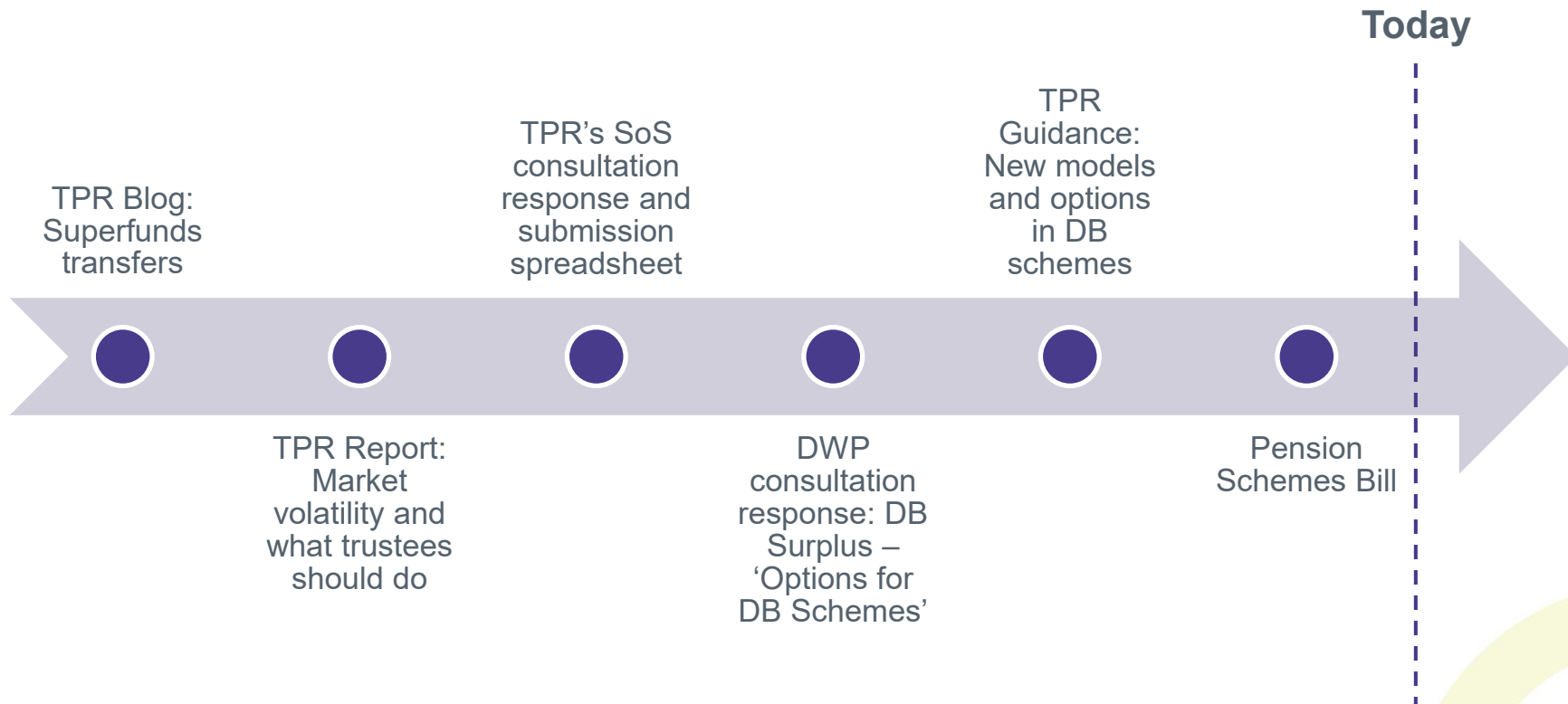
Sources: TPR, BoE, LSEG



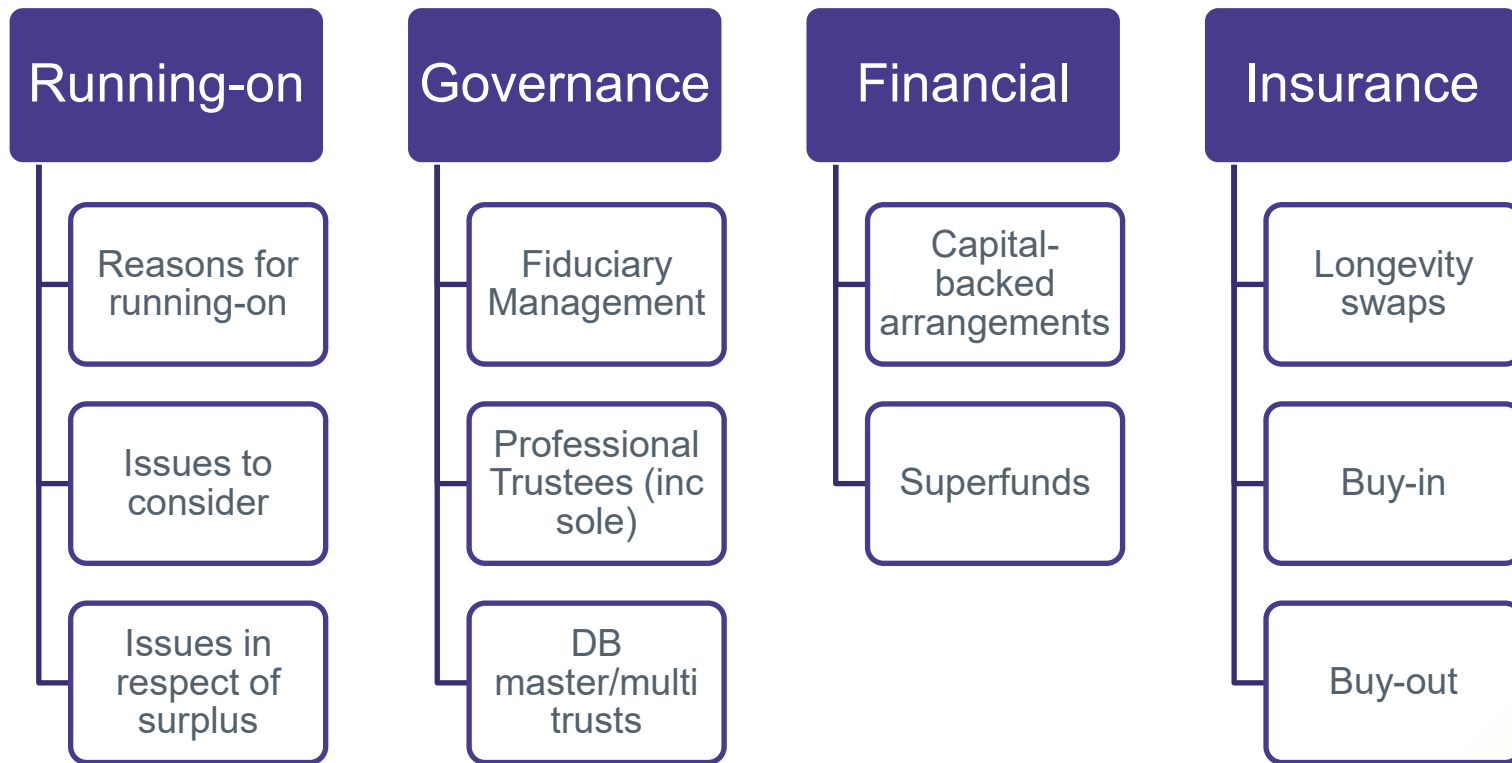
AFS - Funding strategies for different groups

Funding Position	Approximate proportion	Key points
At or above low dependency	76%	Focus on end-game planning Benefits vs risks of running on Monitoring and management strategies inc employer covenant
Above TPs but below low dependency funding target	9%	Continue on path to achieving the low dependency objective by the relevant date
Below TPs	15%	TPs consistent with journey-plan to low dependency Risk-taking dependent on (i) covenant and (ii) maturity Deficit recovery as quickly as reasonably affordable

Policy developments and communications



New models and options in DB schemes



Change to our regulatory approach

Putting the saver at
the heart of everything
we do

Our corporate strategy

Fewer, larger, well-run schemes that
provide good outcomes by default

Building a proactive and strategically aligned regulator



DB & DC Supervision

DC & MT Supervision

- Monoline MTs
- Commercial MTs
- Non-Commercial MTs & CDCs
- Employer DC Schemes

Trusteeship, Administration & DB Supervision

- DB Funding & Events
- Consolidation & Emerging Models
- Administration (inc Cyber and Dashboards)
- Governance & Trusteeship

Trusteeship – engagement and strategy

350 Trustee
Directors*

2,400 Schemes*

50%+ of boards
have PT

£1.0tn assets*

* Top 10 PT firms only, Sources Isio, LCP

- Engaged with 11 professional trustee firms to better understand
- Areas where risks to saver outcomes could arise:
 - relationships with employers
 - profit and remuneration models
 - sole trusteeship
 - in-house advisers
 - scheme decision maker
- Building supervisory relationships over rest of 2025

Growth Agenda

**May
2025**

Develop an innovation framework and launch an innovation hub

End of
2025/26

- Review capital reserving for MTs trusts
- Review scheme return and supervisory return data collection requirements

Over
2025/26

- Monitor engagements and seek to reduce unnecessary regulatory burden
- Encourage consolidation & productive investments: VFM framework

Summary

- DB funding positions strong for most, leading to focus on end-game strategies
- First valuations under new regime, open to submissions now
- TPR publications and communications across different areas
- Changes in our structure: greater focus on DC, administrators and trusteeship
- TPR commitments to reduce regulatory burden and support growth

Questions