Summary

- Reforming pensions to ensure value for money for members is a key priority for policymakers and regulators.
- Stakeholders are concerned that regulators may lack sufficient resource to implement reform.
- Delays to the DB Funding Code and pensions dashboards could undermine DC overhaul ambitions.

Working through the red tape

There are a number of ambitious plans set to transform both DB and DC pensions, yet progress for some has stalled. Gill Wadsworth explores how well the government and regulators are making their way through the processes required to achieve their goals

The Pensions Regulator's (TPR) new chief executive, Nausicaa Delfas, faces a significant workload over the coming year, joining as she does in the midst of major reform which government says will restore pensions equality between defined benefit (DB) savers and their defined contribution (DC) counterparts.

TPR, along with the Financial Conduct Authority (FCA) and Department for Work and Pensions (DWP), will be at the forefront in delivering a raft of measures designed to improve value for money, which include

enhancing scheme disclosures; tackling challenges with small pots; extending collective DC (CDC); and reforming the charge cap to make it easier for DC schemes to invest in illiquid assets.

A consultation on the value for money framework closed in March and the eventual proposals will form part of Delfas's to-do list, which already includes implementing the DB Funding Code, delivering a pensions dashboard and tackling pension scams.

In this April's *Corporate Plan for 2023/24*, Delfas acknowledges TPR's "full and ambitious agenda", and says she "will continue to build *[TPR's]* organisational and digital capabilities, deliver value for money, and work collaboratively with our regulatory partners and stakeholders in the wider pensions environment".

Political pressure

Yet with such ambitious plans, the regulator, whose own stakeholder research revealed concerns about whether it is furnished with requisite resources to carry out existing enforcement activities, faces a challenging 12 months.

Dalriada Trustees professional trustee, Paul Tinslay, says regulators are under pressure from a Conservative government that faces calls for an early General Election. Indeed, an April 2023 Ipsos poll finds almost half of Brits think the country will have a new Prime Minister by the end of the year, with only 15 per cent satisfied with the way the UK is currently run.

Tinslay says: "Some of the reform is long overdue, and Laura *[Trott, Minister for Pensions]* may feel that she's got a limited amount of time to get some of this work done and make her mark politically."

But judging by TPR's inability to get the DB Funding Code over the line this year – it has been delayed until April 2024 – and with pensions dashboards still yet to manifest four years after it was supposed to be launched, industry commentators are sceptical about the likelihood of rapid reform.

Dalriada Trustees head of technical research, John Wilson, says: "Recent examples *[of delays]* include the consultation on the first draft of the single code of practice, and even more recently, the consultation on the second draft of scheme funding. The timescales were quite short for us to respond to those consultations on the premise that *[government]* wanted to bring changes in quickly. But in practice, that hasn't happened."

Under-resourced

Part of the failure to deliver on pension reform promises is, according to Wilson, a lack of available resources at the regulator.

Tinslay says there has been a significant increase in responsibilities at the regulator since its original incarnation as the Occupational Regulatory Authority, but there have not been commensurate increases in manpower.

"Obviously, the political entity that controls the purse strings also controls the extra work that the regulator has to do." He adds: "I have a great deal of empathy with *[TPR]* and support it in achieving what it is trying to do, which is ultimately improve member outcomes."

In this year's *Corporate Plan 2023/24,* TPR "commits to transforming the way we regulate" and has set up workstreams to ensure it has the right capabilities; people and skills; processes; and partnerships to maintain its "focus on enhancing and protecting savers' outcomes".

Hymans Robertson head of DC investment, Callum Stewart, says that while "more resources are always helpful to deliver seismic change", there is already evidence of positive change at TPR. "There has been a huge amount of recruitment at the regulator, and there has been an increase in the diversity of backgrounds and expertise of individuals employed. I've noticed positive movement and progress in terms of the level of engagement with TPR, and we're seeing more helpful guidance," he says.

Meanwhile, a TPR spokesperson tells *Pensions Age*: "We actively manage the resources we have available against the commitments set out in the corporate plan to ensure that we are able to deliver and also remain flexible within a continually shifting environment. We will continue to work closely with government on future legislation and will adjust the allocation of resource as required."

Coordinated action

A report from the Regulatory Reform Group, which looks at practical solutions to improve the UK's regulatory framework, published this April, notes that "strategic direction and clarity from government to regulators can be improved – for example, responsibility for pensions policy involves both DWP and HMT. Differences in opinion between regulators and government can slow regulatory improvement, stifling innovation and growth in the process".

It is clear then that since multiple regulators will be implementing the value for money framework, for it to succeed, several elements of DC must be considered simultaneously.

Dentons pensions partner, Eleanor Hart, says: "There is always a risk that stakeholders may be overwhelmed if there is too much change at once and there may be unintended consequences. But on balance, given that all these parts of DC are interlinked, it makes sense to have a holistic framework. It is also good for policymakers to be ambitious."

"We are doing the right things and heading in the right direction, but possibly just not at the pace we would like. Maybe too many consultations at the same time does tend to slow things down"

However, consultants and trustees are keen to keep delivering value for money as the top priority and wish to avoid distractions that corresponding consultations may cause.

Stewart says: "While there are other consultations happening at the same time, value for money is the anchor. I'd love to see all the guidance and regulations emphasise the importance of embedding that new value framework. If that's done successfully and in a helpful way, the impact of the other consultations and changes to regulations can be managed in relation to that goal."

Given the recent delays across both DB and DC pension reform, Tinslay says that while he welcomes multiple consultations, he hopes the volume of work does not cause further policy delays.

"We are doing the right things and heading in the right direction, but possibly just not at the pace we would like. Maybe too many consultations at the same time does tend to slow things down," he says.

Achieving outcomes

There is a sense of cautious optimism from the pensions industry about the likely success of the government's reforms.

Hart welcomes progress on CDC and believes reform may allow commercial providers to offer schemes that she says will make a "massive difference" to people's ability to save cost-effectively for retirement. But she questions the need for enhanced disclosures, which will be used to create DC league tables.

"Who are the disclosures for? They aren't for members because they aren't reading the current scheme information. Is this just a box-ticking exercise, or will it provide meaningful information for decision-makers?"

Tinslay is sceptical that it is possible to collect value for money disclosure across the entire DC universe and asks whether that undermines any subsequent league tables.

"Getting round to every employer to get this data is difficult. Say you gather 60 per cent of scheme data, which is better than nothing, we need to be clear that any league tables are based on that level, and that we don't have 100 per cent disclosure."

For Stewart, achieving a value for money framework is only the first step to achieving better outcomes for members, since it will be incumbent on providers and employers to ensure they are offering the best schemes.

He says: "'I'd like to see part two of the process focus more deeply on the stakeholders involved so we actually make *[value for money]* happen. We need to strengthen the guidance and the regulations around that, which is a move I would welcome with open arms."

Written by Gill Wadsworth, a freelance journalist