

The Society of Pension Professionals (SPP) response to the FCA & TPR's consultation on The Value for Money Framework

1. Executive summary

- 1.1. **The SPP supports extending the VfM framework to cover Default Pension Benefit Solutions; supports disclosures that enhance comparability between multi-employer arrangements with variable charging structures; and supports the principle of the proposed risk metrics and the FCA's ambition to achieve more holistic, comparable assessments of long-term value.**
- 1.2. **The SPP believes that bringing non-workplace pensions within the scope of VfM is essential given their valuable role within overall pension provision.**
As a result, the regulatory and legislative scope of DWP/TPR and HMT/FCA should be reassessed.
- 1.3. **The SPP believes that whilst it may be reasonably safe to say that members of a trust-based scheme can be linked to sponsoring employers, that does not mean that an individual member can be easily (or correctly) linked to a specific sponsoring employer either generally or for any particular period of membership.**
VfM legislation expressed in such terms will need adjustment to be workable.
- 1.4. **The SPP supports the FCA exploring approaches that improve the accuracy, consistency and comparability of net performance reporting.**
We have noted several practical considerations where further clarity or flexibility would help ensure the approach is proportionate and workable for industry.
- 1.5. **The SPP does not agree with the proposal to use arithmetic averaging instead of geometric averaging.**
This is because geometric averaging provides a more accurate and representative measure of the investment experience that members actually receive over time. It reflects the effects of compounding and therefore captures the true path of returns experienced by savers - particularly during periods of return volatility. In contrast, arithmetic averaging can overstate long-term performance, as it does not account for the cumulative impact of negative returns and volatility on member outcomes.
- 1.6. **While chain-linking can provide a more precise reflection of how costs and charges evolve over time, adopting chain-linking for cost and charge data may introduce operational complexity.**
The SPP suggests that there is further engagement with industry, which we would be happy to facilitate, to evaluate whether chain-linking is the optimal approach or if simpler alternatives could achieve comparable reliability
- 1.7. **We support the FCA's goal of bringing legacy arrangements into scope to ensure savers receive fair, consistent and transparent VfM assessments.**
However, legacy products raise practical issues relating to structural design differences, data availability, consolidation pathways and interpretation challenges. Addressing these through proportionate expectations, clear guidance and flexibility will help ensure the framework is both effective and realistic for older arrangements.

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- 1.8. **In our previous VfM consultation response, the SPP expressed concern about the proposed treatment of employer subsidies and these concerns do not appear to have been acted upon.**
A simple “Yes/No” answer on the proposed arrangement summary table with an option to provide further narrative details is not sufficient. At the least, the illustration of costs and charges should also mention whether there are subsidies in addition to the numerical metrics that the illustration shows.
- 1.9. **In relation to administration charges, if the COBS Definition and the Charges Regulation Definition are not harmonised (for example by amending COBS for the purposes of VfM assessments or amending the Charges Regulations) then the VfM charges data for FCA-regulated providers and occupational pension schemes would not be directly comparable.**
This would run counter to our understanding of the policy intent and could result in regulatory arbitrage.
- 1.10. **The SPP has consistently highlighted, both in this response and in our October 2024 consultation response, that while the objective of improving VfM is certainly welcome, some proposed data requirements risk being disproportionate relative to their utility, particularly for smaller arrangements.**
The central data submission mechanism and broader VfM framework should be calibrated with appropriate thresholds, transitional arrangements and simplification where possible.
- 1.11. **The SPP has some concerns about the distinction between light green and dark green RAGG ratings.**
The distinction is not substantial and so there could be frequent movement between the two, driven by relatively small changes in metrics or assumptions. Such changes may be difficult to explain to savers and employers and could undermine confidence in the framework if they are seen as signalling a deterioration in value when, in reality, the underlying member experience has hardly changed.

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2. Consultation response

Question 1: Do you have any comments on the proposed scope? Do you believe any further exemptions should be considered?

- 2.1. SPP broadly agrees with the proposed scope, in particular that workplace DC pension obligations should be as aligned as possible across trust-based arrangements and contract-based arrangements. We welcome the commitment to review the Framework's scope and note the expectation that it will be extended.
- 2.2. We support extending the VfM framework to cover Default Pension Benefit Solutions introduced under the upcoming Guided Retirement Duty, although we also recognise that doing so is likely to be complex and challenging. This decumulation scope should be broadly aligned with the accumulation default and quasi-default definitions.
- 2.3. With potentially staged implementation expected in 2027/28, confirmation of how VfM will be assessed decumulation will be particularly important to ensure that trustees and providers incorporate reporting and assessment obligations from the design stage to allow for efficient product development.
- 2.4. The SPP believes that bringing non-workplace pensions within the scope of VfM is essential given their valuable role within overall pension provision. As a result, the regulatory and legislative scope of DWP/TPR and HMT/FCA should be reassessed.
- 2.5. From a member or saver perspective, a pension is a pension. Most individuals will not know or care whether their pension is trust or contract based. They will have the same expectations, including that they will have the same regulatory and statutory protections.
- 2.6. The one difference which is likely to be most meaningful to members and savers is whether the pension is a workplace pension set up by their employer or an individual pension set up by themselves. One is far more likely to have been set up by an employer with minimal, or no, member/saver involvement. The other is essentially a financial product, bought by an individual for a purpose, similar to an investment or protection product.
- 2.7. This natural regulatory division almost exists. The one anomaly is Group Personal Pensions which came into existence shortly after Personal Pensions. The natural solution might be to move Group Personal Pensions outside the FCA regulatory perimeter so that they are solely regulated by TPR and DWP legislation, resulting in a single workplace pension regulator. This would also align with the administrative proposals in the DWP consultation *Trust-based pension schemes: Trustees and governance, building a stronger future*. Please also refer to our response under quality of service¹. We recognise this would be a significant shift and would require careful consideration.
- 2.8. From a regulatory perspective, TPR would then be able to utilise its pension expertise without the complication of aligning with FCA provisions. The FCA could concentrate on consumer protection for individuals who have made an active decision to purchase a specific financial product.
- 2.9. More importantly, it would be clear to members and saver whether their pension was subject to DWP/TPR workplace rules or FCA financial product rules. When transferring from a workplace pension to an individual pension there would always be a clear transfer between regulatory regimes.

¹ SPP response to the DWP's Trust-based pension schemes: Trustees and governance, building a stronger future consultation, March 2026:

<https://the-spp.co.uk/document-category/consultations/>

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- 2.10. The definition of workplace and non-workplace would be based on the existing FCA definition of relevant scheme and the proposed exclusion of 'accidental' workplace SIPPs in COBS 19.15.1ZA (pdf page 136). The definition of a workplace pension scheme to exclude GPPs from FCA scope would then be along the lines of:

Workplace Pension Scheme

- (1) *A personal pension scheme or stakeholder pension scheme for which direct payments are, or have been in place, and under which contributions have been paid for two or more employees of the same employer and which does not meet the non-workplace pension condition. 'Direct payment arrangements' has the same meaning as in section 111A of the Pension Schemes Act 1993, that is, arrangements under which contributions fall to be paid by or on behalf of the employer towards the scheme (a) on the employer's own account (but in respect of the employee); or (b) on behalf of the employee out of deductions from the employee's earnings.*
- (2) *The non-workplace condition is met where the personal pension scheme or stakeholder pension scheme for which direct payments are, or have been in place, and under which contributions have been paid for two or more employees of the same employer meets the following conditions:*
- *At least two members of the personal pension scheme or stakeholder pension scheme for which direct payments are, or have been in place, and under which contributions have been paid for two or more employees of the same employer and*
 - *Those members:*
 - *chose the personal pension scheme or stakeholder pension scheme without any involvement from that employer;*
 - *requested that the employer, or an employer in the same group, pay contributions into the personal pension scheme or stakeholder pension on their behalf; and*
 - *chose how some or all of their contributions are invested.*

- 2.11. This proposed draft wording is only for the purpose of illustrating the definition intent and it is almost certain that an alternative phrasing would be required. The SPP would be more than happy to discuss this further and assist if wanted.
- 2.12. While we agree that Executive Pension Plans and Small-Self Administered Schemes should be excluded, this should be on the basis that these schemes would not have a default or quasi-default arrangement. This could be achieved by amending the definition of in-scope default arrangement to exclude EPP and SSAS default arrangements. This may not result in any practical difference, but it would then be clear that the exclusion would be due to the nature of the pension arrangement rather than of the pension scheme.
- 2.13. Relevant DC trust-based schemes with under £100 million of total assets are currently required to undertake a detailed VfM assessment, including a comparison against three other schemes. As it would be disproportionate for schemes to be in scope for two very similar sets of requirements, consideration should be given to removing these schemes from the scope of VfM in Pensions until both sets of obligations have been combined or removing the existing requirements in tandem with the introduction of these new requirements.
- 2.14. *Quality of Service introduction*
- 2.15. The DWP consultation Trust-based pension schemes² includes a section on pension scheme administration including a proposal that mandatory minimum service standards are introduced for scheme administrators.
- 2.16. Many of the proposed quality of service metrics could be equally applicable to defined benefit pensions, particularly those measuring whether savers can be confident that transactions are secure, prompt and accurate and whether savers are satisfied with the service they receive.

² **DWP's Trust-based pension schemes: Trustees and governance, building a stronger future consultation, December 2025:** <https://www.gov.uk/government/consultations/trust-based-pension-schemes-trustees-and-governance-building-a-stronger-future/trust-based-pension-schemes-trustees-and-governance-building-a-stronger-future>

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- 2.17. Although assessing against a mandatory minimum service standard is very different from assessing VfM, the same metrics could be used to measure both. Context would still be crucial. For example, a defined contribution transfer should take far less time than a defined benefit transfer.
- 2.18. Equally, any defined benefit measurable minimum services standards should also be considered as a service metric for VfM in pensions.

Question 2: Do you have any comments on our proposals in relation to unlinked members? Do you have any preference with regard to the options suggested? Are there alternative options you would like to suggest?

- 2.19. The purpose of treating arrangements as quasi-defaults is to bring the members in those arrangements within the protective regime of VfM. As such we agree that a proposal which is likely to over-designate rather than under-designate arrangements for VfM purposes is appropriate. However, it would be a concern if, once designated as a default, providers could change that designation – either there are members in that arrangement for whom the higher bar of VfM should apply, or there are not.
- 2.20. There is a cross-over here with the scale requirements being introduced under the current Pension Schemes Bill, which also needs to be recognised. The scale requirements (currently clause 40 of the Bill³) use a test for a main scale default arrangement of an arrangement “*subject to which assets of any one of those schemes must under the rules of the scheme be held, or may under those rules be held, if the member of the scheme to whom the assets relate does not make a choice as to the arrangement subject to which the assets are to be held*”.
- 2.21. Policymakers should consider aligning the tests so that there is a clear definition of what counts as a default arrangement for all purposes. If there are mismatches across the various regimes, it will create a patchwork which will be difficult to unravel, and even harder for consumers to understand.

Question 3: We do not think this situation would arise for trust-based schemes. Do you agree with this understanding?

- 2.22. Not quite. It is in the nature of a trust-based scheme that membership is usually a function of employers being formally admitted to participation in the scheme. We say “usually” because SPP members have extensive experience of deeds of participation for an individual employer following the fact, sometimes many years after employees of that employer have in fact been admitted to the scheme and being treated as retroactive participation. Late and retroactive participation is not specifically contemplated by scheme rules, but it does reflect real life in larger corporate groups.
- 2.23. Payroll, including pension contributions, is often managed centrally, without necessarily clearly identifying the legal employer admitted to the scheme. Within larger corporate groups, no matter how well run, coding for payroll is quite capable of not matching the legal employer. Internal reorganisations of business divisions can result in individuals changing employer while still remaining employed by the same corporate group, and still participating in the same pension scheme, and payroll systems do not always catch up.
- 2.24. As a result, while it may be reasonably safe to say that members of a trust-based scheme can be linked to sponsoring employers, that does not mean that an individual member can be easily (or correctly) linked to a specific sponsoring employer either generally or for any particular period of membership. VfM legislation expressed in such terms will not be workable.

³ **The Pension Schemes Bill 2025, as of February 2026:**
<https://bills.parliament.uk/publications/63861/documents/7448>

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- 2.25. For multi-employer “single employer schemes” (i.e. schemes sponsored by multiple companies within a specific corporate group), one solution would be to treat all the participating employers as a single unit to which all members are linked for the purposes of the quasi-default test. One possible formulation for this was proposed by LCP at an earlier stage in the development of the VfM regime - “*at least 80% of the participants (active, deferred and pension credit members) linked to at least one employer in the arrangement*”.
- 2.26. We recognise that DWP legislation already includes the 80% test for one description of the term “default arrangement”⁴:
*“an arrangement which, on the relevant date, was an arrangement under which the contributions of 80% or more of the workers who were contributing members of the scheme on that date were allocated where those workers were required to make a choice as to where their contributions were allocated”*⁵
- 2.27. This test is technically set at the individual employer level, with “worker” being defined at the individual employer level⁶. However, for the purposes for which that definition is currently used, in practice the test is likely to be being done at the corporate group level rather than individual employer by employer. As a result, the flaw in its structure has not been important to date.
- 2.28. The DWP should consider taking this opportunity to modify the 80% test for all uses of the term “default arrangement”, including the existing auto-enrolment reporting obligation and the proposed new VfM and scale requirements.
- 2.29. For commercial DC master trusts, the issues will be the same where multiple members of the same corporate group are participating in a section of the master trust – the master trust provider will not be able to see past the payroll arrangement. We would therefore suggest a similar approach of grouping connected employers for this test.

Question 4: Do you agree with this proposal for transferred members? Why or why not?

- 2.30. Yes, the SPP agrees with the proposal for transferred members, and we have no further comments to add.

Question 5: Do you agree with our proposed exemptions for contract-based arrangements? Why or why not?

- 2.31. We agree with the proposed exemptions and, in particular, consider that the second scenario for a partial exemption, whereby VfM data would be collected but an assessment does not have to be completed, is a pragmatic and balanced approach.

Question 6: Do you agree with the proposal to use arithmetic averaging instead of geometric averaging? Why or why not?

- 2.32. While we can see the benefits of the use of arithmetic averaging, SPP members are agreed that that geometric averaging provides a more accurate and representative measure of the investment experience that members actually receive over time.
- 2.33. Geometric averaging reflects the effects of compounding and therefore captures the true path of returns experienced by savers - particularly during periods of return volatility. In contrast, arithmetic averaging can overstate long-term performance, as it does not account for the cumulative impact of negative returns and volatility on member outcomes.

⁴ LCP’s response to Consultation Paper CP24/16 – The Value for Money Framework, October 2024:

<https://www.lcp.com/media/w2kpv12/lcp-consultation-response-to-fca-vfm-consultation-october-2024.pdf>

⁵ Regulation 3(2)(b) of Occupational Pension Schemes (Charges and Governance) Regulations 2015 SI 2015/879

⁶ Regulation 3(9) and definition of “employer” in Regulation 1(1), *ibid*

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- 2.34. The SPP appreciates that there are supporters of arithmetic averaging but there do not appear to be any in our very diverse membership. Given that the VfM framework is intended to offer a fair, consistent and realistic basis for comparing arrangements, we believe that using a geometric average provides a more meaningful basis for assessing long-term value.

Q7. Do you agree with our proposed disclosures to facilitate comparisons between multi-employer arrangements with variable charges? Why or why not?

- 2.35. We support disclosures that enhance comparability between multi-employer arrangements with variable charging structures but note there is currently little consistency as to how organisations disclose different elements of a charge, which could mean “all in” fee disclosures may not be comparable between schemes.
- 2.36. As the FCA will be aware, introducing excessive granularity risks creating operational and cost burdens while possibly offering limited additional insight. This is particularly relevant in relation to separating service and investment charges, which can be complex to unpick in practice.
- 2.37. We are also concerned that further disaggregation of charges may inadvertently reveal commercially sensitive information, including negotiated fee arrangements intended to remain confidential. A single annualised all-in charge would deliver the comparability the framework seeks, without introducing unnecessary complexity or exposing sensitive commercial terms.

Question 8: Do you agree with our suggested approach for mapping the performance of TDFs with multi-year cohorts for the purposes of deriving the relevant performance data?

- 2.38. We support the FCA's proposed approach to mapping TDF multi-year cohort performance in principle, recognising its important role in enhancing consistency, transparency and comparability across workplace pensions. However, we encourage the FCA to address the practical industry challenges created by the additional complexity involved in this area to ensure that the resulting data remains meaningful, accurate and reflective of the genuine long-term value delivered by TDF structures.

Question 9: Do you agree with our proposed risk metrics? Why or why not?

- 2.39. We support the principle of the proposed risk metrics and the FCA's ambition to achieve more holistic, comparable assessments of long-term value (noting our opposition to the proposal to use arithmetic averaging instead of geometric averaging). However, to ensure that these metrics are both fair and effective, further clarity and safeguards are needed to manage subjectivity, data limitations and structural differences between investment approaches.
- 2.40. We would welcome continued FCA engagement with industry to help refine the metrics and ensure they support the FCA's goal of improving long-term outcomes for savers.

Question 10: In light of the role that total costs and charges play in the calculation of net performance, we would be interested in views on whether chain-linking should be applied to costs and charges or if there are alternative suggestions that achieve more accurate reporting of net performance?

- 2.41. While we are broadly supportive of the FCA exploring approaches, including chain-linking, that improve the accuracy, consistency and comparability of net performance reporting, there are several practical considerations where further clarity or flexibility would help ensure the approach is proportionate and workable for industry.

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- 2.42. While chain-linking can provide a more precise reflection of how costs and charges evolve over time, adopting chain-linking for cost and charge data may introduce operational complexity, particularly for providers with legacy systems or historically fragmented data. This may require significant system updates and risk inconsistent implementation if not clearly standardised.
- 2.43. The FCA should consider proportionality, potential operational challenges, and the need for sector-wide consistency - particularly given the role these metrics will play in ratings and comparisons under the VfM framework. The SPP suggests that there is further engagement with industry, which we would be happy to facilitate, to evaluate whether chain-linking is the optimal approach or if simpler alternatives could achieve comparable reliability.

Question 11: Do you agree with our proposals for chain-linking?

- 2.44. Chain-linking introduces a high degree of technical complexity, requiring detailed and granular historical cost and performance data that many providers — especially those with legacy arrangements — may not hold in an accessible or standardised form.
- 2.45. While we share the FCA's goal of producing more accurate net performance metrics, the chain-linking methodology introduces, in our view, unnecessary complexity, risks inconsistent and non-comparable outcomes, and imposes a disproportionate operational burden on firms. The FCA should explore simpler, more standardised alternatives that achieve the same objectives with less risk of distortion and greater consistency across the market.

Question 12: Do you agree with our proposals relating to legacy arrangements? Why or why not?

- 2.46. Legacy arrangements, particularly those pre-dating AE, often have features that differ substantially from modern defaults. CP26/1 acknowledges that quasi-default arrangements and long-standing structures may contain legacy design features.
- 2.47. Applying the full VfM assessment framework to these arrangements may therefore require significant data reconstruction, system updates or interpretation adjustments, potentially leading to inconsistent or incomplete reporting.
- 2.48. Legacy arrangements may have unique fee structures, investment strategies or benefit features that are difficult to contextualise within a standardised template. This increases the risk that comparisons could be misinterpreted by employers, IGCs or members.
- 2.49. We recommend requiring contextual narrative disclosures for legacy arrangements to accompany the standardised dataset.
- 2.50. We support the FCA's goal of bringing legacy arrangements into scope to ensure savers receive fair, consistent and transparent VfM assessments. However, legacy products raise practical issues relating to structural design differences, data availability, consolidation pathways and interpretation challenges. Addressing these through proportionate expectations, clear guidance and flexibility will help ensure the framework is both effective and realistic for older arrangements.

Question 13: Do you agree with the proposed FLM disclosures and the use of own assumptions? Why or why not?

- 2.51. We are supportive of the proposed introduction of forward-looking metrics ("FLMs") as part of the VfM framework providing they are viewed as additive to BLMs and are not given too much weighting i.e. BLM's should always be given more prominence given they are objective, achieved, factual metrics rather than assumptions.

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- 2.52. *Support for the inclusion of FLMs*
- 2.53. The inclusion of FLMs is likely to provide a more rounded and meaningful assessment of VfM than reliance on backward looking metrics (BLMs) alone. While BLMs are an important indicator of investment governance and execution, they are limited in their ability to inform savers, employers and decision makers about what outcomes members are likely to receive in the future.
- 2.54. FLMs help address this gap by providing an indication of expected future returns and risk across different years to retirement cohorts. This is particularly important in the context of long-term pension saving, where investment strategies are designed to deliver outcomes over decades rather than years. In our view, FLMs are likely to help improve member and consumer understanding and contribute to better informed assessments of long-term VfM - although it is important that they do not detract from the facts of achieved performance.
- 2.55. We also consider that FLMs are relevant where trustees or providers have recently changed investment strategy, or where short-term performance may not yet reflect the anticipated benefits of diversification, including increased exposure to less liquid or private market assets. In this sense, FLMs can help ensure that the VfM Framework does not inadvertently discourage long term investment strategies that are expected to improve member outcomes.
- 2.56. *Use of own assumptions*
- 2.57. We support the proposal to allow firms and trustees to use their own assumptions when calculating FLMs, rather than mandating a standardised set of assumptions. This is consistent with relying on broader existing governance/regulatory frameworks, such as fiduciary duties and the Consumer Duty, to dictate behaviour rather than being overly prescriptive.
- 2.58. Allowing own assumptions recognises that there will be a diversity of investment strategies, asset allocations and member profiles across the market, and avoids the risk of “herding” behaviour that could arise if firms were required to adopt a prescribed methodology. Flexibility should encourage innovation and allow projections to be better aligned with each arrangement’s strategic asset allocation and governance framework.
- 2.59. However, our support for this approach is conditional on the effectiveness of the proposed guardrails. In particular, guardrails must adequately mitigate the risk of optimistic assumptions being used to obscure poor past performance, to game comparative assessments or to improve overall VfM ratings.
- 2.60. In addition, we consider that there should be a degree of consistency between the guardrails that are used for FLMs in the VfM context and those that are used for the modellers and digital tools (see CP25/39). If this is not the case, then consumers will be faced with multiple different sources of forward-looking data which may not be consistent and will consequently be confusing for them.
- 2.61. *Disclosure of assumptions*
- 2.62. We note that, under the current proposals, firms and trustees are not required to publicly disclose the assumptions used to produce FLMs only to retain them for audit purposes.
- 2.63. We understand that this approach is probably intended to reduce herding risk and avoid focus on the assumptions themselves rather than on overall outcomes. However, the absence of any public disclosure of assumptions may make it more difficult for members and consumers to meaningfully assess FLMs, particularly where projected outcomes differ materially between arrangements.

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2.64. There is a risk that differences in FLMs may reflect differences in modelling assumptions rather than genuine differences in expected value for members, which could undermine transparency and comparability. We would therefore welcome further consideration of whether limited or high-level disclosure of key assumptions (for example, at asset class or portfolio level) could strike a better balance between transparency and the avoidance of herding.

Question 14: Do you agree with the proposed requirement to obtain and consider external advice? Why or why not?

- 2.65. We support the proposal to require firms and trustees to obtain and consider third party advice on the reasonableness of the assumptions used in FLMs.
- 2.66. Given the role that FLMs are intended to play in the VfM assessment process, including their potential to influence overall ratings, it is appropriate that assumptions underpinning FLMs are subject to independent scrutiny. Requiring external advice should help improve the quality of assumptions, reduce the risk of optimism bias and support better governance decision making by trustees and IGCs. It should also increase objectivity providing a suitable guardrail and potentially lessening conflicts of interest.
- 2.67. It is worth noting that there are obviously risks involved in advisers undertaking FLM projections, relating to the commercial value of the client. The proposed guardrails do not appear to be sufficient and could be improved by requiring advisers to explain to their clients if and why their FLMs for similar asset classes and structures differ by client over similar time periods. This could also have to be explained to the FCA by authorised firms.
- 2.68. In addition, whilst we support the concept of external advice, we consider that the way this requirement is currently framed significantly weakens its effectiveness as a safeguard.
- 2.69. *Weakness of the “obtain and consider” standard*
- 2.70. The requirement in COBS 19 Annex 10 4.4R is limited to an obligation to:
- obtain advice from a third party on the reasonableness of assumptions; and
 - consider that advice.
- 2.71. This falls short of requiring validation, assurance or certification of assumptions. There is no requirement for firms or trustees to:
- follow the advice received;
 - explain where they have departed from it; or
 - disclose whether or how the advice has influenced the final assumptions adopted.
- 2.72. This raises the question of what are the consequences of disregarding third party advice after it has been “considered”?
- 2.73. The proposals do not appear to attach any explicit consequence to a decision to depart from the advice, provided that the advice has been obtained and considered. This weakens the protective value of the guardrail, as it allows for deviation from advice without transparency and creates the appearance that advice has been followed when it may not have been.
- 2.74. Additionally, it raises risks for the providers of external advice to trustees and FLMs and potentially a reticence to do so. By being named in features table, the firm providing the advice on the assumptions will be inherently linked with whatever assumptions are adopted, regardless of whether they are followed. This may mean that advisers are linked with assumptions that they do not consider reasonable.

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- 2.75. Therefore, we would support the requirement for IGCs and trustees to have to explain why they are deviating from the advice in respect of FLMs that they have received as this increases transparency and there may, of course, be legitimate reasons to do so. We consider that this aligns with the Consumer Duty.
- 2.76. *Scope and qualification of advisers*
- 2.77. We are also concerned by the breadth of the definition of an “appropriate” third party. Other than requiring the adviser to have “appropriate skills and experience”, there appear to be no restrictions or qualifications on who may provide this advice.
- 2.78. Given the importance of FLMs to the VfM framework, and their potential impact on scheme ratings and commercial outcomes, we consider this threshold to be too low. In our view, consideration should be given to requiring that third party advisers be appropriately authorised and regulated, for example by being FCA authorised investment advisers, consistent with the approach taken under section 36 of the Pensions Act 1995.
- 2.79. Requiring advisers to operate within a regulated framework would:
- reduce conflicts of interest and provide a conflicts of interest framework that those firms would be required to operate in, and which is proven;
 - improve the quality and consistency of advice;
 - ensure adherence to professional standards and conduct rules; and
 - provide greater confidence in relying on that advice.

Question 15: Are the proposed guardrails sufficient to reduce the risk of gaming and ensure the FLMs disclosed are credible for use in the assessment process? If not, what alternatives/additions would you propose?

- 2.80. Overall, we are supportive of the inclusion of guardrails, but we consider that the proposed guardrails, taken as a whole, could be improved to reduce the risk of gaming or to ensure that FLMs are consistently credible for use in the assessment process.
- 2.81. *Importance of strong guardrails given rating consequences*
- There is a significant cliff edge between a Light Green and an Amber rating. An Amber rating carries serious and immediate consequences, including restrictions on use by new employers. For commercial providers and commercial master trusts, this has the potential to materially damage a business pipeline.
- 2.82. In that context, the robustness of the guardrails underpinning FLMs is critically important. Where FLMs have the capacity to influence ratings, including tipping an arrangement into Amber, trustees and IGCs may be placed in an extremely difficult position, balancing fiduciary judgment against the potential commercial impact on the provider or scheme.
- 2.83. Guardrails that are perceived as weak risk placing governance bodies in an invidious position between:
- endorsing assumptions that may be overly optimistic; or
 - triggering consequences that could have disproportionate commercial and market impacts.
- 2.84. However, it is acknowledged that the rules for IGCs and fiduciary duties for trustees mitigate against this, and strong boards should not be susceptible to external pressures because of this.
- 2.85. *Suggested enhancements to the guardrails*
- 2.86. To strengthen the framework and better balance credibility, proportionality and commercial impact, we would suggest consideration of the following enhancements:

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- 2.87. *Stronger consequences for disregarding advice*
- 2.88. Where a firm or trustee board departs from third party advice, there should be a requirement to document the rationale for doing so and explain that rationale in the assessment report (at least at a high level).
- 2.89. *Clearer qualification requirements for advisers*
- 2.90. Consider limiting the category of “appropriate” third party advisers to those who are appropriately authorised and regulated, for example FCA authorised investment advisers, to improve consistency and confidence in the advice relied upon.
- 2.91. *Disclosure of FLMs*
- 2.92. While the decision not to disclose FLM assumptions may help prevent herding, it also means that, aside from high level comparator indicators, there is no meaningful way for members, employers or other stakeholders to assess the plausibility of FLMs or to understand what is driving differences between arrangements. By disclosing these assumptions, the risk of herding is increased, but the increased transparency should outweigh this with the benefit to members and consumers.
- 2.93. *Regulatory review of outliers*
- 2.94. Where FLMs materially exceed market comparator ranges, this could trigger supervisory engagement or additional scrutiny, rather than relying solely on market discipline.

Question 16: Do you foresee any difficulties in reporting this data? If yes, what specifically?

- 2.95. As the consultation acknowledges, asset allocation disclosures are already a core feature of trust-based schemes and are reported alongside investment performance metrics in the Chair’s Statement. In our view, it would not be proportionate or necessary for trust-based schemes to produce an additional, separate asset allocation disclosure under the VfM framework, and we would not be supportive of introducing a duplicative requirement.
- 2.96. We agree that if it is concluded that asset allocation disclosures should be provided by IGC Boards that mirror the existing “Disclose and Explain” regime that already applies to trust based DC schemes, they are workable.
- 2.97. However, we question the necessity or desirability of such disclosure because:
- The asset allocations are likely to be dynamic, even for passive mandates which utilise, for example, factor-based allocation, and a historic snapshot is irrelevant for the purposes of determining a strategy’s suitability for the future.
 - IGC Boards are already required to have (or to have access to) the same knowledge and understanding of investment objectives and strategy fulfilment as Trustee Boards, and to review investment data at least quarterly.
- 2.98. It is also worth noting that many SPP members felt strongly that the Chair’s statement should no longer be required once a new VfM framework has been introduced to reduce duplication.

Question 17: Do you agree with our proposals for disclosing employer subsidies? Why or why not?

- 2.99. We expressed concern about the proposed treatment of employer subsidies in our response to your previous consultation CP24/16 and those largely remain, including about the view that employer subsidies should not form part of the assessment outcome itself.

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- 2.100. We think that a simple "Yes/No" answer on the proposed arrangement summary table with an option to provide further narrative details is not sufficient.
- 2.101. We recognise that employer subsidies should not hide any above average costs that the scheme as a whole is paying. But concern remains that members (in particular) looking at the performance metrics and assessment of their scheme will not recognise the benefit of subsidies being provided by their employer. This could drive behaviour of members incorrectly believing that they would get better VfM from a different scheme where this may not actually be the case.
- 2.102. At the least, the illustration of costs and charges should also make mention of whether there are subsidies in addition to the numerical metrics that the illustration shows.
- 2.103. We recognise that there are limitations on what can reasonably be classed as an employer subsidy for VfM purposes. You noted that, for example, subsidised access to advice would be hard to assign a specific cost to. Another example that would be difficult to quantify would be where there is an in-house pension team where their salaries etc are paid for by the employer, rather than a provider. Nevertheless, we believe that it would be possible and straightforward to allow for employer subsidies which take the form of a numerical direct financial subsidy to costs and charges that would otherwise be paid by members.
- 2.104. Finally, there does not appear to be any distinction between current and ex-employee subsidies. These are often very different, and the value derived from them will therefore vary by tenure/employee cohort (e.g. seasonal workers vs white collar). This will need to be factored in to ensure the value assessment is accurate.
- 2.105. Definition of "administration charges" for purposes of assessing charges
- 2.106. The definition of "administration charges" proposed to be used for the purposes of VfM assessments under COBS 19.5A by FCA-regulated providers (the "COBS Definition") is materially different to the equivalent definition which currently applies for occupational pension schemes (see the definition of "administration charges" in the Pensions Act 2014, Schedule 18, paragraph 1(5) together with the definition of "charges" in Regulation 2 of The Occupational Pension Schemes (Charges and Governance) Regulations 2015) (the "Charges Regulations Definition").
- 2.107. For example, the Charges Regulations Definition includes specific carve-outs for i) specified performance-based fees, ii) costs solely attributable to holding physical assets and iii) winding up costs. This is potentially significant because, for example, costs solely attributable to holding physical assets can be relatively material in the context of an infrastructure investment. In addition, the definition of transaction costs differs slightly between the COBS Definition and the Charges Regulation Definition (the former is limited to costs "directly incurred").
- 2.108. If the COBS Definition and the Charges Regulation Definition are not harmonised (for example by amending COBS for the purposes of VfM assessments or amending the Charges Regulations) then the VfM charges data for FCA-regulated providers and occupational pension schemes would not be directly comparable, which would run counter to our understanding of the policy intent and could result in regulatory arbitrage.
- 2.109. Definition of "total costs and charges"
- 2.110. The definition of "total costs and charges" and related definitions in the proposed COBS rules appears to be internally inconsistent. More specifically, the definition of "total costs and charges" cross-refers to the definition of "administration charges" and then goes on to state that this "will equal the sum of service costs and investment charges, and employer subsidies". "Service costs" are then defined as "total costs and charges" minus "investment charges".

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- 2.111. Consequently, if "employer subsidies" (undefined) are any positive non-zero amount, then it is not clear how these definitions hang together, as service costs plus investment charges must (per the definition of service costs) be equal to total costs and charges, whereas the definition of "total costs and charges" also envisages employer subsidies being included in the sum and reaching the same amount. We would suggest the drafting of these definitions is reviewed.
- 2.112. "Look through"
- 2.113. DWP has previously stated to trustees of occupational pension schemes that it expects trustees to "look through" investment structures when assessing charges, for example for the purposes of the DC charge cap. For instance, in a June 2021 consultation response the DWP stated that "Trustees and fund managers should continue to follow guidance and the existing position laid out in the consultation 'Incorporating performance fees within the charge cap' i.e. looking through fund of funds, both open-ended and closed-ended except in relation to costs incurred by investee firms which have a general commercial or industrial purpose."
- 2.114. The DWP stated in 2021 that it would "aim to announce [its] revised position on look-through before the Houses of Parliament rise for Summer recess", but with no such guidance having been forthcoming since then. We also note that DWP's commentary to date on this point would not appear to apply directly to FCA-regulated providers.
- 2.115. We note that, given the lack of clarity on this point, different schemes may be taking different approaches on this issue. This could mean that their assessment of investment charges for the purposes of VfM assessments may not be directly comparable, which would run counter to our understanding of the policy intent.

Question 18: We are aware that profit share and with-profits distribution can follow sometime after the performance to which they relate. We have considered whether there would be benefit in apportionment, linking the share/distribution to the period to which it relates. We would be interested in views on this.

- 2.116. The SPP recognises the potential merit in linking profit share and with-profits distributions to the performance period to which they relate. In principle, apportionment could better reflect the economic reality of members' outcomes, improve year-on-year consistency in VfM metrics, and enhance comparability where timing differences would otherwise distort reported net returns.
- 2.117. However, mandatory apportionment raises both practical and policy concerns. In many cases, distributions are determined on a discretionary, smoothed or multi-year basis, making precise attribution to a single performance period complex and potentially subjective. Prescriptive apportionment requirements could introduce operational burden, create divergence from financial and regulatory reporting frameworks, and reduce rather than improve comparability if methodologies vary. There is also a risk of retrospective restatement of metrics, increased volatility in reported outcomes, and unintended behavioural effects.
- 2.118. As a result, on balance, while we recognise the conceptual benefit in aligning distributions to the relevant performance period, any requirement should be proportionate, operationally workable and supported by clear, standardised methodology. An alternative approach could be to recognise distributions in the period paid, supplemented by transparent narrative disclosure where timing differences are material.

Question 19: We would like to include 'Payments out as retirement income' as a key transaction. We are aware that some individuals approaching retirement may request payment at a future date, hence our request for data based on requests for immediate payment. We would be interested in views on whether our proposed measure above would provide a reasonable measure.

- 2.119. We agree that 'Payments out as a retirement income' should be included as a key transaction.

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- 2.120. A pension exists to provide a retirement income and while other key transactions can affect this retirement income, it is the retirement income payment which fulfils the pensions' purpose. Not including retirement income payment as a key transaction would be akin to measuring bus or train company performance without considering 'passenger arrives at destination'.
- 2.121. We do agree that it would be unreasonable to measure an immediate request for a retirement income in the same way as a request for future retirement income.
- 2.122. A comparable outcome could be achieved if the definition of the key financial transaction of payments out as retirement income in draft COBS 19 Annex 12.2.2 (6)(e) (PDF page 194) was divided into two key financial transactions. For example:
- payments out as immediate retirement income – which occur from the point at which a request for immediate payment of retirement income is made by or on behalf of a saver or a saver's beneficiary for payment to be issued until the point at which the payment is sent to the saver's or the saver's beneficiary's receiving account;
 - payments out as future retirement income – which occurs from the agreed future payment date of retirement income made in respect of a saver or a savers beneficiary until the point at which the payment is sent to the savers or the savers beneficiary's receiving account.
- 2.123. If required, Handbook Guidance, and equivalent TPR guidance, could be included to ensure that requested retirement income should only be considered a request for future retirement income if the request had been made and agreed a specified time in advance of the payment date, e.g. 30 days. It should be clear that providers/trustees could not set a notice period so that a request for immediate retirement income is then treated as a request for future retirement income so that it is then easier to pay within a service level agreement.
- 2.124. These payment of retirement income metrics could also be used to measure transactions against minimum service standards for defined benefit pension scheme administrators.

Question 20: We would be interested in views on whether the payment of Pension Commencement Lump Sums should be a transaction included in this section.

- 2.125. The payment of a Pension Commencement Lump Sum should be a transaction included in this section, as should the payment of an Uncrystallised Funds Pension Lump Sum (UFPLS). This then captures the payment of pension benefits which do not necessarily include the immediate payment of a retirement income, for example income drawdown with no immediate income.
- 2.126. To avoid separately measuring two related transactions, a Pension Commencement Lump Sum should only be a separate key transaction if future retirement income was not being paid at the same time. Alternatively, the payment of a Pension Commencement Lump Sum or an UFPLS could be included in the definition of retirement income for this purpose.

Question 21: Do you have any comments about our proposal to collect complaints data at the level at which the same service is experienced? Do you agree with our proposed definition of a platform?

- 2.127. We agree with the proposal to collect complaints data at platform level, defined as the level at which the same service is experienced.
- 2.128. Further guidance clarifying that this only covers in-scope arrangements at the relevant platform level is likely to be helpful. Otherwise, there is a risk that providers/trustees would include all complaints data at that platform level regardless of whether the complaint is related to an in-scope arrangement.

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Question 22: We would be interested in views on whether our proposed approach to negative perception metrics will provide relevant data to indicate saver concerns.

- 2.129. We agree that the proposed approach to negative perception metrics should provide relevant data to indicate saver concerns.
- 2.130. As the complaint definition in COBS 19 Annex 12.2.2R (3) (pdf page 193) includes 'whether justified or not' it is possible that a provider/trustee could be adversely affected if they received an unusually high number of unjustified complaints, potentially due to a targeted or single issue campaign by a third party. Including a metric to cover percentage of complaints upheld without referral to Pensions/Financial Ombudsman could address this possibility. Alternatively, it may be possible for such a situation to be included during Step 3 of the assessment process.

Question 23: Does our revised approach to engagement metrics seem appropriate? Additionally, we would be grateful if you could provide us with an explanation of what surveys/data gathering exercises you currently undertake for member engagement. If you would be willing to share a copy of your member engagement survey(s) with us, please tell us.

- 2.131. We are disappointed that it has not been possible to develop engagement metrics which could be used from the launch of the VfM framework. We do understand the difficulty in developing these metrics in a way which allows for meaningful comparison. SPP believes that this work should continue so that what is important is being measured, rather than what is easy.
- 2.132. It is widely accepted across government, regulators and industry that individuals meaningfully engaging with their pensions leads to better retirement outcomes.
- 2.133. It is also generally accepted that it is hard to differentiate additional member engagement due to trustee/provider positive action from baseline engagement which will be heavily dependent on specific demographics.

Question 24: We welcome feedback on our revised proposals for engagement metrics and how that engagement generates specific outcomes.

- 2.134. The revised engagement metric is not an engagement metric which can be used to consider quality of services. Measuring the percentage of savers who have nominated a beneficiary will simply provide a measure of the percentage of savers who have nominated a beneficiary.
- 2.135. While we absolutely agree that it is important that savers nominate beneficiaries, this metric in isolation does not measure whether quality of services has led to savers nominating beneficiaries. As with all engagement metrics, a more robust approach would be to measure the annual change in the percentage of savers who have nominated beneficiaries.

Question 25: Do you agree with our proposal for comparisons against a commercial market comparator group and the criteria for it? Why or why not?

- 2.136. Yes, but there are many questions as to how it would work. Who will run and fund the repository, how will independence be ensured, what rules will be in place to ensure the comparator group submit representative data? i.e. some schemes will have a wide variety of different charges. What will be submitted, will there be multiple data points or single representative ones. If the former, how will they be categorised for comparison, and if not, how will they be chosen and how will comparisons be relevant. This is covered to an extent by some of the following consultation questions.

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Question 26: Do you agree with our proposed approach to comparisons for different types of arrangements? Why or why not?

- 2.137. Yes, this seems sensible (if complicated). Care should be taken for smaller organisations paying more in variable charge arrangements that may still get value depending on proposition, investment, communications etc. Performance in decumulation periods should also be considered, as for many schemes the proposition will, if not now, then shortly, include derisking and drawdown. Given the complexity, consideration should be given to signposting employers in schemes with varying charges to suitably qualified professional advice.

Question 27: Do you agree with the approach for weighting of BLMs and FLMs? Why or why not?

- 2.138. Currently BLMs are subject to variance in reporting – actual performance or back tested performance based on current strategy. The point is that comparisons must be done on a standard basis. FLM should be based on standard growth assumptions for asset classes. Allowing discretion increases the potential for this structure to be gamed and can increase variance.

Question 28: Do you have any feedback on the proposed approach in option 1? What improvements or changes would you suggest?

- 2.139. This broadly makes sense, but it is open to a lot of interpretation.
- 2.140. It notes FLMs would be based on different assumptions, but we are not convinced that this has to be the case. The ability to choose weighting could lead to biased assessment decisions and different approaches might make comparison hard. Different Years to Retirement will need to be considered.
- 2.141. It is important to consider value as performance net of charges, not just charges. With profits is very tricky and respondents will have different views. This reflects the fact that members will have different views on the value of guarantees. Underlying performance may be different to what members receive. Should what they actually experience be used, not what is used for previous or future cohorts? As above a consistent approach is perhaps the most achievable outcome – there should be a standard process for valuing guarantees, and it should be possible for trustees and sponsors to act on assessment of value if methodology has been followed. Many individuals have been stuck in with profits for years as it is too hard to move these benefits as some members may value some guarantees.

Question 29: Do you agree with the proposal for the composite metric in option 2? Why or why not? Is it helpful for considering value? If so, is equal weighting appropriate for the composite metric or what alternatives would you suggest?

- 2.142. Simpler outputs are on the face of it desirable, but the question is, are they as relevant? As noted above, it feels like consistency, as far as is appropriate, is key. Some investments are changing quickly, but there is no guarantee for the future. BLM and FLM are different metrics, so it would make sense to keep the ratings separate. Risk adjusted returns are important, but this diminishes the further out from retirement people are. It would be complicated to work this into the figures.
- 2.143. With regard to whether or not equal weighting appropriate for the composite metric, weighing BLM and FLM equally does not appear to be a sensible way forward given BLM's are factual, objective metrics and FLM's are essentially informed guesses. Directly comparing FLMs based on own assumptions runs a considerable risk of misleading.

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Question 30: Do you agree with the proposed composite comparison figure in option 2? If not, what do you think the composite metric or the FLMs should be compared against?

- 2.144. There are pros and cons to the composite approach – it brings simplicity, which is desirable, but it may also be seen as an oversimplification of two different metrics. Gaming is an issue but as long as back testing is also considered, and everyone works to the same assumptions the ‘truth’ should come out. Also, if the assumptions are accurate this could increase performance. That said, some more complex asset classes (private markets) could be challenging, and this approach may discourage more sophisticated strategies (FLM approach may oversimplify complex strategies and not reflect their potential benefit).

Question 31: Do you have any feedback on the proposed approach in option 2? What improvements or changes would you suggest?

- 2.145. It feels like relevant considerations have been considered. Getting the specifics right will be key. The answer could be a combination of both approaches – keep metrics separate but with standard assumptions.

Question 32: Do you agree with the proposed guardrails? Do you believe other guardrails would be appropriate?

- 2.146. We support the introduction of guardrails governing the use of FLMs, including the requirement for IGCs and trustees to explain in the assessment report how FLMs have been used, and how they have been balanced against BLMs, as set out in paragraphs 8.51 and 8.52. We agree that these disclosure requirements provide an important element of transparency and accountability within the assessment process.
- 2.147. However, we do not consider that the proposed guardrails are sufficient in isolation, given the potential influence of FLMs on rating outcomes and the material consequences that may follow from those outcomes. In particular, the effectiveness of the disclosure-based guardrails is closely linked to the robustness of the wider framework governing FLM assumptions and third-party advice.
- 2.148. Our detailed views on the adequacy of the guardrails, and suggested enhancements, are set out in our responses to Questions 13 to 15.

Question 33: What is your preferred proposed approach to step 1: option 1 or 2? Why?

- 2.149. We would prefer a combination of these approaches, with FLM and BLM considered separately but with standard weighting.

Question 34: Do you agree with the proposed use of FLMs in step 1, alongside BLMs? Or should FLMs be considered in a different way in the assessment process?

- 2.150. Yes, it feels both are needed for balance. Both are open to be gamed. Clear guidance and standardised approaches and assumptions are key. Simplicity is desirable, but if solutions need to be more complex so be it as long as there is clarity and consistency.

Question 35: Do you agree with the proposed approach to considering service value in step 2? Why or why not?

- 2.151. As the underlying methodology of the VfM framework is based on comparable, rather than absolute, VfM then this implies no requirement to prescribe minimum acceptable levels of service quality. Over time service quality should increase as schemes which are not VfM either close or merge.

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- 2.152. The guidance in paragraph 8.61 does make clear that there is at least a high-level definition of acceptable levels of service quality:

IGCs and trustees should consider services poor value if they do not meet the needs of savers and put good outcomes in jeopardy.

- 2.153. Arguably, it would be possible for IGCs and trustees to conclude service quality is acceptable even if it is also poor value due to not meeting the needs of savers and putting good outcomes in jeopardy. This would be a difficult position for IGCs and trustees to take.
- 2.154. The DWP consultation on trust-based pension schemes⁷ includes a section on pension scheme administration including a proposal that mandatory minimum service standards are introduced for scheme administrators. Many of the proposed quality of service metrics could be equally applicable to defined benefit pensions, particularly those that measure whether savers can be confident that transactions are secure, prompt and accurate and that savers are satisfied with the service they receive.
- 2.155. Although a mandatory minimum services standard is very different from a VfM service, the same metrics could be used to measure both. This could then give a defined mandatory minimum service standard, albeit one not explicitly defined in the VfM framework.

Question 36: Do you agree with the proposed approach to considering overall value in step 3 and rationalisation? Why or why not?

- 2.156. We agree with the proposed approach in step 3, whereby successful rationalisation activity can lead to a revised assessment of overall value and, where appropriate, a movement from a “not value” rating to “value”.

Question 37: Do you agree with the proposed updated RAGG ratings? Why or why not?

- 2.157. We have some concerns about the distinction between light green and dark green. In practice, the boundary between these two ratings may be quite fine, which could lead to frequent movement between light and dark green, driven by relatively small changes in metrics or assumptions. This could lead to communication and engagement challenges, particularly where a scheme is rated dark green one year (with the implication that value “cannot reasonably be improved”) but then falls back to light green the following year.
- 2.158. Such changes may be difficult to explain to savers and employers and could undermine confidence in the framework if they are seen as signalling a deterioration in value when, in reality, the underlying member experience has changed very little.
- 2.159. In addition, the Pension Schemes Bill points towards a structure with a single overall “value” / “not value” rating, together with a number of intermediate grades. This is indicated by its singular use of the word “rating” in clause 14(1), and by clause 14(3), which states that “*value for money regulations must specify the number of grades of intermediate rating*”. On this basis, we would expect the Bill to be amended before any four-tier framework with two separate “value” ratings (for example, light green and dark green) could be implemented in a fully consistent way.

Question 38: Overall, do you agree with the assessment process we have outlined above? Why or why not? What changes would you propose?

- 2.160. We are broadly supportive of the proposed assessment process.
- 2.161. However, there are changes that should be considered:

⁷ **DWP’s Trust-based pension schemes: Trustees and governance, building a stronger future consultation, December 2025:** <https://www.gov.uk/government/consultations/trust-based-pension-schemes-trustees-and-governance-building-a-stronger-future/trust-based-pension-schemes-trustees-and-governance-building-a-stronger-future>

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- Greater detail is needed on how the proposal for comparisons against a commercial market comparator group would work in practice.
- Regarding the proposal for a composite metric, we would prefer to retain separate BLM and FLM metrics, as a single metric risks oversimplification.
- We do not consider that the proposed guardrails are sufficient in isolation, given the potential influence of FLMs on rating outcomes and the material consequences that may follow from those outcomes.
- We have some concerns about the distinction between light green and dark green RAGG ratings. There could be frequent movement between the two, driven by relatively small changes in metrics or assumptions and as outlined above, changes to the Pension Schemes Bill are going to be necessary before any four-tier framework with two separate “value” ratings (for example, light green and dark green) can be implemented in a fully consistent way.

Question 39: Do you agree with the proposed transfer requirements for red rated arrangements? Why or why not?

2.162. The SPP welcomes:

- the proposed flexibility to allow providers and trustees to determine whether transfers will be in the best interests of members (either collectively, or as a sub-set), and focus on improvements within the scheme;
- the scope to make other unilateral changes to improve outcomes for members where providers determine that a transfer would not be in their best interests (e.g. where members have rights to safeguarded benefits, or other features, which cannot be replicated in another arrangement), such as amending terms and changing investments of those arrangements;
- the proposal to introduce a unilateral contractual override for providers of contract-based schemes to transfer all (or a sub-set of) pension pots to different schemes where this is in the best interests of members; and
- the clarity that such transfers can be made to the same, or a different provider.

2.163. We note that the transfer requirements will remain subject to the consent of the transferee provider. We therefore believe that granting providers a broad power to transfer members to the same provider seems a more proportionate way to resolve red ratings and will increase the scope to make such transfers in practice. This will be particularly helpful in the context of arrangements which face particular obstacles to improving the value for members (e.g. in bespoke or legacy arrangements), and where third-party providers are therefore less likely to agree to receive transfers.

2.164. We would, nevertheless, recommend that the regulators consider how (i) providers can manage conflicts of interest in deciding whether to transfer to their own, or a different, arrangement; and (ii) member interests can be protected throughout this decision-making process. For instance, providers could be required to consider, and gather information on, whether a different provider could offer members better value of money and whether they would be willing to accept a transfer.

2.165. Finally, the SPP suggests that more detail is required in respect of the value metrics that must be met in order to be 'in the members' interests'. For example, what are these criteria; could a provider with two platforms and identical product features and value choose to decommission one platform by transferring members to the other by, say, offering an enhanced transfer value that would apply only in those circumstances; will the contractual override extend to non-workplace retail PPSs such as advised propositions where an advisory firm uses a particular product for its clients, but where the adviser then stops giving advice leaving the client in a poorer value arrangement?

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Question 40: Do you agree with the actions proposed for not value arrangements? Why or why not?

- 2.166. The SPP welcomes:
- the proposal to allow firms and trustees to continue to receive contributions from existing employers to allow automatic enrolment requirements to continue to be met; and
 - the distinction made between the consequences for amber rated schemes depending upon the number of years in which they have been rated as not value.
- 2.167. As in our response to the 2024 consultation, we consider that a distinction should be made between particular instances of poor value affecting a particular employer and systemic issues affecting the wider scheme. For instance, we do not believe that a provider should be prevented from on-boarding new business on good value terms, where any individual employer is affected by poor value.
- 2.168. This could result in unintended consequences. For instance, it could act as a disincentive for providers accepting uneconomic schemes (e.g. small pots, low earners) if this could affect their VfM ratings.
- 2.169. We also suggest that a further exception could be made to the prohibition on accepting business from new employers, where it can be shown that such employers would otherwise be unable to meet their automatic enrolment requirements.
- 2.170. We also note that the VfM rating is linked, at least in part, to investment performance. We welcome the greater flexibility in the revised proposals to allow schemes to use bespoke methodology and assumptions, which reflect their investment strategy, when disclosing forward-looking metrics. Nevertheless, the punitive consequences of falling behind in investment performance could still disincentivise providers from adopting investment approaches which could make them "stand out from the crowd" and that this could conflict with wider policy objectives to encourage investment in productive finance. Greater scope to remedy, or appeal, not value ratings could alleviate this risk.

Question 41: How should firms and trustees provide data to the central VfM database? E.g. machine-readable flat file, file transfer, webform, direct API etc.

- 2.171. The SPP supports a machine-readable and standardised data submission mechanism as the main method for submitting VfM data to the central database.
- 2.172. Machine-readable flat files should be the core requirement given they are well understood and can be generated from most administration systems. Direct API submission could be optional but encouraged for firms with the technical capability. Webform uploads should be a last resort for small schemes unable to generate machine-readable output initially.
- 2.173. This approach is very much in keeping with the SPP's broader concern that the overall VfM framework should avoid unduly excessive data burdens, ensuring proportionality and practicality of reporting requirements. The SPP has previously emphasised concern⁸ about the volume of data and reporting burden and the need for proportionate approaches wherever possible.

Question 42: Do you agree with our proposals for the central VfM database? Why or why not?

- 2.174. Yes. In principle the SPP supports the proposal for a centralised VfM database, but only if it is implemented with careful attention to data quality, accessibility, and proportional cost.

⁸ SPP response to the FCA Value for Money Framework consultation, October 2024:
<https://the-spp.co.uk/wp-content/uploads/FCA-Value-for-Money-16.10.24-FINAL.pdf>

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- 2.175. A centralised database has clear benefits in improving transparency and comparability across pension arrangements by bringing all Framework data into one place. This would make it easier for trustees, providers, employers, and regulators to benchmark performance, costs, and service quality consistently across the market. It could strengthen oversight of scheme outcomes and support better decision-making by reducing fragmentation in how VfM data is stored and accessed.
- 2.176. However, it is essential that the database delivers value without imposing disproportionate burdens.
- 2.177. Firstly, much of the proposed data is already reported to regulators or disclosed publicly through scheme returns, chair's statements, or supervisory processes. A central database risks duplicating existing regulatory infrastructure rather than streamlining it and so this must be avoided.
- 2.178. Secondly, schemes vary widely in membership profile, scale, investment strategy, and risk appetite. A standardised dataset may encourage superficial comparisons that fail to account for structural differences, potentially leading to inappropriate consolidation pressure or reputational harm.
- 2.179. Thirdly, without extremely tight reporting standards and validation, inconsistencies in methodologies (e.g. performance calculation, cost allocation, service metrics) could undermine confidence in the database. Poor-quality data centralised at scale could amplify, rather than reduce, misinformation.
- 2.180. Fourthly, it is not clear that individual members would directly engage with or benefit from a central database. The primary users are likely to be regulators and industry professionals, raising questions about whether the cost and complexity are justified relative to tangible improvements in member outcomes.
- 2.181. Last but by no means least, cost considerations need to be carefully taken into account. Establishing and maintaining a central database is likely to create significant one-off and ongoing compliance costs. Smaller schemes and providers may face disproportionate operational and systems costs, which could ultimately be passed on to members through higher charges - undermining the original VfM objective.
- 2.182. None of these concerns are insurmountable but all must be appropriately considered.
- 2.183. In summary, a central VfM database is a sensible evolution of the Framework's transparency goals, provided it is well governed, proportionate, and emphasises high-quality, comparable data that stakeholders can rely on.

Question 43: When in the VfM cycle should VfM data be made publicly available and why? For example, should data be made publicly available in March or in October alongside assessments?

- 2.184. Publishing in March prioritises speed over robustness and may increase the risk of publishing incomplete or unverified data. Data is more current and early visibility allows regulators and others to identify underperformance sooner but it is also likely to be too soon for full validation, audit sign-off, and benchmarking. Furthermore, March publication is likely to compress reporting, assurance, and governance processes.
- 2.185. In contrast, October publication prioritises accuracy, context, and usability over immediacy. It would mean data is released with trustee/provider assessments and narrative explanation, having allowed time for validation, audit, and peer comparison. It would also reduce the risk of misinterpretation because performance data is accompanied by conclusions and action plans. The downside is that the data may be several months old and underperformance is visible more than six months later.

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- 2.186. Alternatively, a carefully controlled early release to regulators (but not full public publication) in spring could achieve supervisory aims without exposing incomplete data to the wider market. There is a risk, as the consultation document acknowledges, “...that elements of the data enter the public domain, without the full dataset available to corroborate or refute the conclusions drawn.” Such a risk appears very small. The administrative complexity of publication to a small number in April and then updating and releasing full data in October appears to be a stronger reason not to pursue such a course.
- 2.187. Taking into the account all of the above, the SPP believes that for transparency to be meaningful, it must be accurate and contextualised and that October publication alongside VfM assessments would be the most balanced and proportionate approach.

Question 44: Do you have any comments on the suggestion that firm/IGC or trustees should also add a link to the final VfM assessment report on to the proposed central VfM database?

- 2.188. The SPP agrees that to provide a complete picture of the VfM assessment, the central VfM database could also include a link to the final assessment report entered by the firm/IGC or trustees and that this would ensure that all relevant information could be found in one place.

Question 45: We would welcome further comments on our proposals relating to the FCA Handbook.

- 2.189. The SPP supports the FCA’s intention to integrate the VfM Framework into the Handbook to provide regulatory clarity and formal accountability.
- 2.190. More broadly, the SPP has consistently highlighted, both in this response and in our October 2024 consultation response, that while the objective of improving VfM is certainly welcome, some proposed data requirements risk being disproportionate relative to their utility, particularly for smaller arrangements. The central data submission mechanism and broader VfM framework should be calibrated with appropriate thresholds, transitional arrangements and simplification where possible.
- 2.191. The FCA and TPR should ensure that all data items have clear, unambiguous definitions to prevent inconsistent interpretation and reduce the risk of inaccurate submissions.
- 2.192. There also need to be a practical transition i.e. a phased implementation and reasonable lead times, recognising current reporting burdens and system development timelines across the industry.
- 2.193. The FCA and TPR should also ensure that they provide feedback on early submissions so firms and trustees can refine their processes and improve accuracy year-on-year.

Question 46: Do you have any comments on our updated cost benefit analysis? A new CBA will be produced in the next consultation phase, incorporating further feedback and any substantive market or policy changes.

- 2.194. The SPP does not have any comments to make on the updated cost benefit analysis.
- 2.195. **About The Society of Pension Professionals**
- 2.196. The SPP is the representative body for a wide range of providers of advice and services to pension schemes, trustees and employers. Our work harnesses the expertise of our membership, striving for a positive impact on pension scheme members, the pensions industry and its stakeholders.
- 2.197. The breadth of our members is a unique strength for the SPP. Our membership of 90 corporate organisations employs over 20,000 pension professionals including actuaries, lawyers, professional trustees, DC consultants, investment managers, providers, administrators, covenant assessors, and other pension specialists.

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3. Further information

- 3.1. For more information about this consultation response please contact SPP Director of Policy & PR at: phil.hall@the-spp.co.uk or telephone the SPP on 0207 353 1688.
- 3.2. To find out more about the SPP please visit the SPP web site: <https://the-spp.co.uk/>
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