

DWP Consultation: Trust-based Pension Schemes - Trustees and Governance, Building a Stronger Future

The PMI's response

Executive Summary

The Pensions Management Institute (PMI) welcomes the Department for Work and Pensions' (DWP) consultation on "Trust-based pension schemes: trustees and governance – building a stronger future" as a timely and necessary intervention in a rapidly evolving pensions landscape.

The PMI is the UK's leading professional body for pensions professionals and trustees, representing over 8,500 members responsible for managing and advising some of the world's largest pension schemes. As such, we strongly support the Government's ambition to raise standards of trusteeship, governance, and administration across all trust-based pension schemes, recognising the pivotal role trustees and administrators play in safeguarding the retirement outcomes of over 40 million UK savers.

Trusteeship is a precious public good within the UK pensions system. The model delivers independent judgement, fiduciary discipline, and a direct focus on member outcomes that is not replicated in contract-based arrangements. The PMI believes that trusteeship should be protected, strengthened, and - where appropriate - extended so that all savers benefit from decisionmakers whose sole purpose is to act in their best interests.

We are not starting from scratch. The sector has already taken major steps to raise standards and develop accreditation frameworks for both trustees and administrators. But the world is changing rapidly, and increasing complexity means that individuals making decisions on behalf of millions of savers must meet high - and rising - expectations. Any system of trustee and administration standards must therefore be meaningful, enforceable, and equipped with real disciplinary "teeth" where individuals or firms fall short.

The PMI strongly endorses the regulatory ratification of an agreed set of standards for trustee knowledge and understanding, the mandating of professional trustee accreditation and the extension of regulatory oversight and accreditation to scheme administration. However, we emphasise that all new requirements must be proportionate to scheme size, complexity, and resources, ensuring that smaller schemes, lay trustees and smaller administrators are not unduly burdened or excluded from the governance landscape whilst systemically significant schemes (e.g. DC megafunds, DBSFs) are held to higher standards overtime.

The PMI is committed to supporting both professional and lay trustees as well as administrators through our qualifications, accreditation, and continuing professional development (CPD) programmes, and we stand ready to collaborate with DWP, The Pensions Regulator (TPR), and sector partners to deliver practical, effective reforms.

Our response is structured by consultation chapter and question, and we draw on our extensive experience as the UK's leading professional body for pensions professionals, our role in trustee accreditation, and our evidence from member engagement, training delivery, and international best practice.

Note on definitions, scope and member engagement:

Scope: This consultation has rightly focused on trustees and administrators as critical drivers of good member outcomes. As a result, the PMI's response focuses largely on

these areas. However, it should be acknowledged that there are other non-trust-based structures in the UK workplace pensions system (e.g. Group Personal Pensions (GPPs), public service pension schemes, DC decumulation products and bulk purchase annuity providers) where good governance is equally critical to good outcomes for members. It is important for Government and Regulators to consider how they can best ensure a consistent approach so that members are well-served regardless of where their pension sits in the UK pensions system.

There are also additional parts of the trust-based system that are not the focus of this consultation (such as pension scheme executives and those providing advice to pension scheme trustees) but where further thinking needs to be done about whether the appropriate legislation, regulation and standards are in place to ensure good outcomes for members.

Professional trustee: References in our response to professional trustees is in line TPR's definition of a professional trustee as set out in its [Professional Trustees Description Policy](#). This defines a professional trustee as *"any person, whether or not incorporated, who acts as a trustee of the scheme in the course of the business of being a trustee."*

At present, the definition excludes remunerated trustees if they are, or have been, a member of the scheme or been employed by a participating employer of the scheme and that they do not act as a trustee in relation to any unrelated scheme.

The PMI agrees with the first part of the definition however, we believe that the second part needs to be reviewed as currently it could exclude trustees that we feel should fall under the definition of - and higher standards associated with - professional trusteeship.

For example, in a world of consolidating DC megafunds there is an increasing likelihood that individual trustees appointed to a master trust board would meet the exclusion criteria as either:

1. they would likely have worked for a participating employer in the master trust or
2. have this as their sole trustee appointment

The PMI notes that TPR's description also appears to exclude individuals who present themselves as "specialist" trustees - for example, those with deep investment expertise who do not market themselves as generalists - from falling within the scope of the professional trustee definition. The PMI believes it would be helpful for TPR to clarify whether such specialists should be considered professional trustees, particularly where specialist skills form a material part of trustee board capability. Clear guidance would ensure consistency across schemes and avoid ambiguity in the application of standards, accreditation requirements, and expectations.

PMI member engagement used to inform our response

The PMI conducted two extensive surveys of its members during February 2026 to help inform our response to this consultation, in addition to deeper focus group engagement with our Policy and Public Affairs Working Group and Trustee Specialist Interest Group. Whilst response levels to the Trustee (23) and Administrator (6) survey were relatively low the depth of detail in those responses was incredibly helpful and so we have referenced throughout our response where relevant.

Introduction:

The Rising Complexity of Pensions

The UK pensions landscape is undergoing unprecedented transformation. The shift from DB to DC schemes, the consolidation of schemes into larger entities, the introduction of new models such as superfunds and collective DC (CDC), and the increasing use of technology (e.g. pensions dashboards) have all contributed to a more complex operating environment.

This complexity brings both opportunities and risks. Larger schemes can benefit from economies of scale, enhanced investment capabilities, and more sophisticated governance structures. However, they also face new challenges associated with a more diverse membership, and heightened regulatory expectations around transparency, value for money, and member engagement.

The introduction of the Value for Money (VFM) Framework, new requirements for default arrangements, and the forthcoming pensions dashboards all place additional demands on trustees and administrators. Trustees must now assess and compare investment performance, service quality, and member outcomes using more granular and forward-looking metrics. Administrators must ensure data quality, digital readiness, and compliance with new reporting standards.

Survey feedback gathered by the PMI demonstrates how trustees themselves are experiencing this increasing complexity. Respondents consistently identified risk management, investment (including ESG), regulatory compliance, and technology and data capability as priority development areas - highlighting both the sophistication of modern trusteeship and the importance of structured support.

While the trust-based model remains uniquely valuable, it is important to recognise that pensions governance should not operate in a vacuum. There is significant best practice to draw from both other regulated industries and international pension systems, particularly in relation to governance standards, operational resilience, and how member perspectives are embedded in decision-making. This cross-sector learning can help ensure the UK framework remains modern, evidence based and globally competitive.

International comparisons underscore the importance of robust governance and regulatory oversight. The OECD, Australian Prudential Regulation Authority (APRA), and other bodies have highlighted the need for higher levels of expertise, balanced stakeholder representation, and effective conflict management in pension fund governance¹.

The PMI believes that raising standards is essential to maintain public confidence in the pensions system and to ensure that trustees and administrators are equipped to deliver the best possible outcomes for members. However, this must be achieved in a way that

¹ [APRA's March 2025 Governance Review](#) sets out eight major proposals to modernise governance standards for banks, insurers and superannuation trustees. Whilst a number of the proposals have been amended following consultation feedback it provides useful insight into the evolving governance challenges in a maturing consolidated DC market.

is proportionate, inclusive, and supportive of both professional and lay trustees as well as administrators.

Strengths of the Current System

A key strength of the current system is the foundational guardianship principle of fiduciary duty, which underpins trustee decision-making and provides a critical safeguard for members.

Diverse trustee boards enable a range of perspectives and experiences to inform governance. The regulatory framework, anchored by trust law, scheme-specific rules, and The Pensions Regulator's (TPR) General Code of Practice, sets clear expectations for governance, risk management, and compliance. Larger schemes and master trusts, in particular, have demonstrated high standards of governance, especially in investment oversight and risk management. Recent TPR surveys indicate that almost all large schemes and master trusts are rated as having good governance, with strong knowledge and skills in areas such as climate-related risks and diversified investments.

Trustees responding to our survey reported high levels of confidence in their boards' effectiveness, underscoring the sector's strong foundations. This confidence was broadly shared across scheme types, with trustees highlighting collaborative board culture, diverse perspectives, and effective challenge as key strengths.

The system also benefits from a growing professionalisation of trusteeship. The increasing prevalence of professional trustees - now present on over half of DB and DC boards - has contributed to higher standards, particularly in smaller schemes where governance and technical expertise may otherwise be lacking². TPR's revised Trustee Toolkit and the PMI's own accreditation programmes and qualifications, such as the Certificate in Pension Trusteeship, have established clear benchmarks for trustee knowledge and competence.

Challenges and Weaknesses

Despite these strengths, the current system faces significant challenges. As mentioned above, the current pensions ecosystem has become more complex.

In addition, cultural factors, limited prioritisation of governance, constrained budgets and competing time pressures can impede effective trusteeship. These challenges may disproportionately affect smaller schemes and schemes with volunteer trustees, reinforcing the importance of proportionate regulatory expectations and targeted support. Surveys show that micro and small schemes are less likely to demonstrate effective policies, procedures, and value-for-members assessments, with only 17% of micro and 9% of small schemes meeting all six VFM assessment elements, compared to 100% of master trusts³.

PMI survey respondents also highlighted several practical challenges. Many emphasised the growing administrative and regulatory burden, particularly for smaller schemes with

² "Defined contribution trust-based pension schemes research", August 2025, prepared for TPR by OMB Research. Micro and small schemes with a professional trustee reported higher standards of governance and administration across many areas compared to those with no professional trustee.

³ "Defined contribution trust-based pension schemes research", August 2025, prepared for TPR by OMB Research. It is worth noting that this survey work was undertaken prior to the new General Code ORA requirements. It will be useful to assess whether small scheme governance has been improved or can be better objectively evidenced in future survey results.

limited resource. Concerns were raised that increasing expectations around accreditation and technical standards could exacerbate recruitment difficulties or deter new lay trustees, reinforcing the need for proportionality in any reform.

The supply of suitably skilled and diverse trustees is under pressure. Industry research suggests that up to 85% of current trustees may retire within the next three years, raising concerns about succession and the future talent pipeline. Trustee boards remain less diverse than the general population, with underrepresentation of women, younger individuals, ethnic minorities, and those with disabilities.

While professional trustees bring expertise, their increasing concentration within a small number of firms raises questions about market competition, potential conflicts of interest, and the risk of groupthink. Conflicts of interest, particularly those of a more commercial nature in some master trusts and sole trustee arrangements, are a growing concern. The separation between trustees and scheme funders or service providers is not always clear, and the provision of bundled services by professional trustee firms can create real or perceived conflicts that must be carefully managed.

At the same time, there remains a lack of clarity about what "good" trusteeship looks like in a world of DC megafunds, DB superfunds, and new hybrid models. This uncertainty makes it harder for trustees to benchmark themselves and for employers to identify suitable candidates. Finally, the regulatory environment, while comprehensive, can be burdensome, especially for smaller schemes, and there is a need for proportionate oversight that balances protection with innovation and efficiency.

The Case for Reform

The PMI believes that the current system, while fundamentally sound, requires targeted reform to address these challenges. Raising the baseline for trustee skills, knowledge, and accreditation is essential to ensure all schemes - regardless of size or type - deliver good outcomes for members. The regulatory framework should be clarified and streamlined, with proportionate requirements that support innovation and consolidation where appropriate. Diversity and inclusion should be prioritised to widen the talent pipeline and ensure boards reflect the membership they serve. Above all, the system must remain focused on the interests and voices of scheme members, ensuring that governance structures are both effective and representative.

In strengthening trustee standards, the UK should not seek to reinvent the wheel. There is much to learn from international governance models, prudential regulation frameworks, and industries where professional oversight, independence, and member representation are long-established. At the same time, the UK must avoid jumping to a potentially inappropriate FCA-style regulatory approach that risks undermining the unique value of trusteeship. A clearer view of the medium-term regulatory direction - even if not the final end state - would help trustees, advisers, administrators, and providers plan effectively.

The PMI believes there is an important debate to be had about how the best elements of prudential and conduct regulation can be adopted without losing the essential role of trustees. As trustee professionalisation increases, there may be opportunities to remove certain process-heavy regulatory requirements, allowing trustees - within their fiduciary

framework - greater freedom to exercise judgment. Raising standards means giving trustees the confidence to apply their fiduciary duty in all areas. A staged transition to de-regulation of process over people is likely to be the most appropriate path.

As the regulatory framework evolves, it will be important to strike the right balance between consistency — to minimise the risk of loopholes or regulatory arbitrage — and adaptability, so that innovation, new scheme structures and emerging business models can be supported. A risk-based approach that recognises the different levels of systemic importance across schemes will be essential to ensuring proportionate, effective and future-proofed oversight.

What Does Effective Scheme Governance Look Like in 2030?

Looking ahead to 2030, the PMI believes we must all collectively strive for a pensions governance landscape that is resilient, inclusive, and fit for the challenges of a modern, consolidated market. The core principles of effective governance - integrity, competence, independence, and accountability - will remain paramount, but their application must evolve to reflect new realities.

PMI Vision and Principles for 2030

By 2030, the UK pensions sector will be characterised by a smaller number of larger, better-governed schemes, including DC megafunds, master trusts, DB superfunds, and CDC arrangements. Governance will be underpinned by trustee boards with demonstrable expertise, diversity of thought, and a clear focus on member outcomes. The regulatory framework will be future-proofed, proportionate, and supportive of innovation, enabling schemes to adapt to technological change, new investment opportunities, and evolving member needs.

Key Features of Effective Governance in 2030

- **Professionalism and Accreditation:** All trustees meet a set of regulatory ratified standards for trustee knowledge and understanding. Professional trustees are subject to mandatory accreditation against these standards and a set of appropriate additional requirements e.g. adherence to the PCST Code where applicable. Lay trustees will be supported by accessible training and resources, ensuring a baseline of competence across all boards. All trustees will be required to undertake and evidence ongoing CPD.
- **Diversity and Inclusion:** Trustee boards will be more representative of the membership they serve, drawing on a wider range of backgrounds, skills, and real-life experiences. Programmes like the PMI's Trustee Accelerator Programme (TAP) will have broadened the talent pipeline, removing barriers to entry and supporting underrepresented groups.
- **Member-Centric Governance:** The voice of the member will be embedded in governance structures, through member-nominated trustees, panels, surveys, or other engagement mechanisms. Boards will be accountable as always for

considering member perspectives in all key decisions, particularly in areas such as investment strategy, decumulation, and service quality.

- **Effective Conflict Management:** Robust policies and procedures will be in place to identify, manage, and mitigate conflicts of interest, especially in consolidated and sole trustee models. Transparency in the appointment and oversight of professional trustees, advisers and service providers will be standard practice.
- **Technological and Data-Driven Governance:** Trustees will leverage technology and high-quality data to inform decision-making, monitor risks, and enhance member experience. The digitisation of scheme data, compliance with data protection requirements, and the use of digital verification services will be integral to scheme operations.
- **Proportionate and Future-Proofed Regulation:** The regulatory environment will be streamlined, with clear, risk-based oversight that differentiates between scheme types and sizes. TPR's role will be expanded to cover administrators and integrated service providers, ensuring consistent standards across the value chain.

Implications of Consolidation and Market Evolution

The move towards consolidation - driven by regulatory requirements for scale, value for money, and investment capability - will reshape the governance landscape. While larger schemes offer economies of scale and higher governance standards, there is a risk of reduced competition, loss of member voice, and challenges in maintaining diversity and independence.

The PMI advocates for a governance framework that supports consolidation where it delivers better outcomes but also preserves the strengths of the trust-based model, including member representation and board diversity.

Conclusion

Effective scheme governance in 2030 will be defined by high standards, inclusivity, and adaptability. The PMI is committed to supporting the sector in this evolution, through accreditation, training, and initiatives that foster a new generation of skilled, confident, and representative trustees.

The Role of Professional Trustees, Sole Trustees, and Managing Conflicts

The role of professional trustees has become increasingly central to the governance of trust-based pension schemes. As schemes grow in size and complexity, and as consolidation accelerates, professional trustees - whether acting as part of a board or as corporate sole trustees - are pivotal in raising standards, managing capacity challenges, and delivering good outcomes for members. However, their expanding influence also brings new challenges, particularly in relation to conflicts of interest, market concentration, and the unique governance dynamics of structures such as master trusts.

It is also important to distinguish between the professionalisation of individual trustees and the professionalisation of trustee firms. These are related but materially different developments, each carrying its own governance considerations, conflict-risk profiles, and regulatory implications. This distinction reinforces why the scope of this work is so critical; an effective framework must recognise the responsibilities, capabilities and risks at both the individual and firm level.

Functions and Benefits of Professional Trustees

Professional trustees bring specialist expertise, experience, and independence to trustee boards. Their presence is associated with higher standards of governance, particularly in smaller schemes where lay trustees may lack the necessary technical knowledge or capacity. Surveys indicate that micro and small schemes with a professional trustee are significantly more likely to demonstrate good governance across key areas, including value-for-members assessments, investment oversight, and climate-related risk management. Professional trustees also play a critical role in supporting schemes through complex transactions, such as buy-ins, buy-outs, and endgame planning.

Accreditation and Standards

The PMI strongly supports the case for mandatory accreditation of professional trustees. Accreditation provides assurance to stakeholders that professional trustees meet defined standards of knowledge, skills, and ethical conduct. The PMI's Accreditation programme, developed in line with the Professional Trustee Standards Working Group (PTSWG) recommendations, sets rigorous requirements for professional trustees, including completion of relevant qualifications (e.g., Certificate in Pension Trusteeship), demonstration of fit and proper status, and commitment to ongoing CPD. The PMI believes that mandatory accreditation, coupled with ongoing CPD, is essential to maintain and enhance governance standards as the role of professional trustees expands.

It's important that accreditation continues to evolve in line with best practice both in terms of raising standards but also finding the most appropriate ways to inclusively assess the skills and experience of existing and potential professional trustees. For example, in a world of megafunds and where we want to attract a more diverse talent pool it will be important to consider the interaction with apprenticeships and other professional qualifications, prior approval through structures like the Senior Managers

Regime as well as the inclusion of more formal and registered CPD as part of ongoing fit and proper testing.

Sole Trustees and Professional Corporate Sole Trustees (PCSTs)

The adoption of sole trustee models, particularly Professional Corporate Sole Trustees (PCSTs), has accelerated in recent years, with around 20% of DB schemes now appointing a PCST. The drivers include cost efficiency, streamlined decision-making, and challenges in recruiting lay trustees. The trustee supply challenge is particularly acute for small DB schemes, where PCST arrangements may be the most practical solution. However, safeguards are needed to ensure independence. While PCSTs can deliver effective governance, especially in schemes approaching wind-up or buy-out, they also introduce specific risks. There are concerns that a move to a PCST could concentrate decision-making in fewer hands, increasing the potential for unchecked conflicts of interest, reducing diversity of thought and potentially weakening the member voice. That said, it should be acknowledged that this very much depends on the existing nature of the trustee board, especially one where the number of trustees is already limited and managing conflicts of their own. There are also a number of models in use to maintain MNTs via other routes such as a member sub-committees.

The code of practice for [Professional Corporate Sole Trustees \(PCSTs\)](#), came into force on 1 January 2021, and set out a range of governance and risk controls that sole trustee must adhere to, in order to ensure that scheme members' interests are properly protected. These were updated in 2025, and the revised Code came into effect from 1 January 2026. Adherence to this Code forms part of professional trustee accreditation by both the APPT and the PMI.

The PMI supports the continued inclusion of the Code of Practice in a mandatory accreditation framework and the recent amendments that strengthen the requirements to maintain independence from the sponsoring employer and not rely on professional advice from the PCST's own firm.

In terms of regulatory oversight of PCSTs, the PMI believes that an appropriate body should be tasked with responsibility for validating adherence to Professional Trustee Standards including the PCST Code and taking action where individuals or firms are not adhering to the requirements. There are a number of bodies who could perform such a role. But it should be acknowledged that such oversight (whether provided by TPR or an industry body) would come at a cost if it is going to have the appropriate independence and resource to undertake this role effectively.

Ultimately, any model must ensure that the oversight framework is sufficiently robust, independent and properly resourced to uphold the integrity and professionalism that members rightly expect.

Managing Conflicts of Interest

Conflicts of interest have always existed in pensions. All actors in the system - lay trustees, employer-nominated trustees, professional trustees and the PMI, which provides qualifications and CPD to trustees and administrators, - operate within potential

areas of perceived or real conflict. A modern governance framework must recognise this reality and focus on identifying these conflicts and effectively mitigating them rather than assuming any category of stakeholder is conflict free.

That said, we acknowledge that commercial conflicts of interest are an increasing risk in the professionalisation of trusteeship, particularly where firms provide bundled services (e.g. administration, investment oversight) or Trustee Boards have close ties to scheme funders or service providers. The PMI advocates for transparent procurement and oversight processes, regular conflict assessments, and clear separation between trustee, provider and service functions. Trustees must be able to demonstrate that decisions are made solely in the interests of members, and that any conflicts - actual, potential, or perceived - are identified and managed in accordance with best practice and regulatory requirements.

These views were supported by respondents to our trustee survey. While many survey respondents felt existing safeguards are broadly effective, a significant proportion supported stronger protections - especially concerning cross-selling by professional trustee firms. This feedback underscores the importance of clear boundaries in bundled service models and transparent oversight.

Opinions were divided on whether to restrict the number of appointments held by professional trustees. Supporters saw limits as a way to safeguard capacity and focus, while opponents cautioned that fixed caps could worsen existing supply constraints.

Although the number of appointments must be monitored carefully, it is equally important to recognise that just as holding too many roles could impact on capacity, holding multiple roles can help maintain breadth of experience and strengthen judgement. The key issue is not the number of appointments in isolation, but the individual's effective capacity, the complexity of the schemes they oversee and the individual's other commitments, including non-executive roles. The PMI supports a framework centred on documented capacity assessment - rather than fixed numerical limits - which we believe offers a more proportionate balance between flexibility and protection against overextension.

To support high-quality decision-making, consideration could be given to introducing an explicit statutory or regulatory duty requiring professional trustees to assess and document their capacity before accepting new appointments, and to review their aggregate workload on at least an annual basis. A complementary duty to notify existing clients when taking on a new appointment - along with a statement confirming that the increased workload will not adversely affect service - could further enhance transparency and reinforce accountability.

Master Trusts: Governance and Independence

Master trusts, which now dominate the DC market, present unique governance challenges. Trustee boards are typically composed of professionals (although these do not always meet the current criteria for a Professional Trustee - see Scope above) appointed by the scheme founder or funder, with limited employer involvement. This structure can create conflicts between the interests of the provider and those of scheme members, particularly where the provider also delivers administration or investment

services. The PMI supports the continued strengthening of the master trust authorisation regime, including fit-and-proper assessments, independence requirements, and enhanced scrutiny of trustee appointments and removals. We would also argue that any Trustee appointment to a Master Trust Board should be deemed a Professional Trustee and should have to meet mandatory accreditation standards.

Market Concentration and Capacity

The increasing concentration of professional trusteeship within a small number of firms raises concerns about competition, capacity, and systemic risk. Over 50% of new professional trustee appointments have gone to just four firms, and the ten largest firms now manage over £1 trillion in assets⁴. The PMI notes that TPR is beginning to supervise the activity of professional trustee firms and recommends ongoing regulatory monitoring of market concentration, restrictions on the overall number of appointments held by individual trustees, and measures to ensure sufficient capacity and resilience in the event of market disruption.

Conclusion

Professional trustees are essential to the future of pension scheme governance, but their expanding role must be matched by high standards, mandatory accreditation, and effective conflict management. The PMI is committed to working with regulators and industry partners to ensure that professional trusteeship continues to deliver value, independence, and confidence for scheme members.

Trustee Appointment, Recruitment, and Term Limits

The appointment and recruitment of trustees are critical determinants of board effectiveness, diversity, and member representation. As the pensions landscape evolves, best practice in trustee recruitment must adapt to ensure that boards are equipped with the right mix of skills, experience, and perspectives, while maintaining transparency, accountability, and a clear focus on member interests.

Best Practice in Appointment and Recruitment

The PMI advocates for open, transparent, and skills-based recruitment processes for all trustee appointments. Scheme governance should be reviewed regularly to ensure it supports inclusive and effective recruitment, including clear criteria for eligibility, term limits, and succession planning. Skills audits should be conducted to identify gaps in board competence and inform targeted recruitment, drawing on a broad pool of candidates from diverse backgrounds and professions.

The PMI's [Trustee Accelerator Programme](#) (TAP) is now an industry-wide initiative backed by four master trusts to widen the trustee talent pipeline. By targeting individuals with transferable skills from outside the traditional pensions sector, TAP removes barriers to entry and supports candidates through structured learning, mentoring, and practical

⁴ LCP Sole Mates: A whole new world, September 2025

exposure to trustee board environments. Such initiatives are essential to address the looming supply challenge. The PMI is keen to explore opportunities to enhance TAP by developing explicit “career pathways” for prospective lay trustees. Such pathways could play a vital role in encouraging younger people and individuals from under-represented backgrounds to consider trusteeship, strengthening diversity and long-term supply.

Employer-Appointed Trustees and Transparency

While employer-appointed trustees bring valuable organisational knowledge, there is a risk - real or perceived - that their decisions may favour employer interests over those of members, particular in the case of the appointment of a PCST. The PMI supports clear guidance and training for employer-appointed trustees on their fiduciary duties, and recommends that appointment processes be transparent, skills-based, and subject to regular review. The inclusion of member-nominated trustees (MNTs) can be a key safeguard, ensuring that member perspectives are represented and that boards are balanced and accountable.

Term Limits and Board Refresh

The PMI supports the introduction of term limits for trustees, in line with international best practice and emerging regulatory expectations. Term limits promote board renewal, prevent entrenchment, and encourage the regular introduction of new skills and perspectives. The Australian model, for example, sets a 12-year tenure limit to improve board refresh practices and although APRA proposed moving to a stricter 10-year limit in March 2025 this was revised to a strict 12-year limit in acknowledgement that 12 years is more aligned with existing board arrangements and cycles. The PMI therefore recommends that schemes adopt term limits of ten years on a 'comply or explain' basis. We believe this is more appropriate while the system beds in and acknowledges that there are likely to be instances (e.g. approaching DB buy-out) where changing trustee makes little sense. It will need to clarify whether this limit is set at the individual or firm level where a professional trustee is appointed. Succession planning should be embedded in board processes to ensure continuity and effective knowledge transfer.

In implementing any universal term-limit regime, it will also be important to avoid unintended consequences such as all trustee terms expiring simultaneously. Staggered appointments and renewal cycles should be maintained to preserve continuity and avoid governance disruption. While this may be implicit in a principles-based or 'comply or explain' approach, clarity in guidance would help ensure consistent practice across schemes. It would also be useful to consider whether transitional requirements are needed to avoid a mass-exodus of trustees in the short term.

Public Trustees and Regulatory Intervention

In rare cases where boards are dysfunctional or orphaned, TPR has powers to appoint independent trustees from a register. Given the small and shrinking market for independent trustees, it is reasonable to consider what fallback options might exist if a scheme cannot secure a trustee such as a public trustee.

However, the moral hazard risks associated with a public trustee are significant. A public trustee model would also raise questions about funding, expertise, and the potential for unintended consequences.

The PMI believes it is far preferable to maintain a healthy, diverse, and well-resourced independent trustee register. This requires investment in recruitment, training, and pathways into the profession.

That said, a public trustee role may be appropriate in very limited circumstances, such as genuinely orphan schemes where commercial trustees are unable or unwilling to act. Such a mechanism would require careful safeguards but could provide protection where no viable alternative exists.

Trustee Directory and Data Management

The PMI's view is that the administrative burden of a comprehensive directory could outweigh the benefits in a shrinking market. A register of accredited professional trustees may be sufficient. If a broader directory is pursued, implementation should be timed carefully - for example, after the scale test, VFM reforms, and small pots consolidation have reduced the number of schemes. Registration requirements should also be proportionate and designed to minimise administrative burden, leveraging existing scheme return processes and unique identifiers where possible.

Conclusion

Effective trustee appointment and recruitment are foundational to good governance. The PMI is committed to promoting open, inclusive, and skills-based recruitment, supported by clear term limits, succession planning, and robust regulatory oversight. These measures will ensure that trustee boards remain effective, diverse, and focused on delivering the best outcomes for members.

Trustee Skills, Knowledge, and Accreditation

The skills, knowledge, and ongoing development of trustees are central to the effective governance of pension schemes. As the regulatory and investment environment becomes more complex, the baseline for trustee competence must be raised, with clear standards for both lay and professional trustees, supported by accessible training, accreditation, and continuous professional development (CPD).

Baseline Standards for Lay Trustees

All trustees, regardless of background, must meet statutory requirements for knowledge and understanding, as set out in the Pensions Act 2004 and TPR's General Code of Practice. This includes technical knowledge of scheme rules, investment principles, risk management, and regulatory compliance. However, the PMI believes that effective trusteeship also requires a broader skill set, including leadership, negotiation, communication, understanding of pension operations and the ability to challenge advisers and service providers. Our survey results strongly support this direction of travel. Trustees widely endorsed higher knowledge and understanding requirements, though

concerns were raised about the suitability of mandatory accreditation for smaller schemes or lay trustees.

The PMI believes that all trustees should meet a set of regulatory ratified standards for trustee knowledge and understanding. Clearer expectations regarding completion of TPR's Trustee Toolkit would support enhanced baseline standards. While recognising TPR's historical reluctance to mandate completion timescales, the PMI considers it reasonable that trustees complete the Toolkit within six months of appointment. To support different learning preferences, alternative equivalent routes should remain available for trustees who cannot undertake the Toolkit or who prefer assessment via the Certificate in Pension Trusteeship.

Lay trustee respondents to our survey stressed the value of accessible, modular learning and expressed reservations that complex accreditation pathways could discourage participation. There is strong demand for practical toolkits, checklists, and scenario-based learning rather than purely theoretical modules. For lay trustees, accessible training and support are essential. TPR's Trustee Toolkit and the PMI's Trustee Pathway and Lay Trustee Accreditation provide structured pathways to competence, while TAP and other mentoring programmes offer practical exposure and confidence-building opportunities. Government and Regulatory support for these programmes would really enhance their take up and impact.

The PMI would be happy to work with DWP and TPR to help provide an additional education and training that may be required to support lay trustees.

International Best Practice and Future Proofing

International experience underscores the importance of mandatory training, licensing, and accreditation for trustees. Australia, South Africa, Switzerland, and the Netherlands have all introduced statutory requirements for trustee competence, with positive impacts on governance and member outcomes. The PMI recommends that the UK adopt similar measures, tailored to the specific needs of its trust-based system, and regularly review standards to ensure they remain fit for purpose.

Accreditation and Continuous Professional Development

The PMI is a strong proponent of mandatory accreditation for professional trustees. The PMI's accreditation programme, developed in line with industry standards, requires candidates to complete the Trustee Toolkit, pass our Certificate in Pension Trusteeship, and demonstrate fit-and-proper status, including DBS checks and references. It also required adherence to the Sole Trustee (PCST) Code of Practice where applicable. Accredited trustees are required to maintain their status through ongoing CPD, ensuring that knowledge and skills remain current in a rapidly changing environment.

The PMI recommends that accreditation standards be set by the industry in collaboration with TPR and that accreditation itself is delivered by recognised industry bodies. This approach balances the need for consistency and rigour with the flexibility to adapt to emerging challenges.

Support for Lay Trustees and Widening the Talent Pipeline

The PMI recognises the unique value that lay trustees bring to boards, including real-life experience, member insight, and diversity of thought. This is the longstanding policy conclusion of the Pensions Law Review Committee - that member trustees are essential to good governance. As the Committee emphasised, member trustees bring a distinct perspective rooted in the real-life experience of scheme members, offer valuable channels of communication between members and the trustee board, and strengthen confidence in decision-making.

However, smaller schemes governed solely by lay trustees often struggle to meet governance expectations, highlighting the need for targeted support. And even with stronger pipelines and improved recruitment processes, consolidation will inevitably reduce the number of trustee roles available. This places even greater importance on ensuring that lay trustees - particularly those representing member voices - are supported, developed, and retained. Without visible pathways and structured support, the supply of lay trustees risks diminishing further.

While industry initiatives - such as the PMI's Trustee Accelerator Programme - play an important role, clear and visible government support will be critical to sustaining and expanding the pool of capable lay trustees.

Diversity, Inclusion, and Member Representation

Diversity and inclusion are critical to effective governance. Research consistently shows that diverse boards make better decisions, are more resilient, and are better able to represent the interests of all members.

It is also essential to acknowledge that, in a future market characterised by fewer, larger schemes, opportunities for entry into trusteeship may diminish regardless of industry efforts. This makes it even more important to ensure that recruitment is inclusive, that development pathways are visible, and that trustee boards consciously maintain cognitive and experiential diversity even where demographic diversity becomes harder to achieve.

The PMI is committed to widening the talent pipeline through targeted outreach, mentoring, and support for underrepresented groups. The TAP programme, in particular, has proven effective in attracting candidates from a range of industries, backgrounds, and demographics, and should serve as a model for industry-wide efforts.

Conclusion

Raising the bar for trustee skills, knowledge, and accreditation is essential to the future of pensions governance. The PMI is already playing a key role in this agenda, through robust accreditation, accessible training, and initiatives that foster diversity, inclusion, and continuous professional development across the trustee community. We are keen to continue to play our part in improving and our expanding our education, training and continuous development offering to support trustees – lay and professional.

PMI's Trustee Qualifications, Accreditation and CPD

The PMI is the UK's leading professional body for pensions professionals and trustees, with a long-standing commitment to raising standards through education, accreditation, and professional development.

Qualifications

The PMI offers a comprehensive suite of qualifications tailored to the needs of trustees, administrators, and pensions professionals at all stages of their careers:

- **Award in Pension Trusteeship (APT):** Provides formal recognition of a trustee's knowledge and understanding in line with the Pensions Act 2004 and TPR's indicative syllabus. Suitable for new and aspiring trustees, including lay trustees.
- **Certificate in Pension Trusteeship:** Required for those seeking PMI accreditation as a professional trustee. Assesses both knowledge and application in real-world scenarios. The PMI emphasises that the Certificate in Pension Trusteeship is available to both professional and lay trustees. At present take up amongst lay trustees is limited but we believe that could provide them with a structured route to developing deeper governance and pensions expertise.
- **Diploma in Pension Trusteeship:** A standalone, advanced qualification designed to demonstrate judgement in complex pensions issues, including ESG integration. Highlights the distinction between lay/member-nominated and professional trustees qualified at the same level.
- **Administrator and Technical Qualifications:** PMI also offers a range of qualifications for pensions administrators, including the Certificate and Diploma in Pensions Administration, and the Certificate in Pensions Essentials.

Accreditation

The PMI's accreditation framework for professional trustees is recognised across the industry and by TPR. Accreditation requires the meeting of the APPT Standards for Professional Trustees and includes the completion of relevant qualifications (e.g. Certificate in Pension Trusteeship), demonstration of fit and proper status, and commitment to ongoing CPD.

Continuing Professional Development (CPD)

The PMI mandates structured CPD for accredited trustees and provides a wide range of CPD opportunities, including events, workshops, webinars, and online resources. The annual Trustee Workbench and Defined Contribution and Master Trust Symposium are examples of PMI's commitment to ongoing learning and knowledge sharing.

Modular and Accessible Training

The PMI is committed to making training accessible and relevant. Modular qualifications, online learning, and flexible assessment options ensure that both lay and professional trustees can access the support they need. The Trustee Accelerator Programme provides a pathway for individuals from diverse backgrounds to enter and progress in trusteeship.

Member Voice

The voice of the member is fundamental to the legitimacy and effectiveness of trust-based pension governance. As schemes consolidate and governance structures evolve, it is imperative that mechanisms for member engagement, representation, and challenge are preserved and strengthened. The PMI believes that member voice is not only a matter of good governance, but also a driver of better outcomes, trust, and confidence in the pensions system.

Mechanisms for Member Engagement and Representation

Traditionally, member-nominated trustees (MNTs) have provided a direct channel for member perspectives on trustee boards. While the requirement for one-third MNTs remains in many schemes, exemptions exist for sole trustee and fully independent boards, and the trend towards consolidation and professionalisation risks diluting direct member representation. The PMI supports the retention of MNT requirements wherever feasible and encourages schemes to explore alternative mechanisms - such as member panels, surveys, and focus groups - to ensure that member views are heard and considered in decision-making.

Survey responses show that trustee boards already employ a wide range of mechanisms to gather member views - from surveys and webinars to digital portals and video statements. Trustees generally felt these approaches are effective but noted that engagement methods must continue to evolve, particularly as scheme membership becomes more diverse and digitally enabled.

Best practice examples include the National Employment Savings Trust (NEST) member panel, which provides structured input into trustee deliberations, and the use of open consultations, data analysis, and targeted communications to gather member insights on decumulation and retirement options.

While mechanisms such as member panels, online forums and targeted surveys can provide useful insights, experience from industry stakeholders suggests that the extent to which these influence trustee decision-making varies significantly. The PMI therefore supports a focus on proportionate, well-structured engagement that supplements - but does not replace - the central role of trustees in representing member interests.

Challenges in a Consolidated Market

The shift towards larger, multi-employer schemes and master trusts presents new challenges for member voice. The diversity and scale of membership can make direct representation more complex, and the separation between employers and trustees may weaken traditional channels of communication. The PMI advocates for innovative approaches to member engagement, leveraging technology, data, and digital platforms to facilitate two-way communication and feedback. Member panels, online forums, and targeted surveys can all play a role in ensuring that member perspectives inform key decisions.

Balancing Technical Excellence and Representation

The PMI recognises the tension between raising technical standards and preserving member voice. While higher entry thresholds and accreditation are necessary to ensure competent governance, they must not inadvertently exclude lay or member-nominated trustees, whose real-life experience and connection to the membership are invaluable. The PMI supports a balanced approach, where boards as a whole meet the required standards, but individual trustees are supported to develop their skills and contribute effectively. Accreditation and CPD requirements should be designed with flexibility and support, to avoid deterring capable candidates from diverse backgrounds.

International Perspectives and Best Practice

International models, such as the equal representation requirements in Switzerland and Australia, demonstrate the value of structured member voice in governance. However, these models also highlight the need for adaptability, as the relationship between employers, trustees, and members evolves in response to market and regulatory change. The PMI encourages ongoing research and sharing of best practice, both within the UK and internationally, to ensure that member voice remains central to governance innovation.

Conclusion

Member voice is the bedrock of trust-based pension governance. The PMI is committed to championing mechanisms that ensure member perspectives are embedded in decision-making, whether through MNTs, panels, surveys, or digital engagement. As the system evolves, it is essential that the pursuit of technical excellence does not come at the expense of representation, diversity, and member confidence.

Administration

The PMI strongly supports the DWP's proposals on administration standards. High quality administration is fundamental to delivering good member outcomes and maintaining confidence in the pensions system. The administration market operates on thin margins, with significant variation in capability, investment capacity, and operational resilience. In this context, the PMI believes that clear, consistent, and enforceable standards are essential to raising quality across the market and reducing systemic risk.

The PMI welcomes the proposal to introduce mandatory minimum standards for administrators and integrated service providers, noting that clarity of expectations benefits all parties: schemes, providers, regulators, and ultimately members. Clear standards also create a more level playing field, reducing the risk of a "race to the bottom" on cost and enabling administrators to justify investment in technology, data quality, and staff development.

The PMI also highlights the value of standards as a check and balance for regulators. A clear framework enables TPR to intervene proportionately, reduces ambiguity in supervisory expectations, and provides administrators with certainty about what "good" looks like. However, the PMI stresses that any new regime must be proportionate, avoid

unnecessary duplication with FCA-regulated activities, and be implemented with careful phasing to avoid destabilising a market already under pressure.

Standards will only be meaningful if the industry has a workforce with the skills and professional grounding to meet them. Developing and maintaining recognised qualifications - and ensuring administrators have access to structured CPD - will help build a sustainable talent pipeline and support consistent delivery across the market. The PMI already provides a number of comprehensive qualification and training pathways to those in pensions administration and through our Admin Industry Group we are working to develop the next generation of administration training design to recruit, retain and develop those in pensions administration so this important part of the sector receives the recognition it deserves.

The PMI believes all pension administrators should ultimately be subject to accreditation against an agreed set of standards. The form of accreditation, however, must remain flexible and responsive to changes in the administration market. The PMI supports a model in which firms could meet accreditation requirements through recognised frameworks such as PASA accreditation, with PMI qualifications providing part of the underlying skills and knowledge assessment.

While consistent minimum standards are essential to raising quality across the market, the framework must also account for variation in scale, complexity and systemic risk. Administrators supporting the largest or most systemically significant schemes arguably should need to meet enhanced expectations overtime, whereas smaller providers require proportionate pathways. Ensuring the regime strikes this balance will help avoid regulatory arbitrage while supporting innovation and market stability.

Overall, the PMI supports the ambition to professionalise administration, provided reforms are clear, proportionate, and supported by qualifications, guidance, and realistic implementation timelines.

Conclusion: Towards a Stronger, More Inclusive Governance Framework

The UK's trust-based pension system stands at a crossroads. The challenges of consolidation, regulatory change, and increasing complexity require a continued focus on governance standards, trustee competence, and member engagement. The PMI welcomes the DWP's consultation as an opportunity to build a future-proofed, proportionate, and inclusive governance framework that delivers for all stakeholders.

Key Recommendations from the PMI:

- **Mandatory Accreditation:** Introduce mandatory accreditation for professional trustees, with standards and ongoing CPD requirements set and delivered by recognised industry bodies.
- **Support for Lay Trustees:** Expand accessible training, mentoring, and support resources for lay trustees, including a "one-stop" online portal and structured development pathways such as TAP and discretionary lay trustee accreditation.

- **Diversity and Inclusion:** Prioritise diversity in trustee recruitment, supported by targeted outreach, mentoring, and removal of barriers to entry. Monitor and report on board diversity as a key governance metric.
- **Member Voice:** Preserve and strengthen mechanisms for member engagement and representation, adapting to the realities of consolidation and professionalisation. Encourage innovation in digital and data-driven member engagement.
- **Proportionate Regulation:** Streamline regulatory requirements to balance protection with efficiency and innovation, differentiating oversight by scheme type and size. Extend TPR's remit to cover administrators and integrated service providers, ensuring consistent standards across the value chain.
- **Conflict Management and Transparency:** Enhance policies and oversight for managing conflicts of interest, particularly in professional and sole trustee models. Promote transparency in the appointment and remuneration of trustees and service providers.
- **Term Limits and Succession Planning:** Introduce term limits for trustees on a comply or explain basis to promote board renewal and diversity, supported by robust succession planning and skills audits.

The PMI encourages government to provide clearer articulation of the intended medium-term regulatory destination for trusteeship. We do not believe the system should evolve into an FCA-style regime: while prudential approaches offer valuable tools for assessing systemic risk, trusteeship is built on fiduciary duties, independence, and member representation that cannot be replicated through pure conduct regulation.

Instead, the UK should seek a balanced model that borrows where appropriate from prudential frameworks - particularly around systemic risk, accountability, and capacity - while removing overly prescriptive process based requirements as trustee professionalism increases. Reform should proceed in stages, with clarity on which elements of regulation might taper as trustee standards rise.

The PMI stands ready to work with government, regulators, and industry partners to implement these recommendations and support the transition to a stronger, more inclusive, and future-proofed governance framework. The ultimate goal is clear: to ensure that all pension savers are protected by effective, accountable, and representative trusteeship, delivering the best possible outcomes for current and future generations.

PMI Services for Administrators

The PMI supports the pensions administration profession through a comprehensive suite of qualifications, training, and professional development services, including:

Professional Qualifications

- **Award in Pensions Essentials (APE)** – foundational knowledge for new administrators.
- **Certificate in Pension Calculations (CPC)** – the industry's leading technical qualification for administrators.
- **Diploma in Pensions Administration (DPA)** – advanced technical and regulatory knowledge for experienced administrators.
- **Specialist modules** covering areas such as governance, data management, and member communications.

Continuing Professional Development (CPD)

- Structured CPD programmes aligned with emerging regulatory requirements.
- Webinars, workshops, and technical updates on administration, data, dashboards, and regulatory change.
- Access to PMI's CPD recording and tracking tools.

Knowledge Resources

- Technical guidance, insight papers, and policy briefings.
- Access to PMI's member community, forums, and events.
- Regular updates on regulatory change, best practice, and industry developments.

Support for Employers

- Corporate membership options providing training packages, staff development pathways, and access to PMI resources.
- Bespoke training and consultancy to support organisational capability building.

Together, these services help administrators build the skills, professionalism, and resilience needed to meet rising expectations and deliver high quality outcomes for members.

Consultation Questions

1. What works well in the current trusteeship and governance system?

A key strength of the current system is the foundational guardianship principle of fiduciary duty, which underpins trustee decision-making and provides a critical safeguard for members.

Diverse trustee boards enable a range of perspectives and experiences to inform governance. The regulatory framework, anchored by trust law, scheme-specific rules, and The Pensions Regulator's (TPR) General Code of Practice, sets clear expectations for governance, risk management, and compliance.

Larger schemes and master trusts, in particular, have demonstrated high standards of governance, especially in investment oversight and risk management. Recent TPR surveys indicate that almost all large schemes and master trusts are rated as having good governance, with strong knowledge and skills in areas such as climate-related risks and diversified investments.

Trustees responding to our survey reported high levels of confidence in their boards' effectiveness, underscoring the sector's strong foundations. This confidence was broadly shared across scheme types, with trustees highlighting collaborative board culture, diverse perspectives, and effective challenge as key strengths.

The system also benefits from a growing professionalisation of trusteeship. The increasing prevalence of professional trustees - now present on over half of DB and DC boards - has contributed to higher standards, particularly in smaller schemes where governance and technical expertise may otherwise be lacking. TPR's revised Trustee Toolkit and the PMI's own accreditation programmes and qualifications, such as the Certificate in Pension Trusteeship, have established clear benchmarks for trustee knowledge and competence.

2. What are the barriers to good trusteeship?

Despite these strengths, the current system faces significant challenges. The current pensions ecosystem has become more complex.

In addition, cultural factors, limited prioritisation of governance, constrained budgets and competing time pressures can impede effective trusteeship. These challenges may disproportionately affect smaller schemes and schemes with volunteer trustees, reinforcing the importance of proportionate regulatory expectations and targeted support. Surveys show that micro and small schemes are less likely to demonstrate effective policies, procedures, and value-for-members assessments, with only 17% of micro and 9% of small schemes meeting all six VFM assessment elements, compared to 100% of master trusts ⁵.

PMI survey respondents also highlighted several practical challenges. Many emphasised the growing administrative and regulatory burden, particularly for smaller schemes with limited resource. Concerns were raised that increasing expectations around accreditation

⁵ "Defined contribution trust-based pension schemes research", August 2025, prepared for TPR by OMB Research. It is worth noting that this survey work was undertaken prior to the new General Code ORA requirements. It will be useful to assess whether small scheme governance has been improved or can be better objectively evidenced in future survey results.

and technical standards could exacerbate recruitment difficulties or deter new lay trustees, reinforcing the need for proportionality in any reform.

The supply of suitably skilled and diverse trustees is under pressure. Industry research suggests that up to 85% of current trustees may retire within the next three years, raising concerns about succession and the future talent pipeline. Trustee boards remain less diverse than the general population, with underrepresentation of women, younger individuals, ethnic minorities, and those with disabilities.

While professional trustees bring expertise, their increasing concentration within a small number of firms raises questions about market competition, potential conflicts of interest, and the risk of groupthink.

Conflicts of interest, particularly in master trusts and sole trustee arrangements, are a growing concern. The separation between trustees and scheme funders or service providers is not always clear, and the provision of bundled services by professional trustee firms can create real or perceived conflicts that must be carefully managed.

At the same time, there remains a lack of clarity about what "good" trusteeship looks like in a world of DC megafunds, DB superfunds, and new hybrid models. This uncertainty makes it harder for trustees to benchmark themselves and for employers to identify suitable candidates. Finally, the regulatory environment, while comprehensive, can be burdensome, especially for smaller schemes, and there is a need for proportionate oversight that balances protection with innovation and efficiency.

3. Looking ahead to 2030 and beyond, what further support will trustees need?

The PMI believes that the current system, while fundamentally sound, requires targeted reform to address these challenges. Raising the baseline for trustee skills, knowledge, and accreditation is essential to ensure all schemes - regardless of size or type - deliver good outcomes for members. The regulatory framework should be clarified and streamlined, with proportionate requirements that support innovation and consolidation where appropriate. Diversity and inclusion should be prioritised to widen the talent pipeline and ensure boards reflect the membership they serve. Above all, the system must remain focused on the interests and voices of scheme members, ensuring that governance structures are both effective and representative.

As consolidation progresses, it is reasonable to expect trustee boards to comprise individuals with the capability and capacity to undertake their roles effectively. This includes meeting minimum standards of skills, knowledge, and behavioural competence; undertaking continuous training on relevant pensions, investment, governance, and regulatory developments; and being supported by an effective executive function and high-quality outsourced providers. Administrators and advisers will need to be able to deliver decisions efficiently and provide specialist input where required. Over time, trustees may also need deeper expertise in some areas such as sustainability related investment management, systems thinking, and supplier oversight, reflecting the increasing sophistication of scheme operations.

All trustees meet a set of regulatory ratified standards for trustee knowledge and understanding but this will be proportionate to their role and responsibilities. Professional trustees are subject to mandatory accreditation against these standards and a set of appropriate additional requirements e.g. adherence to the PCST Code where applicable

Lay trustees will be supported by accessible training and resources, ensuring a baseline of competence across all boards. All trustees will be required to undertake and evidence ongoing CPD.

4. Does effective scheme governance in a megafund require additional support or any specific changes in regulatory approach?

Master trusts, which now dominate the DC market, present unique governance challenges. Trustee boards are typically composed of professionals (although these do not always meet the criteria for a Professional Trustee – see Scope above) appointed by the scheme founder or funder, with limited employer involvement. This structure can create conflicts between the interests of the provider and those of scheme members, particularly where the provider also delivers administration or investment services.

The PMI supports the continued strengthening of the master trust authorisation regime, including fit-and-proper assessments, independence requirements, and enhanced scrutiny of trustee appointments and removals. We would also argue that any Trustee appointment to a Master Trust Board should be deemed a Professional Trustee and would have to meet mandatory accreditation standards.

5. Can you describe any potential or actual conflicts of interest that stem from the provision of further services within professional trustee firms and other third-party providers? How are these conflicts managed now? What is the scale of the residual risk in the market?

Conflicts of interest have always existed in pensions. All actors in the system - lay trustees, employer-nominated trustees, professional trustees and the PMI, which provides qualifications and CPD to trustees and administrators, - operate within potential areas of perceived or real conflict. A modern governance framework must recognise this reality and focus on identifying these conflicts and effectively mitigating them rather than assuming any category of stakeholder is conflict free.

That said, we acknowledge that commercial conflicts of interest are an increasing risk in the professionalisation of trusteeship, particularly where firms provide bundled services (e.g. administration, investment oversight) or Trustee Boards have close ties to scheme funders or service providers. The PMI advocates for transparent procurement and oversight processes, regular conflict assessments, and clear separation between trustee, provider and service functions. Trustees must be able to demonstrate that decisions are made solely in the interests of members, and that any conflicts - actual, potential, or perceived - are identified and managed in accordance with best practice and regulatory requirements.

These views were supported by respondent to our trustee survey. While many survey respondents felt existing safeguards are broadly effective, a significant proportion supported stronger protections - especially concerning cross selling by professional trustee firms. This feedback underscores the importance of clear boundaries in bundled service models and transparent oversight.

6. Are additional safeguards needed?

The PMI advocates for transparent procurement and oversight processes, regular conflict assessments, and clear separation between trustee, provider and service functions. Trustees must be able to demonstrate that decisions are made solely

in the interests of members, and that any conflicts - actual, potential, or perceived - are identified and managed in accordance with best practice and regulatory requirements.

The PMI supports the continued inclusion of the PCST Code of Practice in a mandatory accreditation framework and the recent amendments that strengthen the requirements to maintain independence from the sponsoring employer and not rely on professional advice from the PCST's own firm as one way of managing some of the commercial conflicts in this system. We would also argue that a body should be tasked with ensuring that all professional trustees adhere to standards against which they are accredited, including the PCST Code and take action where individuals or firms are found to be breaching the standards.

7. Should there be restrictions on the number of appointments held by professional trustees?

Any restriction should be based on an individual's capacity rather than a fixed numerical limit. Although the number of appointments must be monitored carefully, it is equally important to recognise that just as holding too many roles could impact on capacity, holding multiple roles can help maintain breadth of experience and strengthen judgement. The key issue is not the number of appointments in isolation, but the individual's effective capacity, the complexity of the schemes they oversee and the individual's other commitments, including non-executive roles. The PMI supports a framework centred on documented capacity assessment - rather than fixed numerical limits - which we believe offers a more proportionate balance between flexibility and protection against overextension.

To support high-quality decision-making, consideration could be given to introducing an explicit statutory or regulatory duty requiring professional trustees to assess and document their capacity before accepting new appointments, and to review their aggregate workload on at least an annual basis. A complementary duty to notify existing clients when taking on a new appointment - along with a statement confirming that the increased workload will not adversely affect service - could further enhance transparency and reinforce accountability.

8. When is a PCST model appropriate, and should there be restrictions?

The adoption of sole trustee models, particularly Professional Corporate Sole Trustees (PCSTs), has accelerated in recent years, with around 20% of DB schemes now appointing a PCST. The drivers include cost efficiency, streamlined decision-making, and challenges in recruiting lay trustees. The trustee supply challenge is particularly acute for small DB schemes, where PCST arrangements may be the most practical solution.

However, safeguards are needed to ensure independence. While PCSTs can deliver effective governance, especially in schemes approaching wind-up or buy-out, they also introduce specific risks. There are concerns that a move to a PCST could concentrate decision-making in fewer hands, increasing the potential for unchecked conflicts of interest, and reducing diversity of thought. The lack of direct member representation in sole trustee models can also weaken the member voice. That said, it should be acknowledged that this very much depends on the existing nature of the trustee board, especially one where the number of trustees is already limited and managing conflicts of their own. There are also a number of models in use to maintain MNTs via other routes such as a member sub-committees.

The code of practice for **Professional Corporate Sole Trustees (PCSTs)**, came into force on 1 January 2021, and set out a range of governance and risk controls that sole trustee firms must adhere to, in order to ensure that scheme members' interests are properly protected. These were updated in 2025, and the revised Code came into effect from 1 January 2026. Adherence to this Code forms part of professional trustee accreditation by both the APPT and the PMI.

The PMI supports the continued inclusion of the Code of Practice in a mandatory accreditation framework and the recent amendments that strengthen the requirements to maintain independence from the sponsoring employer and not rely on professional advice from the PCST's own firm

9. What should an enhanced code of practice for sole trustees include?

The PMI believes that the revised Sole Trustee Code should be allowed to bed in before any further revisions are considered.

In terms of regulatory oversight of Professional Trustees and PCSTs, the PMI believes that an appropriate body should be tasked with responsibility for validating adherence to Professional Trustee Standards including the PCST Code and taking action where individuals or firms are not adhering to the requirements. There are a number of bodies who could perform such a role. But it should be acknowledged that such oversight (whether provided by TPR or an industry body) would come at a cost if it is going to have the appropriate independence and resource to undertake this role effectively. Ultimately, any model must ensure that the oversight framework is sufficiently robust, independent and properly resourced to uphold the integrity and professionalism that members rightly expect.

10. Are further controls needed on trustee appointments to ensure decisions are made in members' interests?

Professional trustees - carefully defined - should be held to higher, statutory standards. All professional trustees should be accredited, and TPR should consider whether the current accreditation process provides a sufficiently robust assessment of skills, knowledge, and behaviours. Lay trustees should follow a tailored, modular pathway that recognises their different role and starting point.

11. How can government and regulators help attract a diverse and talented pool of trustees?

Government and TPR can play a key role by promoting the benefits of diverse boards to scheme sponsors, raising awareness of trustee career pathways, and highlighting the long-term opportunities trusteeship offers. Encouraging younger professionals into the sector is essential, particularly as retirements reduce the available pool. Regulatory resources should be used to support outreach and work with the industry to develop accessible training routes.

The PMI's Trustee Accelerator Programme and Lay Trustee Pathway and Accreditation provide structured pathways for individuals to enter and progress within the profession. Government and Regulatory support for these programmes would really enhance their take up and impact.

12. Should there be limits on the length of trustee appointments?

The PMI supports the introduction of term limits for trustees, in line with international best practice and emerging regulatory expectations. Term limits promote board renewal, prevent entrenchment, and encourage the regular introduction of new skills and perspectives. The Australian model, for example, sets a 12-year tenure limit to improve board refresh practices and although it proposed moving to a stricter 10-year limit in March 2025 this was revised to a strict 12-year limit in acknowledgement that 12 years is more aligned with existing board arrangements and cycles.

The PMI therefore recommends that schemes adopt term limits of ten years on a 'comply or explain' basis. We believe this is more appropriate while the system beds in and acknowledges that there are likely to be instances (e.g. approaching DB buy-out) where changing trustee makes little sense. It will need to clarify whether this limit is set at the individual or firm level where a professional trustee is appointed. Succession planning should be embedded in board processes to ensure continuity and effective knowledge transfer.

In implementing any universal term limit regime, it will also be important to avoid unintended consequences such as all trustee terms expiring simultaneously. Staggered appointments and renewal cycles should be maintained to preserve continuity and avoid governance disruption. While this may be implicit in a principles-based or 'comply or explain' approach, clarity in guidance would help ensure consistent practice across schemes. It would also be useful to consider whether transitional requirements are needed to avoid a mass-exodus of trustees in the short term.

13. Should a new public trustee be introduced?

In rare cases where boards are dysfunctional or orphaned, TPR has powers to appoint independent trustees from a register. Given the small and shrinking market for independent trustees, it is reasonable to consider what fallback options might exist if a scheme cannot secure a trustee such as a public trustee.

However, the moral hazard risks associated with a public trustee are significant. A public trustee model would also raise questions about funding, expertise, and the potential for unintended consequences.

The PMI believes it is far preferable to maintain a healthy, diverse, and well-resourced independent trustee register. This requires investment in recruitment, training, and pathways into the profession.

That said, a public trustee role may be appropriate in very limited circumstances, such as genuinely orphan schemes where commercial trustees are unable or unwilling to act. Such a mechanism would require careful safeguards but could provide protection where no viable alternative exists.

14. Should TPR's intervention powers be modified?

There may be merit in giving TPR additional powers to oversee the appointment and removal of trustees, particularly in authorised or systemically important schemes. Any extension of powers should be proportionate and clearly targeted at protecting members' interests.

15. How can TPR gather information for a trustee directory without increasing administrative burdens?

The PMI's view is that the administrative burden of a comprehensive directory could outweigh the benefits in a shrinking market. A register of accredited professional trustees may be sufficient.

If a broader directory is pursued, implementation should be timed carefully - for example, after the scale test, VFM reforms, and small pots consolidation reduce the number of schemes. Registration requirements should also be proportionate and designed to minimise administrative burden, leveraging existing scheme return processes and unique identifiers where possible.

16. What skills will trustees need?

Trustees need competence across three broad areas: pensions knowledge, governance capability, and behavioural skills. While many technical requirements are covered in the Trustee Toolkit and the General Code, there is a case for strengthening expectations around soft skills (challenge, teamwork), supplier and project management, systems thinking, and - over time - investment expertise akin to that seen in sovereign wealth funds or insurers. Additional requirements may be appropriate for certain roles, such as Trustee appointments to authorised schemes, PCSTs and Chairs.

17. Should TPR set statutory higher standards for professional trustees?

Yes. Professional trustees should meet higher, formalised standards reflecting the responsibilities they carry. This should include mandatory accreditation. Lay trustees should follow a modular, proportionate pathway reflect the new higher minimum standard to be set by TPR. Additional requirements may be appropriate for certain roles, such as Trustee appointments to authorised schemes, PCSTs and Chairs.

18. As models evolve with fewer lay trustees, what benefits of lay trustees should be preserved?

Lay trustees bring independence of thought, a strong connection to member and employer perspectives, and diverse skills from outside pensions. Where lay trustees cannot be attracted or may be less appropriate, these qualities should be replicated through alternative mechanisms. Member panels and designated member representative roles are examples of how Boards can ensure diversity in its broadest sense - including cognitive and experiential diversity - and continue to provide member representation.

19. What CPD support should be in place for lay trustees? Should all trustees be accredited?

There should be a clearer set of minimum standards for lay trustees, supported by accessible CPD and structured learning pathways. We would support the alignment of CPD with role types and/or key regulatory initiatives and identified risks.

Accreditation for all trustees could raise standards but may risk exacerbating supply shortages if implemented too quickly. Any move toward universal accreditation should be phased and proportionate. This, along with accreditation for professional trustee also needs to consider how skills and knowledge might be regularly reviewed to ensure individuals are maintaining their skills and knowledge. There is considerable best practice in this area in other professions e.g. the medical profession which could be applied here.

20. How can we ensure trustee boards take into account the perspectives of members in their decision-making?

Traditionally, member-nominated trustees (MNTs) have provided a direct channel for member perspectives on trustee boards. While the requirement for one-third MNTs remains in many schemes, exemptions exist for sole trustee and fully independent boards, and the trend towards consolidation and professionalisation risks diluting direct member representation. The PMI supports the retention of MNT requirements wherever feasible and encourages schemes to explore alternative mechanisms - such as member panels, surveys, and focus groups - to ensure that member views are heard and considered in decision-making.

Survey responses show that trustee boards already employ a wide range of mechanisms to gather member views - from surveys and webinars to digital portals and video statements. Trustees generally felt these approaches are effective but noted that engagement methods must continue to evolve, particularly as scheme membership becomes more diverse and digitally enabled. Some stakeholders propose strengthening member representation by introducing a "member champion" who attends trustee meetings as an observer. This could provide an additional route for member perspectives while preserving the trustee board's decision-making responsibilities.

Best practice examples elsewhere include the National Employment Savings Trust (NEST) member panel, which provides structured input into trustee deliberations, and the use of open consultations, data analysis, and targeted communications to gather member insights on decumulation and retirement options.

While mechanisms such as member panels, online forums and targeted surveys can provide useful insights, experience from industry stakeholders suggests that the extent to which these influence trustee decision making varies significantly. The PMI therefore supports a focus on proportionate, well-structured engagement that supplements - but does not replace - the central role of trustees in representing member interests. Trustees should also continue to feel comfortable exercising their fiduciary duty to members even when it has not been possible to engage with members.

Clear reporting on how member input has shaped trustee decisions can strengthen transparency and trust.

21. Examples of best practice in the UK or internationally

There are strong examples across the UK and internationally of schemes integrating member perspectives effectively. In the UK, some master trusts and LGPS funds have established member panels that provide structured feedback on communications, investment priorities, and service quality. Internationally, several Australian superannuation funds use regular, statistically robust member sentiment surveys to inform investment strategy, ESG priorities, and service design.

The Netherlands provides another example, where member councils play a formal role in reviewing communications and governance decisions. These models demonstrate that member engagement can be systematic, proportionate, and genuinely influential without undermining trustee independence.

22. Benefits and challenges of mandatory minimum standards for administrators and integrated service providers

Despite the best efforts of the industry the number of administrators currently accredited to the PASA standards remains low. This highlights both the rigour of the standard but also the uneven maturity of administration quality across the market. Introducing mandatory minimum standards against which administrators are required to be accredited could significantly improve consistency, data quality, operational resilience, and member experience across the administration market. Given the centrality of administration to member outcomes - and the increasing complexity of data, digital services, and regulatory reporting - raising standards would help reduce systemic risk. However, challenges include the potential for increased costs, the risk of smaller providers exiting the market, and the need to ensure that standards are proportionate and adaptable to different scheme sizes and models. Careful phasing and clear guidance would be essential to avoid disruption.

Findings from the PMI's recent administration survey support the direction of these proposals. Respondents - representing TPAs, in-house administration teams, software providers, and scheme managers - reported generally good or excellent service standards but highlighted persistent pain points such as data quality, resource constraints, and legacy technology. A strong majority agreed that mandatory minimum standards would improve consistency, comparability, and regulatory oversight across the market. However, respondents also emphasised the need for proportionate requirements, noting that smaller administrators could face disproportionate cost and resource pressures if standards are not carefully calibrated.

A key consideration is whether additional measurements would provide insights not already captured through existing governance processes. Some administrators note that TPR already collects substantial information and engages promptly with providers facing difficulties. A focus on identifying systemic weaknesses and intervening early may add more value than adopting FCA-style regulation, which may increase compliance costs without necessarily improving member outcomes.

23. Should TPR have the same level of oversight as the FCA for administrators and wider administration services?

There is a strong case for enhanced regulatory oversight of administrators, given their critical role in delivering member outcomes and ensuring compliance. However, the model should reflect the specific nature of pensions administration rather than simply mirror FCA regulation. TPR's oversight should focus on operational resilience, data quality, service standards, and governance, with clear expectations and proportionate enforcement powers. The goal should be to raise standards without creating unnecessary duplication or regulatory burden.

The PMI believes all pension administrators should ultimately be subject to accreditation. The form of accreditation, however, must remain flexible and responsive to changes in the administration market. The PMI supports a model in which firms could meet accreditation requirements through recognised frameworks such as PASA accreditation, with PMI qualifications providing part of the underlying skills and knowledge assessment. Alignment between administrative accreditation and TPR's General Code will be essential to ensure the framework evolves as expectations change. A set of higher standards may also be appropriate for administrators supporting systemically important schemes, for example to provide recognition of the systems and processes requirements under

regulatory authorisation. The PMI would argue that such differentiation should be introduced gradually as the market matures.

24. Should administrators have to be registered with TPR, and should TPR be able to deregister them?

A registration model could help improve transparency, accountability and market discipline. However, it would be resource intensive for TPR. The PMI would argue that accreditation against a set of standards agreed with TPR would provide a rigorous, independent assessment of administration quality. A registration model risks becoming a minimum standards gateway whereas accreditation creates a quality mark which would be continuously improved as market practice evolves.

That said there would need to be a clear process in place where an accredited provider fails to maintain standards with the ability to withdraw accreditation offering a meaningful safeguard, although it would need to be accompanied by clear processes for transition to alternative providers where appropriate to avoid member detriment. Any such regime must be designed to avoid destabilising the market or reducing competition.

25. What risks does DC consolidation pose to administration providers, and how can these be mitigated?

DC consolidation - particularly the emergence of megafunds - poses several risks to administration providers. These include capacity pressures, the potential for sudden large-scale transitions, and increased expectations around digital capability, data quality, and member engagement. Smaller administrators may struggle to meet the demands of large, consolidated schemes, while larger providers may face operational strain during periods of rapid onboarding. Respondents to our survey also cited service disruption and the loss of scheme-specific knowledge as major challenges. Mitigation measures include early planning for transitions, clearer industry standards, improved data portability, and regulatory oversight of large-scale migrations. Ensuring that administration providers have the financial and operational resilience to support megafunds will be essential for an orderly transition.

26. What role should TPR take in reducing the risk and impact of a disorderly market exit by an administration provider?

TPR should play a proactive role in monitoring the financial and operational health of administration providers, particularly those serving large or systemically important schemes. This could include early warning indicators, stress testing, and contingency planning requirements. TPR should also facilitate orderly transitions by setting expectations for exit planning, maintaining visibility of market capacity, and intervening where necessary to protect members. A disorderly exit can have severe consequences for data integrity, service continuity, and member confidence, so a clear regulatory framework for managing provider failure is essential.

Addressing the risk of administrator failure will never be straightforward, particularly in a market with limited spare capacity. The PMI welcomes PASA's establishment of an industry working group to explore practical options, including transition protocols, data portability standards, and early warning indicators. A collaborative regulatory-industry approach will be essential to ensuring that member outcomes are protected even in periods of market stress.