

# PASA Consultation Response

DWP Consultation Paper  
Trust-based pension schemes: Trustees and  
governance, building a stronger future

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PASA 



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# Acknowledgments

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## About PASA

The Pensions Administration Standards Association (PASA) was created to provide an independent infrastructure to set, develop, guide and assess administration standards.

PASA acts as a focal point and engages with industry and government to create protocols for understanding good administration - but also appreciates there's no one size fits all. PASA develops evidential Accreditation practices allowing benchmarking across and between the industry regardless of how the administration is being delivered.

As well as raising the profile of pension administration generally, PASA focuses on three core activities:

1. **Defining good standards of pensions administration relevant to all providers, whether in-house, third party or insurers**
2. **Publishing Guidance to support those standards**
3. **Being an independent Accreditation body, assessing the achievement of good standards by schemes**

There's no other organisation providing such services across schemes, yet there's a demand for evidence of service quality from scheme trustees, sponsors, administrators, insurers, savers and regulators.

## 1. Summary

We welcome this consultation and its focus on strengthening trusteeship, governance and administration.

### Elevating trusteeship for better saver outcomes

The trust-based model remains a strong foundation for UK pensions, with fiduciary duties firmly aligned to saver interests and governance designed to reflect a scheme's size, maturity and risk profile. As trusteeship has become more professionalised, board challenge and decision-making have strengthened. When administration is treated as a strategic priority, improvements are evident in accuracy, timeliness and the saver experience.

Despite this progress, barriers remain. Visibility of administration quality is uneven, the operational consequences of board decisions aren't always fully understood, and governance expectations can feel one size fits all across DB, DC, CDC, Master Trusts, DC Megafunds and DB Superfunds.

More consistent standards, clearer guidance and decision-useful management information (MI), focused on trends and root causes rather than Service Level Agreement (SLA) pass rates, will enable trustees to make better informed decisions. Trustees will also require deeper operational understanding, stronger digital and cyber literacy, and proportionate higher standards for professional trustees, independently evidenced and supported by robust conflict management.

For DC Megafunds, a tiered regulatory approach with enhanced expectations for resilience, continuity and member voice is appropriate.

### Raising standards through trusted, established frameworks

We support mandatory, proportionate minimum administration standards grounded in the Standards, Guidance and Accreditation framework PASA has already developed and tested across the industry. This framework defines what good administration looks like across different delivery models and translates expectations into operational practice. It also provides an independent, evidential route for demonstrating capability, enabling trustees and regulators to assess quality consistently and transparently.

Any standards introduced must recognise high-quality administration is delivered not only through systems and processes, but through the skills, experience and judgement of the people carrying out the work. Long-standing scheme knowledge is a critical risk mitigant, particularly during system changes, transitions and de-risking activity, and should be protected through continuity planning.

Standards must also drive decision-useful MI with simple, comparable indicators helping identify issues early and enable Boards to target interventions effectively.

Stronger oversight and clearer accountability will reinforce these standards. Administrator registration linked to meeting minimum expectations, evidenced through accreditation, will give trustees and regulators better visibility

of who administers which schemes and where operational or concentration risks may be emerging. Any deregistration powers must be paired with realistic continuity protections. As consolidation continues, phased-exit planning and, where feasible, diversified administration models will be essential to reducing single-point-of-failure risk and ensuring orderly transitions, particularly for DC Megafunds.

## 2. Consultation Questions and Answers

### Question 1: What do you think works well in the current trusteeship and governance system?

The trust-based system continues to provide a strong foundation for good governance because it places savers' interests at the centre of trustee duties. Its flexibility allows boards to adapt oversight to the size, maturity and risk profile of their scheme rather than relying on a rigid model. This adaptability is one of its core strengths and means governance can remain proportionate, focused and responsive.

In recent years, trusteeship has also become notably more structured and professional. We see clear evidence, where boards understand and prioritise administration, with appropriate standards, transparent MI and robust oversight, member outcomes improve in accuracy, timeliness and experience. The increasing professionalisation of trusteeship has supported more structured challenge, more consistent decision-making and better scrutiny of service providers, without sacrificing the flexibility which enables schemes to align governance with size, maturity and risk profile.

### Question 2: What are the barriers to good trusteeship?

Despite progress, several systemic gaps reduce trustees' ability to deliver consistently high standards:

- **Limited visibility of administration quality:** as administration's strategic importance increases, trustees require clearer, more consistent ways to assess and compare delivery capability. Independent frameworks such as PASA Accreditation support this, but coverage isn't universal and comparative transparency remains limited
- **Under-appreciated operational impact:** decisions on benefit specifications, data, system change or transitions can have large downstream effects which aren't always fully anticipated at board level
- **One-size-fits-all expectations:** governance expectations can be applied uniformly despite the differing operational needs of DB, DC, CDC, Master Trusts, DC Megafunds and DB Superfunds
- **Increasing pace of change:** the pensions landscape continues to evolve rapidly, from regulatory updates and new governance duties to emerging tax and legislative changes, placing additional pressure on trustees to stay up to date across a broadening set of requirements, some of which may fall outside their traditional expertise
- **Time pressure and fragmented regulation:** constrained trustee time, coupled with a patchwork of TPR/FCA expectations across delivery chains, can push administration down the agenda and blur accountability for operational risk

- **Commercial dynamics:** cross-selling and other commercial pressures require strong conflict management to ensure decisions remain squarely focused on saver outcomes

These barriers translate directly into member risk because they reduce trustees' ability to spot issues early and to ensure accurate and timely benefit delivery.

**Question 3: Looking ahead to 2030 and beyond, what further support will trustees need?**

As the pensions landscape continues to evolve, trustees will need clear, independent and practical administration standards defining what good looks like across different scheme types and delivery models. Existing frameworks, including PASA Accreditation, provide an important foundation, but expectations will need to evolve to reflect increasing scale, consolidation and digital delivery.

Guidance should translate increasingly complex operational topics, for example data management, cyber resilience, transitions, benefit specifications and digital service, into expectations boards can meaningfully apply. Stronger tools to assess administration capability and risk, alongside evidence-based accreditation, will help trustees identify where further support or intervention is needed. Governance should also maintain a clear focus on member experience, so decisions reflect the real-world impact of delay, error or poor communication.

By 2030, trustees will also be operating in a very different pensions environment. The introduction of the Value for Money framework, ongoing dashboard duties, and emerging tax or legislative changes will significantly expand the scope of what trustees need to understand and oversee. This wider agenda is likely to increase reliance on specialist advisers across multiple disciplines, adding coordination challenges and creating new potential administrative burdens. As member engagement grows and interactions become more digital, trustees will need support to ensure increased complexity doesn't dilute governance focus or create gaps between advice, operational delivery and member outcomes.

In this future environment, trustees will benefit from support structures which help them navigate a broader and more interconnected set of responsibilities, ensure specialist advice is effectively integrated into decision-making, and maintain clarity of accountability across increasingly complex delivery chains.

**Question 4: Does effective scheme governance in a Megafund require additional support or any specific changes in regulatory approach?**

Yes. DC Megafunds introduce a materially different order of operational and systemic risk. They're too big to fail, and a disorderly failure would be hard to remediate quickly given concentration among a small number of administrators and core software platforms. International experience, for example Australia's Superannuation market, shows scale alone doesn't guarantee a good saver experience. Large entities can face diseconomies of scale, more complex coordination, slower change and heightened cyber threat profiles.

Governance expectations should therefore be tiered, with enhanced requirements for Megafunds, while recognising sectionalised operating models may mitigate transition risks. Member voice can easily be diluted at this scale. Mechanisms such as member forums can help preserve saver focus. Our Standards and Guidance are designed to scale proportionately and can support the development of such an enhanced regime.

**Question 16: What skills will trustees of trust-based pension schemes need in order to be an effective and efficient trustee board? For example, areas such as leadership experience, negotiation skills, investment management, (including sustainability-related investment management), communications, financial planning? What other areas should trustees have proficiency in?**

As regulation and operating environments evolve, trustees need deeper operational fluency alongside traditional governance and investment skills. Boards should understand how benefit specifications translate into calculations and system rules, how to evaluate administration risk (data quality, cyber resilience, operational controls, service MI), and how to interpret decision-useful MI beyond SLA pass rates. MI should surface trends, root causes and forward-looking risks. Digital literacy, including AI, automation and cyber-threat awareness, is now essential. Project and change-management capability will be increasingly important as consolidation, migrations and complex change programmes proliferate.

Crucially, skill needs vary by scheme type. DB, DC, CDC, DC Megafunds and DB Superfunds each require different operational expertise and risk oversight, and board composition should reflect the specific needs of the scheme.

**Question 17: Would it be appropriate for TPR to set statutory higher standards for professional trustees? What should these standards look like?**

We support statutory higher standards for professional trustees, provided they're proportionate and flexible. Given their influence and the complexity of decisions they oversee, professional trustees should evidence competence in administration, data, operational risk and the real-world impact of trustee decisions. They must be able to challenge administrators effectively, understanding service models, controls, cyber resilience and transition risks. Demonstrating effective challenge is especially key where trusteeship and administration sit within the same corporate group. Standards should:

- mandate up-to-date knowledge of regulatory change, technology, dashboards and consolidation
- be demonstrable through independent assessment
- potentially follow a tiered model with higher expectations for trustees in DC Megafunds, Superfunds and large Master Trusts

Where firms provide trusteeship alongside administration or other services, conflicts should be subject to robust safeguards and, for larger schemes, restrictions may be appropriate to sustain market confidence.

## **Question 22: What are the benefits and challenges of introducing mandatory minimum standards for administrators and/or wider administration services (such as ISPs)?**

### **Benefits**

Minimum standards would establish a consistent baseline of administration quality across delivery models, (e.g. in house, third party and insurer) improving accuracy, timeliness, data quality and member experience. They would also make selection and oversight clearer for trustees, supporting safe delivery of dashboards, Value for Money, consolidation and the potential emergence of Megafunds. Critically, the standards should drive decision-useful MI, with emphasis on clarity, trend analysis and root cause insight rather than volume, and could include uniform risk measures such as complaints per transaction to aid comparison.

To be effective, minimum standards should explicitly recognise the human dimensions of administration. Good outcomes depend not only on processes, systems and controls but also on the skills, experience and judgement of the people delivering the work. Standards should therefore encourage trustees and regulators to consider whether administrator teams have capabilities commensurate with the complexity of the scheme and of the task in hand, including DB benefit structures, legacy data issues and transition activity.

Long-standing scheme knowledge is a significant mitigant of operational risk, particularly during de-risking exercises, system changes and provider transitions. Losing this embedded knowledge can lead to avoidable rework, delay and member detriment. Minimum standards should prompt practical measures to preserve critical knowledge, for example structured handover, known-issues registers and documented calculation and process playbook

### **Challenges**

The market's diversity requires proportionality and flexibility. Implementation will demand investment in systems, data remediation and people, with phased timelines for smaller providers. Over-prescription risks stifling innovation, and multiple competing standards would create complexity. Crucially, standards must reflect the different operational needs of DB, DC, CDC, Master Trusts, DC Megafunds and DB Superfunds.

### **Why base minimum standards on PASA's existing framework**

We already set clear, independent standards and widely used guidance grounded in operational practice, alongside an accreditation framework to evidence capability. Building on this avoids duplication, accelerates implementation and maintains a principles-based, innovation-friendly approach which can be updated as risks evolve.

### **On ISPs**

ISPs provide technical connectivity to the dashboards ecosystem. They're typically outside TPR and FCA regulation and don't perform administration of member data. In many cases, they're not permitted access to the underlying member data they transmit and therefore can't be assessed against standards designed for administrators responsible for benefit calculations, data integrity and member communications.

ISPs should instead be measured against appropriate legislative, security and contractual requirements, in the same way as other connectivity and technology partners. Imposing full administration standards on ISPs would add limited value, risk misalignment of regulatory expectations and could reduce market participation without improving member outcomes.

**Question 23: Should TPR have the same levels of regulatory oversight as the FCA regarding administrators and/or wider administration services, and why?**

We support stronger TPR oversight of administration but caution against importing a conduct-regulation model designed for retail financial services. Administration risk is fundamentally operational. TPR needs clearer visibility of capability, resilience and emerging risk, which registration and accreditation can facilitate. Differentiated oversight may be appropriate for DC Megafunds and Superfunds given their systemic importance. Aligning expectations coherently across TPR and FCA perimeters will reduce today's fragmentation without duplicating conduct regimes.

**Question 24: Should administrators have to be registered with TPR to be involved in administering a scheme? If so should TPR be able to deregister an administrator? (A model similar to that in Ireland)**

Yes, registration would give TPR essential visibility of who administers which schemes and where concentration or systemic risks are emerging. It would also aid trustees' due diligence and market understanding. Meeting defined minimum standards should be a condition of registration, with accreditation as one route to evidence compliance. De-registration should be a last resort, paired with robust continuity protections and realistic transition planning to avoid member harm. Any renewal requirements must be proportionate and focused on information TPR genuinely needs. A tiered model, e.g. a basic standard and a higher standard, could support proportional registration.

**Question 25: What risks if any, does increased levels of consolidation activity in the DC sector pose to administration service providers? How can these risks be mitigated to ensure an orderly transition to Megafunds?**

**Risks**

As consolidation accelerates, administrators will face pressure to uplift to minimum standards while servicing larger, more complex clients. DC Megafunds will be too big to fail and without phased exit structures, transitions could become extremely challenging. Larger schemes attract greater cyber risk, and market concentration may leave only a small number of viable administrators and software providers, increasing single-point-of-failure risk and the possibility of a carousel among the same few firms. Commercial pressures, including cross-selling, may intensify while some trustees may still under-invest in administration quality.

**Mitigation**

Clear standards and guidance can ensure scale doesn't compromise quality, learning from public-sector administration at scale. Governance must explicitly recognise potential diseconomies of scale. Boards should give administration explicit time and focus, maintain member-centric governance (e.g. member forums), and meet higher operational expectations for Megafunds. To address concentration risk, Megafunds should consider multi-administrator operating models or, as a minimum, require providers to maintain phased exit plans as a

condition of participation, an approach already reflected in parts of the market where panels of administrators are used for resilience.

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

TPR should adopt a more proactive supervisory stance on provider resilience and concentration risk, enabled by registration and minimum standards. This would help ensure emerging issues are identified early and addressed in a proportionate, staged way. Expectations for continuity planning should include data escrow, robust transition protocols and periodic scenario planning with industry for credible failure modes, recognising complex administration cannot be transferred overnight. Where de-registration powers are used, they must be paired with strong continuity arrangements to protect savers.



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