Department for Work & Pensions

Independent Review of The Pensions Regulator (TPR)

September 2023

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Glossary

AAA	Annual Assurance Assessment
AE	Automatic Enrolment
ALB	Arm’s Length Body
API	Application Programming Interface
ARA	Annual Report and Accounts
ARAC	Audit and Risk Assurance Committee
AUM	Assets Under Management
BAME	Black & Minority Ethnic
BoE	Bank of England
CDC	Collective Defined Contribution (Schemes)
CEO	Chief Executive Officer
CN	Contribution Notice
CO	Cabinet Office
DA	Devolved Administration
DB	Defined Benefit
DBT	Department for Business and Trade
DC	Defined Contribution
DDaT	Digital, Data and Technology
DWP	Department for Work and Pensions
EDI	Equality, Diversity and Inclusion
EU	European Union
FCA	Financial Conduct Authority
FOS	Financial Ombudsman Service
FPC	Financial Policy Committee
FSD	Financial Support Direction
FSMA	Financial Services and Markets Act

FTE	Full Time Equivalent
GDS	Government Digital Service
HMRC	His Majesty's Revenue & Customs
HMT	His Majesty's Treasury
HR	Human Resources
KPI	Key Performance Indicator
LDI	Liability Driven Investments
MaPS	The Money and Pensions Service
NAO	National Audit Office
NDPB	Non-Departmental Public Body
PAO	Principal Accounting Officer
PPF	Pensions Protection Fund
PRA	Prudential Regulation Authority
PSA 21	Pensions Schemes Act 2021
QAR	Quarterly Accountability Review
RDEL	Resource Departmental Expenditure Limits
RPC	Renumeration and People Committee
RSS	Relevant Small Schemes
RTI	Real Time Information
SEB	Single Enforcement Body
SR	Spending Review
SSRA	Systems to Support Regulatory Activity
TPO	The Pensions Ombudsman
TPR	The Pensions Regulator
VfM	Value for Money

Foreword

As Lead Reviewer, I am pleased to present this Departmental Review of The Pensions Regulator.

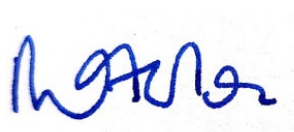
I would like to thank everyone who has contributed to this review. It has benefited from constructive engagement from TPR itself, from officials in the DWP, and from stakeholders in the industry, all of whom responded to my questions willingly and openly. I am very grateful to all those who gave their time to be interviewed and who shared their valuable insight and observations.

TPR is overall well-run, has a strong relationship with the DWP, and is generally well-regarded by its main stakeholders. Some regard it as overly risk averse, and in light of current policy debates about regulation and growth I have explored TPR's risk-appetite and stance on growth in this report.

TPR has grown significantly in recent years, reflecting the addition of new responsibilities. With further remit expansion in the pipeline, there is a risk that TPR grows inexorably unless it can bring about a step-change in its ways of working – which it plans to do through digital transformation. TPR's main challenge is pursuing its digital agenda in a way that meets its strategic ambitions yet provides enduring value for money.

There are big shifts underway in the UK pensions sector, as it transitions from a defined benefit to defined contribution basis, looks to increase contributions, and starts to explore new models such as superfunds and collective defined contribution schemes. The key recommendations in this report relate to addressing future challenges, both strategically and operationally.

I would like to thank the DWP team who supported this review for all their hard work, help and guidance.



Mary Starks

(Addendum August 2023: This report was finalised prior to the Chancellor's Mansion House speech on the 10 July, where a series of measures were announced to boost saver outcomes and increase funding liquidity for high-growth companies through reforms to the UK's pension market.)

Summary of Recommendations

TPR is broadly well-run and well-regarded, as reflected in its consistently strong performance in DWP's annual assurance ratings, and TPR's staff and stakeholder surveys. It has some notable successes in its track record, for example the implementation of Automatic Enrolment (AE). It has a coherent strategy focussed on clear outcomes with the interests of savers at its heart and holds itself to account against a range of key outcome and performance indicators. The recommendations in this report relate to areas for improvement but should be viewed against this positive backdrop.

I make 17 recommendations in this report. They are listed below, with a brief explanation of context for each (and fuller reasoning in the main body of the report). I highlight here three themes that came up in my discussions with stakeholders and that underpin the recommendations:

- **Risk and growth**: following the LDI event last autumn and broader policy concerns about productive finance, the question of how UK pension funds are invested has come under the spotlight. It is important that TPR plays an authoritative part in these policy discussions, as an informed and expert voice aligned with the interests of savers.

- **Compliance and enforcement**: TPR has a thoughtful approach to driving compliance by both employers and pension schemes, based on facilitating and encouraging compliance where possible, backed up by enforcement action as necessary. This is effective at driving compliance but leaves some stakeholders questioning TPR's appetite to punish wrongdoing. It is important that TPR is known for taking tougher action when necessary.

- **Digital transformation and value for money:** TPR has grown significantly in recent years (in common with many other regulators) reflecting additional workload associated with EU exit and the pandemic, as well as the addition of new responsibilities. To avoid inexorable growth as its remit expands TPR must find ways to discharge existing functions more efficiently, and plans to do this through digital transformation. This represents a great opportunity to transform ways of working but also a significant risk of spending scarce budget badly. Getting this right should be a key focus for TPR's leadership in the coming period.

The recommendations are set out below. I have not set out an explicit timeframe for implementation but believe the majority could be implemented within the coming year.

Efficacy

Regulatory responsibilities
The institutional framework for pensions regulation is split between trust-based schemes regulated by TPR and contract-based schemes regulated by the Financial Conduct Authority (FCA). This gives rise to some concerns in principle (risk of issues falling between gaps, duplication for regulated entities, risk of regulatory arbitrage, confusion for customers). However, these risks appear to be well managed between the two regulators. It has also been suggested that TPR's responsibilities for automatic enrolment could sit with an over-arching regulator for employment. However, there are no firm plans to create such a regulator at this stage. Therefore, I do not believe that there is a strong case for revisiting the institutional framework for pensions regulation at this point.

Recommendation 1: That TPR remains a standalone entity for the time being, albeit with continued strong lines of communication with the FCA, His Majesty's Revenue & Customs (HMRC) and other public bodies. Longer term, DWP and His Majesty's Treasury (HMT) should keep the institutional framework under review as pensions and employment policy and the pensions sector continue to evolve.

Objectives and duties with respect to the Pension Protection Fund
TPR's statutory objective to minimise calls on the Pension Protection Fund (PPF) may drive it to be overly risk averse, particularly given the PPF's strong funding position. With the advent of the Defined Benefit (DB) funding code, TPR should be in a good position to understand which schemes are taking too much risk and which could take more if they wanted. It should also be able to triage which schemes are on track for their long-term goals, which schemes need to take action to get back on track, and which schemes are unlikely to make it to buy out. Management of this last cohort should be co-planned by TPR and the PPF to maximise the benefit to savers.

Recommendation 2: Following the publication and implementation of the final DB Funding Regulations, TPR should work jointly with the PPF to manage DB pension schemes unlikely to make it to buy-out, in a way that maximises the benefit to savers.

Proposed objective on financial stability
The role of pension schemes and LDI instruments in last autumn's gilts market volatility raised questions about how TPR fits into the regulatory framework for financial stability. Both the House of Lords Industry and Regulators Committee and the Bank of England's Financial Policy Committee (FPC) have recommended that TPR be given a duty in respect of financial stability, a recommendation subsequently endorsed by the Work and Pensions Select Committee.

Recommendation 3: TPR to work with HMT and DWP to determine how TPR should best interface with the FPC on financial stability. This to include consideration of whether TPR should have a formal objective in respect of financial stability, as well as the powers, resourcing and information needed to fulfil such a role effectively.

TPR's role in respect of growth and productive finance

There are ongoing policy debates about the role of UK pensions in 'productive finance' and about the role of regulators in economic growth. I do not believe that TPR should be given a statutory duty in respect of economic growth but – considering its statutory duty towards the interests of savers – it should have a view on how regulation can drive investment behaviour that is in savers' best long-term interests. This includes a view on growth opportunity as well as downside risk, particularly for Defined Contribution (DC) savers who stand to benefit and lose directly from investment performance.

Recommendation 4: TPR to factor into the annual review of its corporate strategy its role in monitoring asset allocations and the likelihood of delivering good long-term outcomes for savers.

Scope and remit

The pensions supply chain is complex with many entities having influence over outcomes for savers, not all of whom are subject to regulatory or professional body oversight. There is a case for considering regulation of pension administrators, who are currently outside TPR's remit, and the authorisation of professional trustees.

Recommendation 5: TPR to monitor evolution of the pensions supply chain in its strategy work and flag any concerns about gaps in regulatory oversight to DWP. DWP to work with TPR to understand the costs and benefits of extending TPR's remit to cover pension administrators and introduce formal standards and authorisation for professional trustees.

Rule-making powers

The previous review recommended that DWP should consider the benefits of giving TPR rule-making powers in specific circumstances. This recommendation was not taken further due to other pressures, but I believe it should now be given proper consideration. While core pensions policy should sit clearly with DWP, there is a case for delegating day-to-day regulatory rulemaking to the regulator within constraints.

Recommendation 6: DWP to consider delegating day-to-day regulatory powers to TPR. DWP and TPR to jointly produce an options paper to include analysis of what areas of rulemaking could be delegated, and any legislative change necessary to enable this.

Enforcement strategy with schemes

TPR is not an enforcement-led regulator, choosing to focus primarily on enabling and supporting compliance, which it does to good effect. However, not all stakeholders believe that TPR is willing to use its most serious powers when necessary. This is partly because some of its powers are cumbersome to use. While I support TPR's overall approach to driving compliance, it is also important that TPR is known to be willing and able to use its enforcement powers when necessary.

Recommendation 7: TPR to review its enforcement approach, resourcing, and communication around enforcement outcomes. DWP to consider the case for simplifying the regime for use of financial support directions (FSDs) at the next legislative opportunity.

Automatic Enrolment (AE) compliance

AE compliance is systematically monitored and is high. Nonetheless, The Pensions Ombudsman (TPO), MPs and the Minister for Pensions (MfP) do receive complaints from individuals about non-compliant employers. It is important that TPR continues to take action in this space and has a strategy for dealing with (i) rogue employers (this is likely to involve cooperation with other agencies who may have concerns about the same companies) and (ii) failing firms. However, at some point the cost of trying to drive out residual non-compliance will exceed the cost of compensating those affected.

Recommendation 8: TPR to consider whether there are cost-effective options to increase incentives to comply among smaller and financially weaker employers, and to secure contributions early from employers in financial difficulty.

Supervision strategy

With initiatives underway to drive consolidation across the pensions landscape in the future, TPR will still need to oversee a 'long tail' of small schemes for the time being. At the same time, it needs to provide effective oversight of large and sophisticated financial players. This means TPR's supervision strategy will need to encourage consolidation among smaller schemes, whilst overseeing them in the meantime, and build capability to deal with the biggest players.

Recommendation 9: TPR to develop a strategy that drives consolidation among smaller schemes that are sub-scale and at risk of being badly run and also sets out its supervisory offer to deal with the largest, most sophisticated schemes. This to include consideration of the powers TPR might need to achieve this, as well as what additional capabilities it needs to invest in.

Governance

Panels

TPR has a well-resourced (if under-utilised) Determinations Panel, which allows it to draw on senior regulatory and enforcement expertise. By contrast it has no formal way to draw on pensions industry expertise and could benefit from having access to a cadre of senior staff recruited for this purpose.

Recommendation 10: TPR governance team to present options paper to TPR Board on access to, and utilisation of, senior regulatory, enforcement and sector expertise, with a view to ensuring TPR is accessing senior expertise through appropriate channels.

Executive Committee structure
TPR's committee structure is complex, and a single decision can require approval from multiple committees. I understand the incoming CEO plans to review decision-making processes and committee structure. Decision-making can only be streamlined effectively in combination with efforts to re-articulate risk tolerance and to establish an improved culture of autonomy and trust.

Recommendation 11: TPR to review its internal committee structure and risk framework with a view to stream-lining decision making at the appropriate level, giving due weight to cultural as well as procedural aspects.

Accountability

Impact reporting
TPR holds itself to account publicly against a range of key outcome and performance indicators. Nonetheless, impact reporting remains a work in progress and one which I encourage. A key challenge is being able to devote time and resource to doing it properly.

Recommendation 12: TPR to consider the next stage in the evolution of its approach to monitoring of outcomes and impact, with a focus on capturing lessons learnt. To include consideration of budget to devote to this activity, and where in the organisation this function should sit.

Efficiency

Delivering 5% efficiency savings
TPR has agreed a plan for delivering 5% efficiency savings. Further savings may be available from revisiting the AE operating model now that AE has been fully implemented. The Cabinet Office Public Bodies Corporate Function Benchmarking exercise also suggested modest efficiency gains are available in corporate functions.

Recommendation 13: TPR to review its plans for delivering 5% efficiency savings, with a particular focus on identifying further savings in addition to those already being realised through estate costs and the Capita insourcing.

Funding streams
It has been suggested that now AE employer compliance is moving into steady state, TPR could be fully funded by the pensions sector, rather than having an element of taxpayer funding. In my view this would be a sensible development but the timing needs consideration in light of the need to recover the significant deficit in the General Levy on pension schemes.

Recommendation 14: DWP, in consultation with HMT, to undertake an analysis of how TPR could be fully funded by the pensions sector to inform a recommendation to Ministers. This should account for timing given the levy deficit, and the appropriate distribution of costs across the industry.

Hybrid working
TPR staff have not returned to the office post-covid to the same extent as many other organisations. This partly reflects that TPR has more staff based outside Brighton than pre-pandemic. TPR is currently in the 'test and learn' phase of its hybrid working trial. In assessing the results of that trial, I encourage it to consider the distinct needs of staff in Brighton and staff based elsewhere as it develops its working policy going forward.

Recommendation 15: On completion of the 'test and learn' phase, TPR to review its policy on hybrid working and its estates policy outside Brighton.

Digital transformation
TPR's ambition to become a data-led regulator is in keeping with broader regulatory trends and is the right ambition. TPR has started to consider factors including resource, investments, expected pay-offs and digital readiness of the sector but has some way to go to articulate its digital and data ambitions in detail and to make key choices about priorities and sequencing.

Recommendation 16: TPR to develop a clear strategy for digital transformation in terms of both invest-to-save and invest-to-improve measures. Within this, ensure that the best mix of in-house and external contracting is used to minimise costs and grow in-house skills and capability; and that sequencing and prioritisation of projects takes into account capability in the sector. TPR to design specific governance for digital transformation and to seek support from DWP for training in new ways of working and navigating Government Digital Services standard assessment process.

Levy Deficit
In recent years the General Levy has fallen significantly into deficit, following ministerial decisions not to raise the levy in line with costs. A remediation plan is now in place; nonetheless the existence of a deficit pushes already incurred costs onto future savers and reduces financial headroom and flexibility for the regulatory regime. There should be stronger measures to stop this happening in future.

Recommendation 17: DWP to develop and implement procedural controls to ensure TPR budgets and funding stay within agreed tolerances.

Scope and Purpose of the review

1. The report sets out the findings from the public bodies review of The Pensions Regulator (TPR), which is a non-departmental public body (NDPB), sponsored by the Department for Work and Pensions (DWP), reporting to the responsible Minister on behalf of the Secretary of State for Work and Pensions.

2. TPR was last reviewed in 2019;[1] the full set of recommendations from that review is set out in Annex A. All the previous recommendations have since been implemented or made business as usual, apart from Recommendation 1; that DWP consider extending the rule-making powers of TPR. This was not fully considered after the review publication due to competing pressures resulting from Brexit and the pandemic, so this recommendation has been revisited within this review.

3. This review was undertaken during the early part of 2023, with support from a small review team within DWP. The review's terms of reference, found in Annex B, were agreed by the Minister for Pensions and Secretary of State, in accordance with the recently updated Cabinet Office (CO) Public Bodies guidelines.[2]

4. The review aims to provide a robust challenge to, and assurance of TPR. In doing so it draws on the structure and approach of the CO's plan for future reviews, focussing on four key areas:

- Governance;
- Accountability;
- Efficacy;
- Efficiency.

5. CO guidance sets a requirement to identify efficiency savings of more than 5% in nominal terms as of 2022/23 budgets, to be achieved by Arm's Length Bodies (ALBs) within 1-3 years of the review, unless a pre-existing efficiency savings target is already in place.[3] TPR has already identified a range of efficiency savings and I comment on these in this report.

6. The period of the review coincided with the end of the previous Chief Executive's term, and the new Chief Executive starting in post. This is likely to entail some organisational and strategic review. Where plans are already in place, I reference these in the report, but I note that it is early days. I hope the incoming CEO will find this report useful; it is not intended to be constraining in any way.

7. In light of the above, and focussing on areas where this review can add value, I have considered:

[1] The Pensions Regulator: tailored review - GOV.UK (www.gov.uk)
[2] Guidance on the undertaking of Reviews of Public Bodies - GOV.UK (www.gov.uk)
[3] Cabinet Office, Guidance on the undertaking of Reviews of Public Bodies - GOV.UK (www.gov.uk), 2022

- Whether TPR is well set up to do its job within the wider systems of pensions and financial regulation, with appropriate objectives, powers and resources.
- Whether TPR is well set up to adapt and respond to future challenges, including the operational implications of the proposal that TPR should have a remit in respect of financial stability.
- Whether TPR is well governed, efficiently run and appropriately funded.
- How well TPR is managing relationships with its key stakeholders, including the pensions industry, other public bodies in the pensions sector, DWP, and the other relevant departments and branches of Government.
- Whether there are opportunities to undertake activities in a more efficient manner, making best use of technology, and the case for increased expenditure to support digital transformation.

8. In undertaking the review, I spoke with key TPR staff and over twenty external stakeholders, with meetings conducted both virtually and face-to-face, and received additional written communication from another two stakeholders. I also reviewed documentation provided from both TPR and DWP. This input suggested issues to explore in more depth and helped shape the findings of this report. I also attended a TPR Board meeting and visited the TPR offices in Brighton. A full list of the organisations interviewed is at Annex C.

Overview of TPR

9. In this section I outline TPR's remit and provide an overview of:

- Its size and funding
- Its strategy and plans
- Staff and stakeholder sentiment

10. I then turn to the context in which TPR is operating, with a brief overview of the pensions landscape and upcoming policy and regulatory developments.

The remit of TPR

11. TPR is the UK regulator of workplace pension schemes, working with trustees, employers, and business advisers in the public and private sectors. TPR's statutory objectives are set out in the Pensions Act 2004,[4] amended by the Pensions Acts 2008[5] and 2014.[6] These are:

- To protect the benefits of members of occupational pension schemes.

[4] Pensions Act 2004 (legislation.gov.uk)
[5] Pensions Act 2008 (legislation.gov.uk)
[6] Pensions Act 2014 (legislation.gov.uk)

- To protect the benefits of members of personal pension schemes (where there is a direct payment arrangement).
- To promote and to improve understanding of the good administration of work-based pension schemes.
- To reduce the risk of situations arising which may lead to compensation being payable from the PPF.
- To maximise employer compliance and employer duties and the employment safeguards introduced by the Pensions Act 2008.
- In relation to defined benefit (DB) scheme funding, to minimise any adverse impact on the sustainable growth of an employer.

12. TPR's role has grown in recent years with new powers introduced for the regulation of Master Trusts in the Pensions Schemes Act 2017.[7] In addition, the Pension Schemes Act 2021[8] introduced new powers to penalise reckless behaviour, Collective Defined Contribution (CDC) Schemes, and new requirements related to Climate Change risk and DB funding.

Size and funding[9]

13. TPR has 928 payroll full-time equivalent (FTE) and 59 contractor FTE staff on 31 May 2023 and is funded through grant-in-aid from DWP, with a total expenditure in 2022/23 of £104.7 million (including capital expenditure).

14. TPR comprises two distinct operating segments: employer compliance with the AE regime; and the regulation of new and existing Defined Benefit (DB) and Defined Contribution (DC) schemes. These are currently separately funded and operationally distinct.

15. The regulation of occupational pension schemes is funded through the General Levy charged on occupational and personal pension schemes in the United Kingdom. It is paid as a Grant-in-Aid[10] from DWP, and costs are offset by levy income. AE is taxpayer funded through a separate Grant-in-Aid stream from the DWP, and resources are charged and treated separately from levy funded activities.

16. TPR's budget is allocated on an annual basis following conversations with DWP Partnership, Policy and Finance officials, with final clearance through the Minister for Pensions. The budget conversation considers business as usual requirements alongside ministerial priorities and policies.

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[7] Pension Schemes Act 2017 (legislation.gov.uk)
[8] Pension Schemes Act 2021 (legislation.gov.uk)
[9] The figures in this section and commentary come from TPR's management accounts and include fixed asset expenditure. As a result, they are different to those included in TPR's Annual Report and Accounts.
[10] Grant in Aid is the mechanism that central government use to pay public funding to an Arm's length body or to local government, to undertake acts of a public nature.

17. Table 1 and Figure 1 below look at expenditure over time against budget. In 2022/23, TPR had a net expenditure of £104.7m (including capital expenditure), of which £68.1m related to levy-funded activities and £36.6m was attributable to AE.

18. For the past two years actual expenditure on AE was lower than the allocated budget. This was due to lower than forecast spend on projects, and savings associated with AE transformation, IT contracts, and other professional services. There was, in addition, a small underspend on the General Levy budget, predominately relating to the move to new premises and lower than expected expenditure on IT.

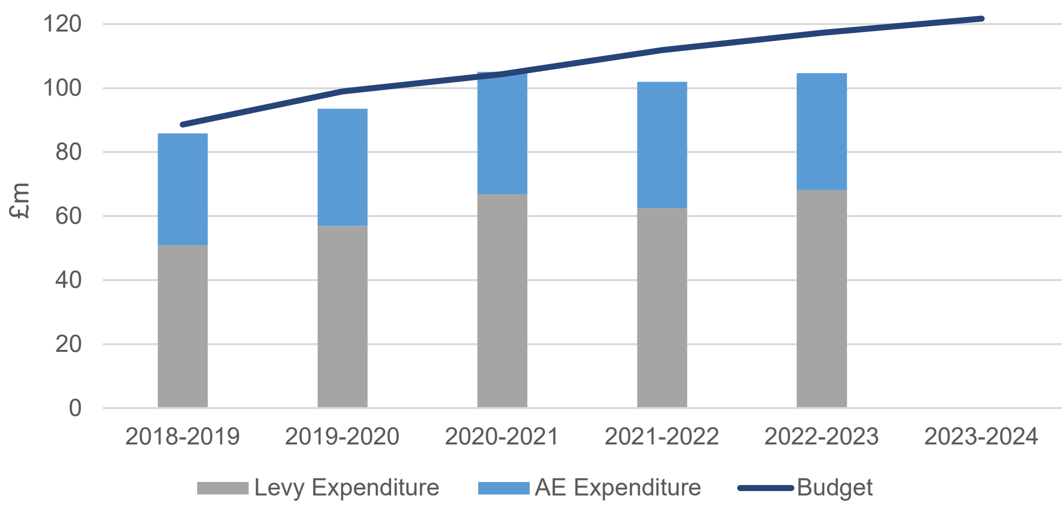
19. From 2018/19 total expenditure grew each year until 2020/21, reflecting growth in both TPR's AE and regulatory activities. The small decrease in 2021/22 came from reductions in temporary resource, the refocusing of the profile of IT contract spend on multi-year Microsoft licences, delayed project spend and case costs, offset by increases in salaried spend and depreciation. In 2022/23 net expenditure reflected continued growth in the TPR workforce offset by a full year of savings from the AE Transformation project.

Table 1: Actual expenditure and budget over time

£m	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Total Expenditure	85.7	93.6	105.1	102.0	104.7	
Levy Expenditure	50.9	56.9	66.8	62.4	68.1	
AE Expenditure	34.9	36.7	38.3	39.6	36.6	
Total Budget	88.6	99.0	104.4	111.9	117.3	121.7

Source: TPR management accounts

Figure 1: Actual expenditure and budget over time



Source: TPR management accounts

20. TPR's Corporate plan[11] sets out how the 2023/2024 budget is forecast to increase. The increase is down to increased spend on specific new initiatives such as Pension Scams Action Group, CDCs, and climate change regulation[12] and planned expenditure to deliver against the accommodation strategy.

21. Table 2 sets out the average number of FTE persons employed (including employees and contractors), broken down by department. Staffing levels have increased significantly in recent years – by over one third since 2019/20. Much of the increase in AE headcount has come from bringing the majority of TPR's AE functions in-house (these were previously outsourced to Capita). The other areas of significant headcount increase are Data, Digital and Technology, Projects, and Strategy and Communication. I understand some of this increase is temporary resource.

Table 2: Average number of persons employed (FTE) over time

	2019-2020	**2020-2021**	**2021-2022**	**2022-2023**
AE Direct	97	95	122	141
Case Costs	0	0	0	7
Corporate Services	95	116	103	110
Data, Digital and Technology	69	78	93	115
Frontline Regulation	211	228	224	227
Governance, Risk and Assurance*	26	23	47	51
Human Resources	19	25	26	28
Projects	19	52	70	82
Regulatory Policy, Analysis and Advice	120	112	116	124
Strategy & Communications*	52	63	62	67
Total	**709**	**791**	**862**	**952**

Source: TPR management accounts
*Governance, Risk and Assurance and Strategy and Communications did not exist until April 2022, when different teams were brought together.

22. Considering the growth in TPR's budget and headcount, I have attempted to benchmark its size relative to that of the FCA. (The respective responsibilities of the FCA and TPR for pensions are discussed in the Efficacy section). It is impossible to make a robust like-for-like comparison, however I note that the FCA employs around 4000 staff.[13] In terms of its pensions responsibilities, it regulates the providers of contract-based DC schemes, with around 31 million members and £728 billion assets in accumulation, of which approximately 12 million members and £260 billion assets are in workplace pension schemes.[14] It also

[11] Corporate Plan 2023/24 | The Pensions Regulator
[12] New requirements, introduced by the Occupational Penson Schemes (Climate Change Governance and Reporting) Regulations 2021 and the Occupational Pension Schemes (Climate Change Governance and Reporting) (Miscellaneous Provisions and Amendments) Regulations 2021.
[13] FCA Annual Report and Accounts: 2021/22
[14] Figures are taken from the following press release: TPR and FCA in push to drive pensions value for money | The Pensions Regulator

oversees the wider investment management sector and banking sector, worth £ trillions.[15] In total it regulates around 50,000 firms.[16]

23. TPR employs under 1000 staff. It regulates trust-based occupational pension schemes, covering almost 10 million members of just over 5,000 DB schemes with £1,700 billion in assets, and 18 million members of trust-based DC schemes (including master trusts), with £218 billion in assets.[17] In addition, it oversees the compliance with AE of around 1.5 million employers.[18]

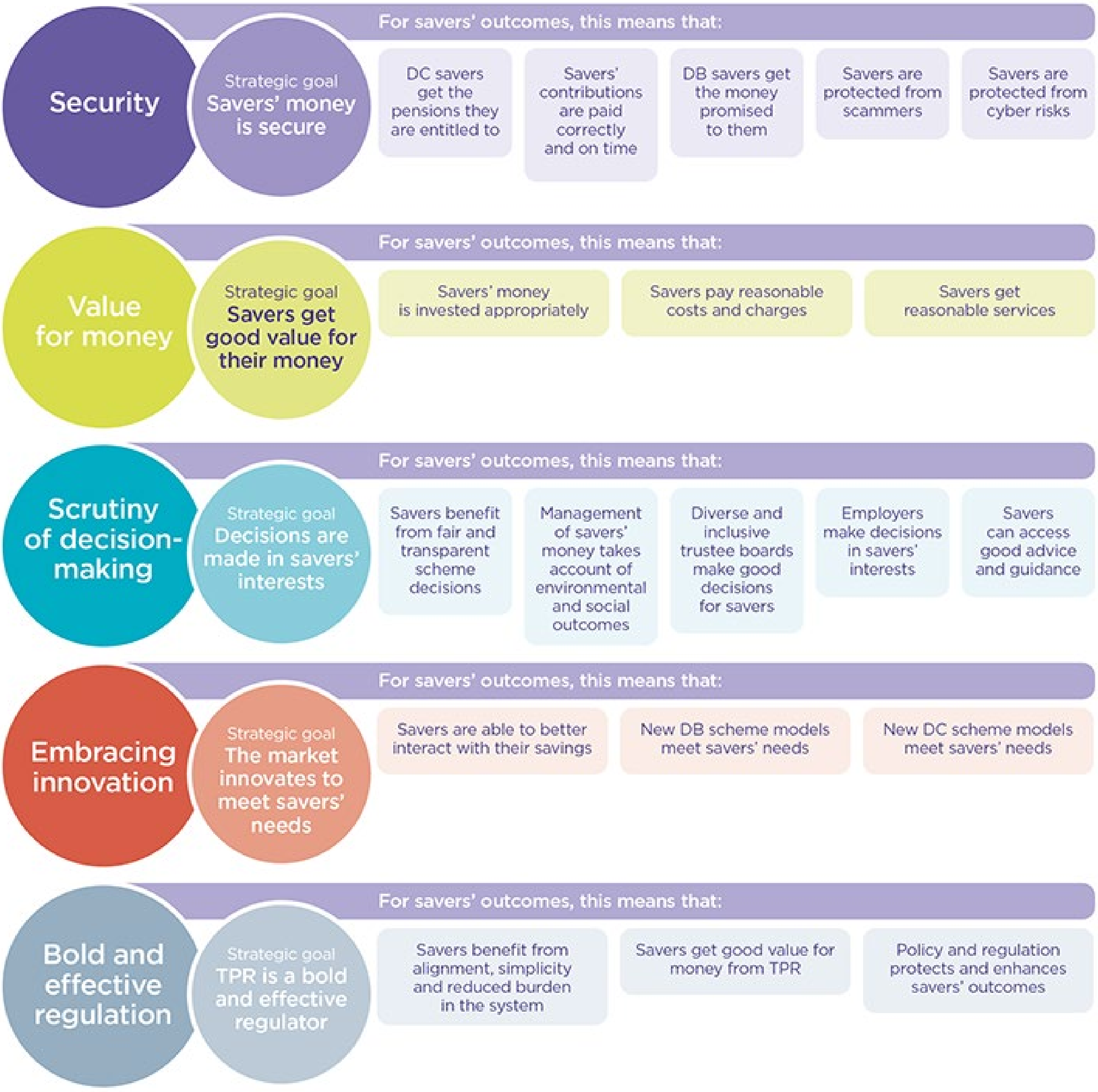
24. In my view, this comparison does not immediately suggest that TPR has become too big relative to the role it plays. Nonetheless I explore the potential for efficiency gains in a later section.

Strategy and plans

25. TPR published its first corporate strategy in 2021.[19] This strategy explicitly focussed on outcomes for groups of pensions savers (segmented by age and wealth). It looked at each group's reliance on DB, DC, state pension, and other long-term savings; the different challenges facing each group; and the major trends that TPR expects will shape retirement savings over the next 15 years.

26. The strategy sets out five focus areas, illustrated below:

[15] Investment Management Survey 2021/22 full report.pdf (theia.org)
[16] FCA Annual Report and Accounts: 2021/22, p14
[17] Figures are taken from the following press release: TPR and FCA in push to drive pensions value for money | The Pensions Regulator
Purple Book | Pension Protection Fund (ppf.co.uk)
[18] Automatic enrolment declaration of compliance report | The Pensions Regulator
[19] Corporate Strategy Pensions Future | The Pensions Regulator



Source: TPR

27. TPR operates a three-year strategy cycle, with an annual review to update for any changes to the regulatory landscape or other developments. It has concluded the first three-year cycle and is embarking on the second cycle. This has included re-analysing the risk picture and validating the approach with its Board.

28. TPR recently released its Corporate Plan[20] for 2023/24, outlining its priority activity and milestones for the upcoming year across all five strategic priorities. These are summarised in the table below:

[20] Corporate Plan 2023/24 | The Pensions Regulator

Table 3: Key activities and milestones

Strategic priority	Key activities and milestones 2023/24
Security	• Preparing for the launch of our DB funding code and regulatory framework in 2024. • Improving how we monitor and assess market risks and events. • Developing our relationship supervision team, including working with further administrators in Q1. • Delivering year 2 of our pension scams strategy. • Developing AE operations so they are more efficient and effective in the long term.
Value for money	• Contribute to the joint consultation response on the value for money framework — Q2. • Develop a value for money policy with the FCA and DWP. • Undertake a regulatory initiative on value for member assessments. • Engage with administrators and increase engagement levels in Q1.
Scrutiny of decision-making	• Publishing our general code in Q1. • Commencing our regulatory initiatives on equality, diversity and inclusion (EDI) and climate change in Q1. • Delivering a range of activities to support our commitment to climate change. • Creating an option analysis on the future regulation of governance and trusteeship — Q4.
Embracing innovation	• Reviewing our DB superfunds guidance. • Assessing authorisation applications for DB superfunds and CDC schemes and carrying out ongoing scheme supervision. • Helping the pensions industry to prepare for pensions dashboards.
Bold and effective regulation	• Delivering our supervision strategy in Q1. • Delivering against our AE operational strategy. • Completing our internal value for money pilot and set out recommendations. • Embedding our digital, data and technology (DDaT) directorate. • Net zero plan in Q4.

29. It also provides an overview of plans beyond March 2024. This includes:

- A new “twin track” approach to oversight of DB valuations (comprising both “fast track” and “bespoke” engagements).

- Streamlining AE compliance work to make it more targeted and risk-based.
- Embedding the value for money framework - monitoring outcomes and taking remedial action where poor value schemes remain in the market.
- Work on protecting value at decumulation for DC savers.
- Further policy work on professionalisation of trustees, together with DWP.
- Delivering new regimes for authorising and overseeing new models (DB superfunds and CDC schemes)
- Build digital platforms for engaging with the regulated community to capture and analyse data and streamline operations

30. In my view these plans are coherent and well-aligned with TPR's longer-term strategy, with clear milestones allowing stakeholders (including both the regulated community and DWP) to track progress.

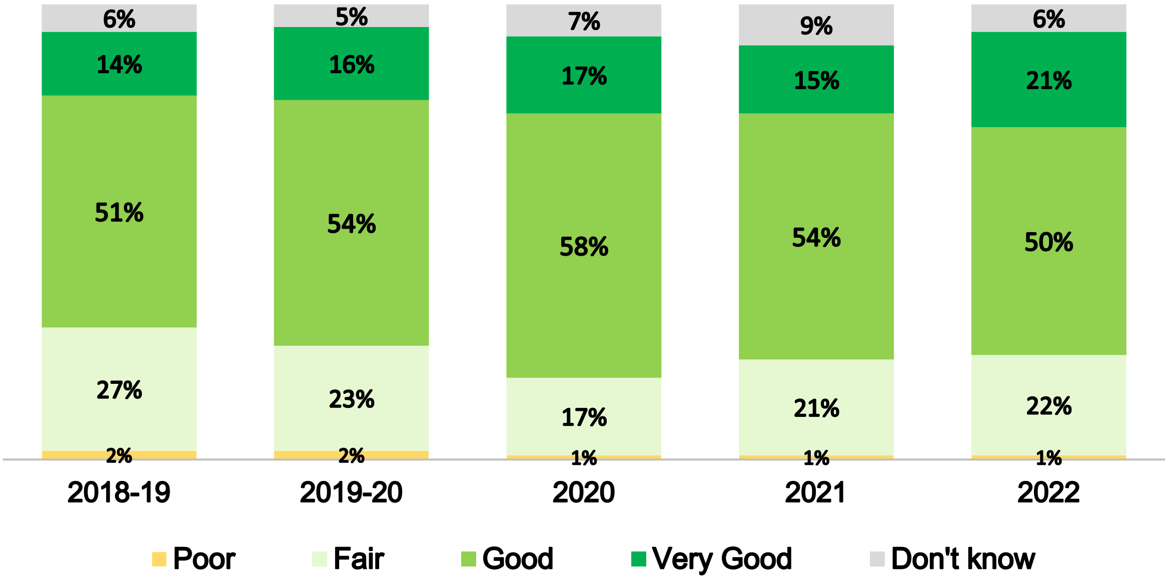
Staff and stakeholder sentiment

31. TPR staff engagement has been improving in recent years and is now high. The overall employee engagement score was 72% for 2022. It was 72% in 2021, 62% in 2020 and 58% in 2019.[21] While staff raised a few specific issues with me, which I cover in the following chapters, these figures show that specific concerns were raised against an overall positive backdrop.

32. TPR is generally well-regarded by stakeholders. Figure 2 shows results from TPR's most recent (2022) stakeholder survey, demonstrating consistently positive results over several years. Annex F shows a more detailed analysis by activity.

[21] TPR Annual Report and Accounts 2021/22, p36

Figure 2: Stakeholder rating of TPR's overall performance as a regulator



Source: TPR internal analysis of their Perceptions tracker Pensions research and analysis | The Pensions Regulator

33. The survey results[22] show that most stakeholders were favourable towards TPR. Stakeholders praised TPR for performing its role well and recognised that the job is often a difficult one given its challenging remit, its expanding powers and sheer volume of recent developments within the industry, the uncertain economic climate and general global instability. Caveats to this favourability included a perceived lack of resourcing, which was also raised with me during this review.

34. Stakeholders raised a number of specific additional issues in discussions with me, which I cover in the following chapters. But again, the survey figures demonstrate that specific concerns were raised against an overall positive backdrop.

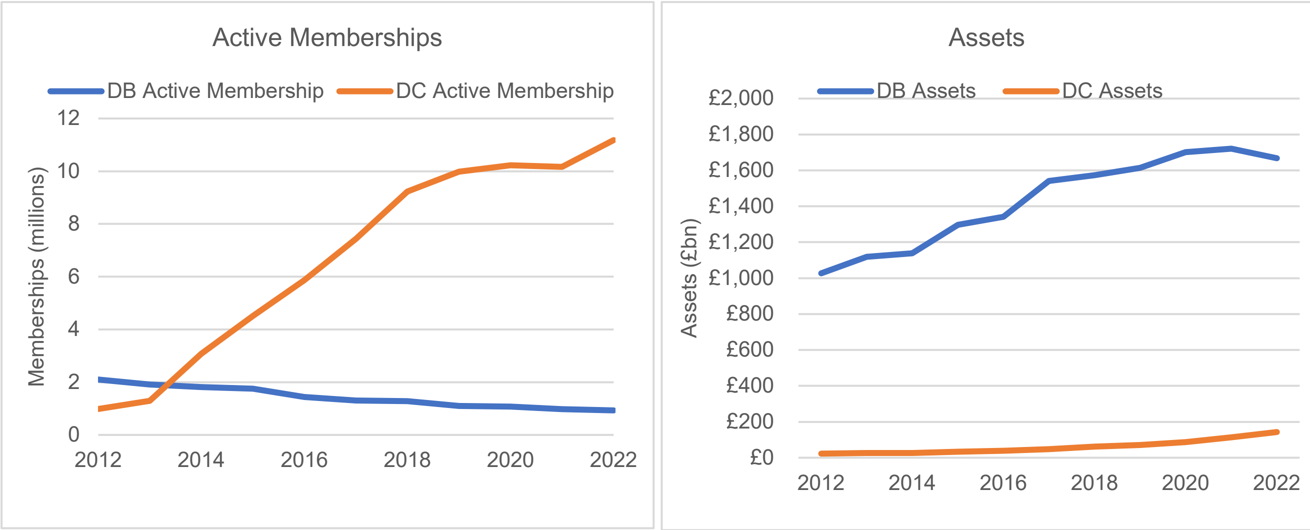
Pensions landscape

35. The shift in workplace pensions away from DB towards DC and the introduction of AE are changing the pensions landscape profoundly. Around half of DB schemes are now closed to benefit accrual,[23] while over 10 million employees have been AE in DC schemes in the decade since the programme began.

36. Many more savers are now enrolled in DC than DB schemes. However, many DC savers have relatively little pension wealth; the majority of pension assets are still within DB schemes, as illustrated in Figure 3. This is likely to remain the case for some years.

[22] Perceptions tracker Pensions research and analysis | The Pensions Regulator
[23] PPF, The Purple Book 2022

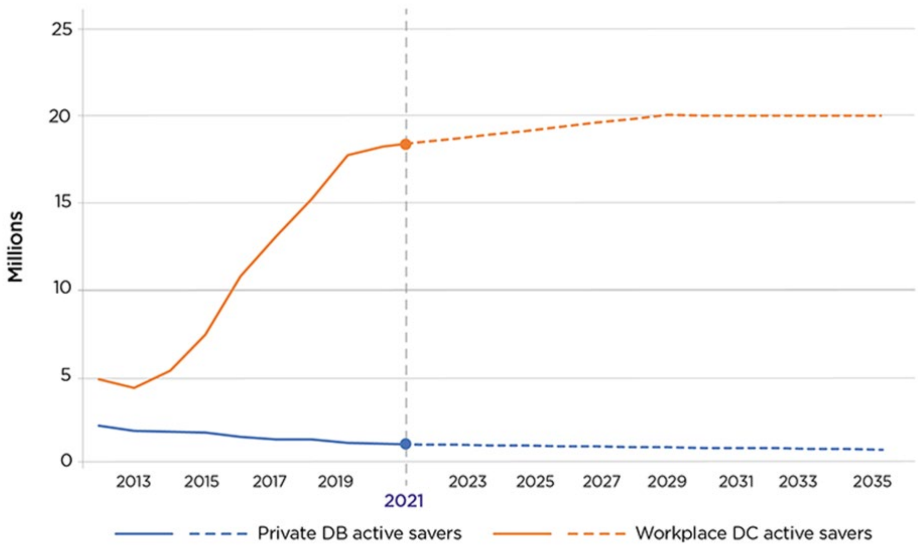
Figure 3: Memberships and Assets in DB and DC Schemes over time



Source:
*DC: [DC trust: scheme return data 2022 to 2023 annex | The Pensions Regulator]
*DB: https://www.ppf.co.uk/purple-book
Notes: DC Assets data does not include hybrid schemes, but active memberships numbers do. DC data is for trust-based schemes only

37. TPR's strategy is clear on these shifts and on the need to evolve its activities and focus in the coming years.

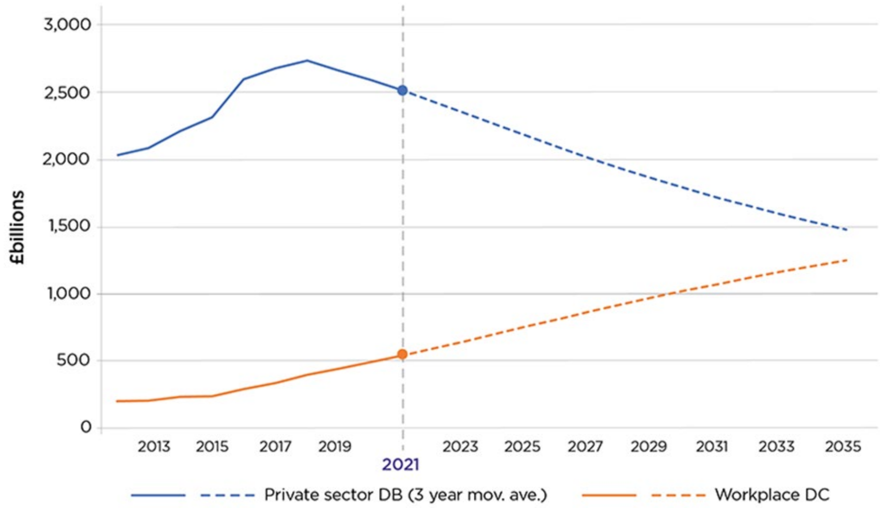
Figure 4: Active DB and DC savers - includes projected figures until 2035[24]



Source: [Corporate Strategy Pensions Future | The Pensions Regulator]

[24] See note on methodology used for graphic

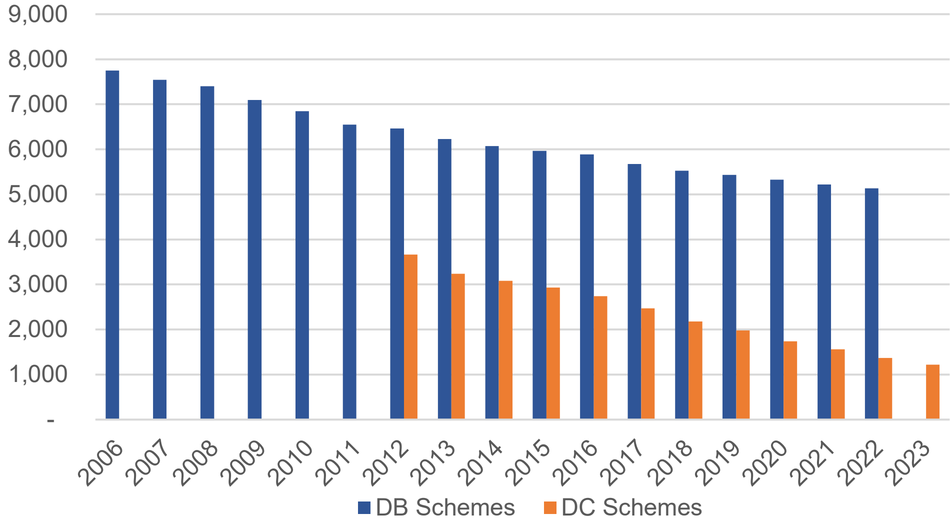
Figure 5: DB obligations/DC assets under management (AUM) including projected figures until 2035[25]



Source: [Corporate Strategy Pensions Future | The Pensions Regulator]

38. The market is seeing consolidation of schemes, in both DB and DC, as illustrated in Figure 6 below. However, there are a very large number of micro schemes which continue to exist, as shown in Figure 7. Both DWP and TPR expect and plan for consolidation to continue, meaning in future TPR will need to regulate a smaller number of larger schemes, which will present a different set of regulatory challenges. I return to this below.

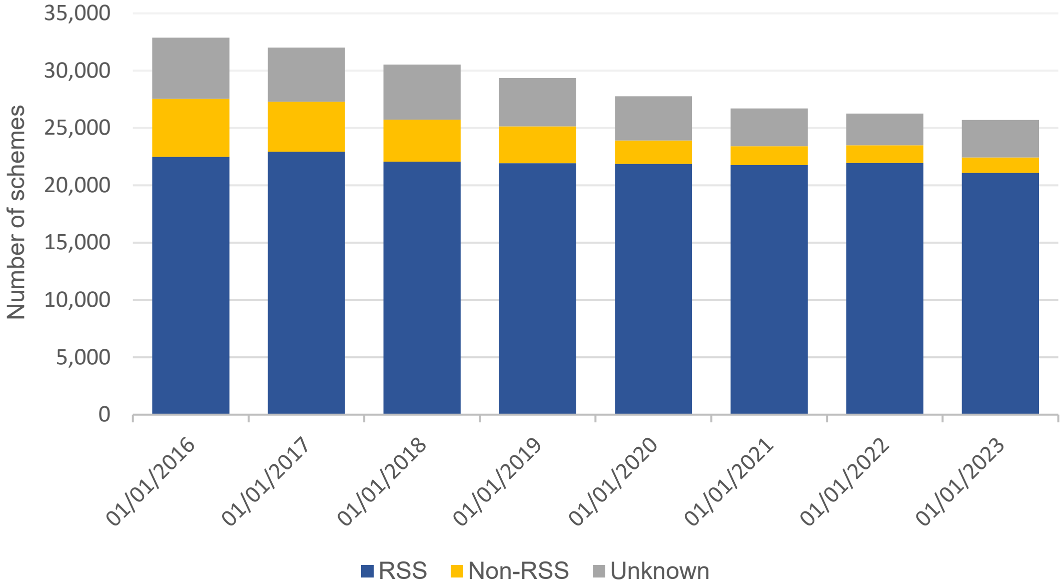
Figure 6: Number of DB and DC schemes with 12 or more members over time



Source:
*DC: DC trust: scheme return data 2022 to 2023 annex | The Pensions Regulator
*DB: https://www.ppf.co.uk/purple-book

25 See note on methodology used for graphic

Figure 7: Micro DC trust schemes by relevant small schemes (RSS) status (excluding hybrid schemes) 2016 to 2023[26]



Source: DC trust: scheme return data 2022 to 2023 | The Pensions Regulator

Upcoming policy and regulatory developments

Defined Benefit (DB) schemes:

39. TPR is preparing for the launch of the new Defined Benefit Funding Code. The Code will provide practical guidance to trustees and sponsoring employers on how to comply with the new scheme funding legislation. This legislation will require DB schemes to have a funding and investment strategy that ensures pension and other benefits can be paid over the long term. Schemes will be required to report progress against targets to TPR. This will strengthen TPR's ability to enforce DB scheme funding rules and enable TPR to intervene more effectively by making it easier to assess scheme risks and target interventions. Subject to Parliamentary approval, DWP and TPR are planning for both the Defined Benefit Funding Code and the Occupational Pension Schemes (Funding and Investment Strategy and Amendment) Regulations 2023 to come into force from April 2024.

40. In 2018 DWP consulted on a number of measures to support the consolidation of DB schemes including a new legislative and regulatory regime for superfunds. A superfund is a commercial consolidator – a multi-employer DB scheme backed by private capital, which takes on responsibility for paying members' benefits.

[26] All figures refer to micro schemes, excluding hybrid schemes. Relevant small schemes (RSS) - a subset of micro schemes - are subject to fewer regulations than other occupational DC schemes, and include schemes formerly known as small self-administered schemes (SSAS). We continue to provide figures in respect of these schemes. 87% of micro schemes provided details of their RSS status. Of these, 94% identified themselves as an RSS.

Superfunds are designed to improve the likelihood that members of a closed DB scheme will get their full benefits and offer a new way for employers to remove the scheme from their balance sheet. TPR has been regulating on an interim basis, pending the outcome of the consultation and legislation underpinning an enduring regime. Stakeholders I spoke to expressed frustration at the slow progress towards an enduring regime, and the impact of the delay on the nascent market: only one superfund has so far been authorised (Clara Pensions, assessed prior to publication). However, I understand that DWP remains committed to responding to the consultation and to legislating when parliamentary time allows. In the meantime, DWP is working with TPR to review the interim regime and ensure the market develops in a controlled manner with clear standards and requirements in place.

Defined Contribution (DC) schemes:

41. DWP, TPR and the FCA are working closely together to develop a Value for Money (VfM) framework and regulatory regime. A policy consultation ran from January to March 2023 and in the consultation response published in July, DWP, TPR and the FCA set out proposals for a framework of metrics, standards, and disclosures to assess value for money across DC schemes.[27] The framework is designed to improve retirement outcomes and increase the levels of transparency and competition in the pension sector. The framework also proposes new powers for regulators to enforce the consolidation of consistently underperforming schemes.

42. This builds on the introduction of a statutory obligation in 2021 for smaller schemes (under £100m in assets) to conduct a Value for Members assessment, with a view to requiring schemes to consolidate if they cannot offer good value for members.[28] There have been reports that many schemes were unaware of this obligation.[29]

43. Once the VFM framework is introduced, it will replace the Value for Members assessment. In the meantime, the Value for Members assessment has a key role to play in helping trustees focus on the value their scheme provides, including net investment returns, costs and governance, and in prompting underperforming schemes to improve, wind up or consolidate.

Collective Defined Contribution (CDC) schemes:

44. CDC schemes provide an alternative to traditional DB and DC pension schemes. In CDC schemes, member and employer contributions are pooled in a collective fund from which an aspired to pension income for life is drawn. From a saver perspective, the advantage over DC is that longevity and investment risks are pooled. From an employer perspective, the advantage over DB is that costs are predictable. The legislative framework for single and connected employer CDC

[27] Value for Money: A framework on metrics, standards, and disclosures - GOV.UK (www.gov.uk)
[28] Value for members | DC pension schemes | The Pensions Regulator
[29] TPR launches regulatory initiative on value for member requirements - Pensions Age Magazine

schemes came into force in August 2022 and in April 2023 TPR authorised the first such scheme. TPR is currently working with DWP to develop the appropriate regulatory framework for unconnected multi-employer CDC schemes, CDC master trusts[30] and CDC decumulation products which will increase the number of employers and members who can benefit from such schemes.

Automatic Enrolment (AE):

45. October 2022 saw the 10-year anniversary of AE into workplace pensions. More than 10.8 million workers have been enrolled into a workplace pension to date,[31] saving around an additional £32.9 billion in real terms in 2021 compared to 2012.[32] Future ambitions for AE are to give lower earners, including those in part-time work, greater opportunity to build retirement savings and to enable 18 to 21-year-olds to start building a pension from their first day in work, through implementation of the 2017 AE review measures. The necessary legislation to provide enabling powers is currently before parliament, before looking at further changes to the AE framework, recognising the current minimum contribution of 8% on a band of earnings is unlikely to support the retirement lifestyle to which most individuals aspire.

46. TPR, DWP and the Department for Business and Trade (DBT) continue to work on the complex issue of 'gig' economy workers. DWP's view is that many gig economy workers are already eligible for AE, including those on fixed term contracts, zero-hours contracts and agency workers. TPR acts primarily on the basis of findings of Employment Tribunals on the status of workers. It has to date opened eight investigations involving gig economy operators, mainly in the delivery sector (people, goods, food). TPR estimates that through its enforcement action to date, around 100,000 workers have been automatically enrolled and around £100m has been paid into their pension savings through backdated contributions by the operators involved.

[30] In CDC schemes, member and employer contributions are pooled in a collective fund from which an aspired to pension income for life is drawn. A CDC 'Master Trust' is not used/intended to be used by employers that are connected to each other, conversely, employers may be intentionally connected in a 'multi- employer scheme'.

[31] Automatic enrolment declaration of compliance report | The Pensions Regulator

[32] Ten years of Automatic Enrolment achieves over £114bn pension savings - GOV.UK (www.gov.uk)

Efficacy

47. In this section I consider TPR's scope and remit, and whether it is well set up to discharge its responsibilities. This includes specific consideration of:

- Whether TPR meets the CO's three tests for an arm's length body.
- Whether the split of responsibilities between TPR and the FCA is appropriate and well-managed.
- Whether TPR's duty to minimise calls on the PPF drives undue risk aversion
- The implications of including financial stability within TPR's remit.
- Whether TPR should have duties in respect of growth or productive finance.
- Whether TPR's remit should be extended to pension administrators, or other currently unregulated pensions industry participants and authorisation of professional trustees.
- Whether the balance of rule-making powers between DWP and TPR is appropriate.
- Whether TPR is set up to make good use of its enforcement powers.
- Future issues for TPR to address as part of its supervision strategy.

Form and Function

ALB status

48. Cabinet Office (CO) guidance[33] outlines three criteria for classification of an organisation as an ALB; of which at least one of the three tests must be met:

- Is this a technical function, which needs external expertise to deliver?
- Is this a function which needs to be, and be seen to be, delivered with political impartiality?
- Is this a function that needs to be delivered independently of ministers to establish facts and/or figures with integrity?

49. In my view TPR meets all three tests above. There is a clear need for specialist expertise, related to pensions policy but also actuarial skills, enforcement and legal expertise. Decisions (such as enforcement) require political impartiality, as with all regulators of powerful interests. I will discuss further, in the section on rule making powers, whether the line between Government policy and independent regulation is drawn in the right place. I also note in respect of the final test, this will be increasingly important if TPR is asked to contribute facts and data to financial stability discussions.

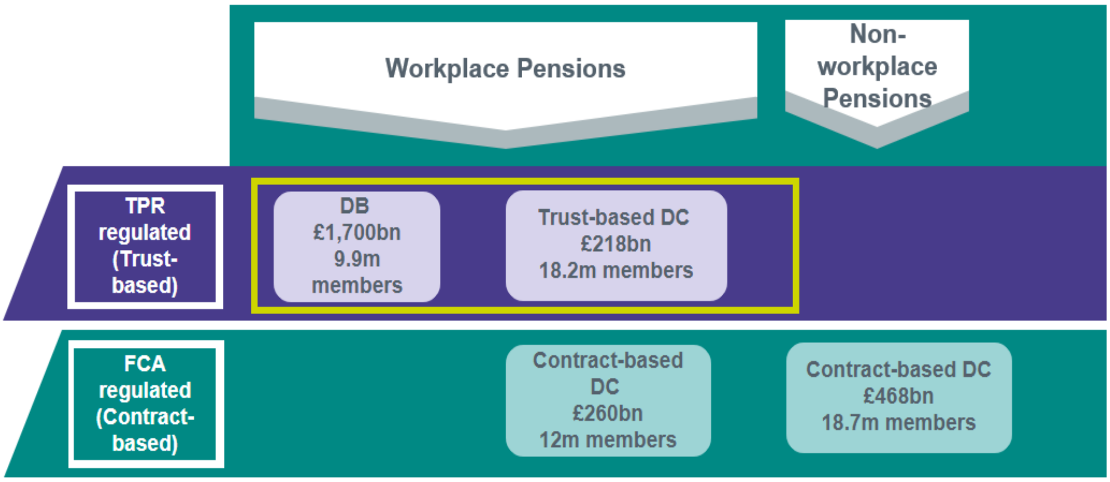
[33] Cabinet Office, Requirements for Reviews of Public Bodies - GOV.UK (www.gov.uk), 2022

Split of regulatory responsibilities between TPR and the FCA

50. Pension schemes in the UK can be trust-based or contract-based. Trust-based schemes are governed by a trust deed and overseen by pension fund trustees, while contract-based schemes are governed by individual contracts between the member and the scheme provider.[34] Trust-based schemes (which include all DB schemes, and some DC schemes) are regulated by TPR, while contract-based schemes (all DC) are regulated by the FCA.

51. Figure 8 below illustrates this division of responsibilities and the scale of each regulator's coverage, in terms of scheme members and pension assets.

Figure 8: TPR and FCA responsibilities[35]



Source: TPR

52. I understand this split responsibility for pension regulation is a result of history more than design. The question arises, therefore, whether there is a case for combining pensions regulation within a single body, for example by merging TPR and the FCA.

53. This question was considered in the Tailored Review of TPR in 2019.[36] The review concluded that the two organisations are distinct in their missions and would not benefit from being merged into one body.

54. Among the stakeholders I spoke to, no-one argued that the status quo was optimal, but most did not feel there was an urgent case for change, noting joint work on areas of common interest and generally good working relationships between the two organisations. For example:

[34] See for example here a fuller explanation of the differences.
[35] TPR shared this graphic with me, which I found helpful, although I accept that the figures may not be up to date. Original sources can be found at:
DC members.: PLSA publication:
DC assets: Broadridge report
DB members: PPF's purple book
DB assets: PPF's purple book
[36] Department for Work and Pensions, The Pensions Regulator: tailored review - GOV.UK (www.gov.uk), 2019

- TPR and the FCA published an update to their joint strategy in 2022.[37] It addresses the issues facing the pensions sector and outlines priorities over the next five years, including improving consumer protection, promoting competition and combating financial crime. It also emphasises the importance of collaboration between both organisations in ensuring effective oversight of the industry.

- TPR, the FCA and DWP have also consulted jointly on the value for money (VfM) framework.[38] The consultation (which closed in March 2023) set out metrics and standards to assess value for money across both trust- and contract-based pension schemes, to enable comparisons between different schemes' costs and charges, investment performance and service standards.

55. Some stakeholders raised concerns in principle, related to risks of issues falling between gaps, duplication of effort for regulated entities, risk of regulatory arbitrage, and confusion for customers. However, most felt these risks were fairly well managed. The clearest example brought to my attention of actual harm was the British Steel pension liberation scams, where one stakeholder argued that a unified regulator would have been better placed to anticipate and mitigate this risk, for example by staggering the process so that fewer savers were facing major decisions at the same time and ensuring the right support was in place.

56. Stakeholders also raised significant questions around the future of DC pensions policy that go beyond the issue of having two regulators. These included:

- Regarding consolidation of weaker schemes, there exists a mechanism for trust-to-trust transfer but there are no straight forward mechanisms for trust-to-contract transfer, even where this might be in savers' best interests.

- AE is premised on low engagement, while pensions freedoms are premised on engagement. In a contract-based world (underpinned by the FCA's consumer duty) firms can and do support customers through the transition to retirement; in a trust-based world there is no similar regulatory framework, but DWP are consulting on this.

57. While these are important questions, they are beyond the scope of this review.

58. The gilt market volatility of September 2022 tested regulatory coordination under pressure. The stakeholders I spoke to felt that communication and decision-making between TPR and the FCA had worked well on the whole.

59. Taking all this into account, I do **not** recommend a change to the institutional framework at this time, since it is far from clear that the benefits of shifting to a single regulator outweigh the costs and risks of distraction. Experience suggests that merging public bodies can be more difficult than first apparent, particularly

[37] Regulating pensions and retirement income: FCA/TPR regulatory strategy update | The Pensions Regulator
[38] Value for money (VFM) framework consultation | The Pensions Regulator

where the two regimes have different legal bases. (For example, in 2007 the Government accepted a recommendation to merge The Pensions Ombudsman (TPO) and the Financial Ombudsman Service (FOS), but this was abandoned once the legal complexities were properly examined). I note also that TPR's responsibilities for employer compliance would not sit well with the FCA (I discuss these responsibilities further below).

60. Instead, I recommend TPR and FCA continue to work collaboratively on areas of common interest and to monitor and mitigate the risks to which the split regulatory framework gives rise. Policy discussions around TPR having an explicit role with respect to financial stability (discussed in more detail below) raise the possibility of closer cooperation with the FCA in areas such as data and analysis.

61. Longer-term DWP and HMT should keep the institutional framework under review, in parallel with the evolution of pensions policy.

Regulatory framework for employers

62. Several stakeholders noted that TPR's responsibilities for AE were essentially employment regulation rather than financial regulation.

63. TPR works with HMRC on AE compliance. Specifically, TPR can access certain HMRC data to detect when employers may be failing to make AE contributions. One stakeholder suggested HMRC might be better placed to ensure compliance through automatic collection of AE contributions (akin to national insurance contributions).

64. TPR staff and other stakeholders recognised that in many cases employers who are failing on their AE duties may also be failing on other duties (e.g. tax, health and safety) for example "rogue" employers, or businesses under severe financial pressure.

65. The idea of a unified employment regulator was proposed by Government in 2018[39] but has not been taken forward. In April, the Resolution Foundation concluded a programme of work on labour market enforcement,[40] recommending the introduction of a single enforcement body (SEB) – this would go further than the Government's 2018 proposal and would include employers' AE duties.

66. While the question of employment regulation is far broader than the scope of this review, any future review of the institutional framework for pensions regulation should obviously take account of any further developments in this space.

[39] Good work plan - GOV.UK (www.gov.uk)
[40] Enforce for good • Resolution Foundation

67. In the meantime, I understand TPR is keen to explore the potential for sharing data and intelligence on non-compliant employers with HMRC and other public bodies.

Recommendation 1: That TPR remains a standalone entity for the time being, albeit with continued strong lines of communication with the FCA, HMRC and other public bodies. Longer term, DWP and HMT should keep the institutional framework under review as pensions and employment policy and the pensions sector continue to evolve.

Objectives and duties

68. TPR's objectives, duties and scope of remit are set out in the Overview section above. For the most part, stakeholders felt these were appropriate. However, there were some questions raised, which I cover in the following sections.

Objective with respect to the Pension Protection Fund (PPF)

69. Stakeholder feedback indicates a strong working relationship between the PPF and TPR. The PPF is well-funded and believes it has a surplus over the reserve it needs to meet future compensation payments.[41] In light of the PPF's healthy funding level, some stakeholders questioned whether it was right that TPR should have an objective to minimise calls on the PPF, or whether this objective was driving excessive risk aversion in regulation of DB schemes. To put it another way, having created a backstop to address the risk of scheme failure, it is odd for the regulator to have a statutory objective to avoid using it, and this potentially drives a degree of risk aversion that is not in savers' best interests.

70. However, the PPF is an important safeguard for DB savers, but not a complete one. If a pension fund cannot meet its liabilities and a call on the PPF is made, savers are only compensated to around 90%, and the shortfall can be considerably greater for those who are still in accrual. For as long as this remains the case, it will be strongly in the interests of affected savers to be paid out by their scheme rather than be compensated by the PPF – the more so for those still in accrual.

71. With half of all DB schemes now closed to accrual the window for schemes to take action to improve their funding position and avoid calls on the PPF is closing. As noted above, the DB funding code will drive transparency about whether schemes are on track to meet their liabilities.

72. It is likely to become apparent that there is a cohort of closed schemes that are not on track, and for which a call on the PPF is increasingly likely. For this cohort

[41] Long-Term Funding Strategy Review 2022 (ppf.co.uk)

TPR and PPF should work together in the best interests of savers, for example engaging ahead of insolvency in pre-transition planning. It will be in savers' best interests for TPR to approach this pragmatically and be realistic about the scale of the challenge, and for both PPF and Government to be supportive on this.

73. There is a further question about whether it is in the best interests of savers in the round for PPF compensation to be significantly discounted in some cases. However, this concerns the overall allocation of risk in the pensions system and is beyond the scope of this review.

Recommendation 2: Following the publication and implementation of the final DB Funding Regulations, TPR should work jointly with the PPF to manage DB pension schemes unlikely to make it to buy-out, in a way that maximises the benefit to savers.

Proposed objective on financial stability

74. The role of pensions schemes' use of liability-driven investment (LDI) in last autumn's gilts market volatility raised new questions about the significance of pension funds for financial stability, and about how TPR fits into the regulatory framework for financial stability. This has historically been focussed on banks and, to a lesser extent, insurers and is overseen by HMT and the Bank of England's Financial Policy Committee (FPC).

75. This review has not looked in any detail at the events of Autumn 2022 and does not seek to make recommendations about financial stability. However, other reviews have considered whether TPR's remit should be expanded to include financial stability, and I have considered the strategic and operational implications of this.

76. In a letter[42] to the Economic Secretary to the Treasury and the Minister for Pensions in February 2023, Lord Hollick, Chair of the Industry and Regulators Committee called for action to improve regulation and reduce the risk of disruption caused by the use of LDI strategies by DB pension funds. The letter recommended, amongst other things, that TPR should be given a statutory duty or ministerial direction to consider the impacts of the pensions sector on the wider financial system. It also recommended that the FPC should be given the power to direct action by regulators in the pensions sector if they fail to take sufficient action to address risks.

77. On 29 March 2023 the FPC published its recommendations to TPR on LDI funds,[43] which were:

[42] Industry and Regulators Committee letter - LDI Strategies by DB Pension Funds
[43] Record of the Financial Policy Committee meeting - 23 March 2023 (bankofengland.co.uk)

- That TPR specify minimum levels of resilience to ensure funds are resilient to a yield shock of 250 basis points, with the expectation that to manage any day-to-day volatility funds maintain levels above this.
- That TPR have a remit to take into account financial stability considerations, for example through a requirement to 'have regard' to financial stability in its objectives.

78. The Work and Pensions Select Committee also published a report on 23 June setting out the findings of their recent inquiry into 'Defined Benefit Pensions with Liability Driven Investments'.[44] Several of the 10 recommendations set out in the report touch on regulatory remits and objectives. The main recommendations that concern TPR are:

- On the LDI event last Autumn and monitoring system risks, DWP should work with TPR and the PPF to produce, by the end of 2023, a detailed account of the impact on pension schemes of the LDI episode. TPR should also report back jointly with DWP on how they plan to monitor whether LDI resilience is being maintained and consult on whether introducing disclosure requirements on pension schemes relating to the use of LDI would help improve standards of governance. TPR should also review with the FCA whether the guidance that the FCA issued to LDI funds in April has been implemented effectively.

- On data collection and future use of LDI, the Committee recommends that TPR require trustees to report certain data on their use of LDI and develop a strategy for engaging with schemes based on the results more closely. More broadly, also that TPR set out a timeline for its commitment to become a more digitally enabled and data-led organisation, with plans to resource this transformation.

- On governance, among recommendations relating to DWP publishing the superfunds consultation response, the Committee proposes that DWP and TPR work together as a priority to improve the regulation of trustees and standards of governance.

- Finally on financial stability, the Committee broadly agrees with the FPC recommendations and recommends that DWP and TPR explain how they intend to deliver on these recommendations. In view of the FPC's recommendation for TPR to take account of financial stability, they recommend DWP and TPR should halt their existing plans for a new funding regime until this issue is resolved.

79. These developments raise important questions about TPR's role in respect of financial stability, and its relationship to other regulators with financial stability responsibilities, notably the FPC. These include:

[44] Defined benefit pensions with Liability Driven Investments (parliament.uk)

- Responsibility for setting financial resilience measures: TPR has given effect to the FPC's first recommendation by publishing new guidance for trustees and fund managers, including the requirement to increase capital buffers from 150 to 250 basis points.[45] Going forward, there is a question as to whether TPR should assume responsibility for designing and calibrating such measures itself, or whether it should take direction from the FPC.

- TPR's role in accessing and analysing data for financial stability purposes: the events of autumn 2022 demonstrated that neither TPR nor any other regulator had access to real-time information on pension fund assets and liabilities. In the circumstances, the necessary information was assembled quickly on a voluntary basis by the sector (thanks in part to TPR's strong relationships with key stakeholders). But going forward there is a question as to what data is needed to support monitoring of financial stability risks, which organisation is best placed to secure access to that data, and arrangements for sharing it with other regulators thereafter.

- TPR's statutory footing on financial resilience matters. This includes the question of whether TPR should 'have regard' to financial stability in pursuing its statutory objectives, its information gathering powers, and its relationship with the FPC (for example whether the FPC can direct TPR to pursue or desist from specific regulatory measures).

80. It is for HMT and DWP together with the regulators to design robust arrangements to ensure that risks to financial stability from pension funds are visible and well-managed. Since this is a new area for TPR, it is crucial that proper consideration is given to clarity of expectations, to the skills and capabilities TPR will need to develop in order to discharge new responsibilities well, and to other operational implications (for example on TPR's digital program).

81. I would also urge TPR to consider any new responsibilities as not being purely additive but to look for opportunities to take advantage of new capability or capacity (including in the digital space) to pursue over-arching efficiencies in its regulation of pension schemes.

Recommendation 3: TPR to work with HMT and DWP to determine how TPR should best interface with the FPC on financial stability. This to include consideration of whether TPR should have a formal objective in respect of financial stability, as well as the powers, resourcing and information needed to fulfil such a role effectively.

Role in respect of growth and productive finance

82. I note that there is a broad policy debate ongoing about economic and financial regulators' role in respect of economic growth. For example, the Financial

[45] Using leveraged liability-driven investment | The Pensions Regulator

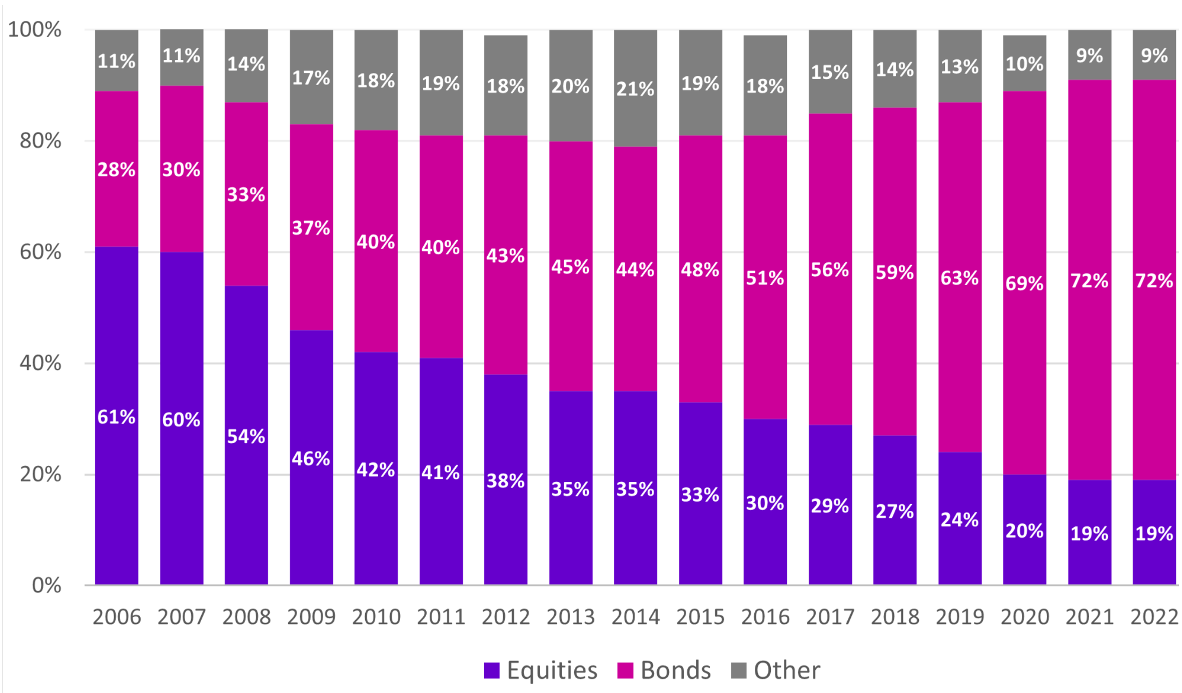
Services and Markets Bill proposes to introduce a secondary objective for the Prudential Regulation Authority (PRA) and FCA in respect of growth and international competitiveness, and the Department for Business and Trade has recently published a policy paper on regulation and growth.[46]

83. In my view the most important contribution economic and financial regulators make to economic growth is by providing stable and predictable ‘rules of the game’ to support investment and other business decisions. The business department, National Audit Office (NAO) and other bodies have articulated principles of good regulation that capture this well.[47] I do not therefore see any benefit in TPR having an explicit objective in respect of economic growth.

84. Relatedly, a number of stakeholders raised the issue of “productive finance” in discussions, the suggestion being that pension fund assets are being invested in low growth asset classes (bonds rather than equities and listed rather than private equity) in part due to risk aversion and a narrow focus on cost control on the part of TPR.

85. The shift in asset allocation by DB schemes in the last decade and a half is illustrated in Figure 9:

Figure 9: DB Scheme Asset Allocation



Source: PPF Purple Book 2022

Note: figures may not sum to 100% of the ‘Other’ investments due to rounding

86. There is a lively debate about the causes of this shift. At least some of it reflects the maturity and closure of DB schemes, although there are also concerns that

[46] Smarter regulation to grow the economy - GOV.UK (www.gov.uk)

[47] See for example Regulators' Code (publishing.service.gov.uk), Good practice guidance Principles of effective regulation (nao.org.uk), Principles of good regulation | FCA

de-risking has been exacerbated by regulation – both accounting standards and TPR guidance. While DC schemes with a younger saver demographic might reasonably be expected to invest in higher growth asset classes, as Figure 9 above shows, assets under management in DC schemes are still small relative to DB. This means there has been a net shift of pension fund wealth out of UK equities. This has raised concerns about UK capital markets and companies' access to finance. This is a complex set of issues and largely beyond the scope of this review.

87. Nonetheless in my view it is important that TPR has a clear stance on the interests of savers in this debate, and that it articulates this confidently to ensure that the interests of savers are as audible to policymakers as the interests of capital markets and corporates. There are two key aspects to this:

88. In a fiscally constrained environment, it is natural that Government looks towards private finance to help deliver a range of policy goals, for example economic growth, investment in low carbon infrastructure, or levelling up. TPR and scheme trustees have an important role protecting pension funds from political or interest group pressures and ensuring that pension funds are invested in the best interests of savers. The pursuit of policy goals can be aligned with savers' interests, for example through tax incentives, but savers' interests should be paramount in pension fund asset allocation.

89. As an outcomes-focussed regulator TPR should have a view on whether the pensions system is driving allocations that are in savers' best interests. This should include whether DC savers have enough exposure to upside growth potential. The VfM framework, described above, will be an important starting point for assessing outcomes holistically (rather than looking at cost alone) and considering upside potential as well as downside risk.

90. Some trustees I spoke to felt that regulation was driving excessive risk aversion. In particular, some DB trustees felt that regulatory pressure to de-risk was causing DB schemes to close to new members earlier than they otherwise would; they felt strongly that this was not in savers' interests. They recognised that there is a "sweet spot" in terms of scheme risk, between allowing a DB scheme to stay open with an attractive offer to new members and running the risk that the scheme makes commitments it cannot deliver. But in their opinion regulation had pushed schemes too far towards de-risking; absent this, they would have appetite to put more risk into DB schemes.

91. This evidence is anecdotal, so I cannot conclude that TPR is necessarily driving de-risking that is against savers' interests. In any case judgements about appropriate levels of risk are necessarily subjective. Nonetheless, as an outcomes-focussed regulator I would encourage TPR to find ways to challenge itself about whether it has got this balance right.

92. In summary, I do not recommend that TPR be given a statutory objective in respect of growth, productive finance, or any other objective beyond the interest of savers. However, I do encourage TPR to develop its outcomes-focus, including if needed developing its data capabilities to allow it to monitor and assess saver outcomes (in addition to the visibility it already has over scheme processes and governance).

93. TPR should challenge itself on whether regulatory measures have the effect (regardless of intent) of driving scheme risk-appetite and asset allocations that are likely to deliver good outcomes for savers over the longer term – particularly for DC savers who stand to benefit and lose directly from investment risk. The VfM framework will be an important starting point, as will TPR's developing focus on impact assessment (discussed in the Accountability section below). I would also encourage TPR to return to the assessment of saver outcomes in its next strategic review.

Recommendation 4: TPR to factor into the annual review of its corporate strategy its role in monitoring asset allocations and the likelihood of delivering good long-term outcomes for savers.

Scope of remit

94. At present, TPR's regulatory remit extends to trust-based schemes, and to employers. These are the only organisations that TPR can formally direct or sanction. They can also authorise Master trusts and CDCs on a statutory basis. Several stakeholders suggested to me that there would be merit in extending TPR's remit to cover other players in the pensions supply chain.

Pension scheme administrators

95. Pension scheme administrators are responsible for the day to day running of pension schemes, while trustees are responsible for strategic decisions. There are currently around 13 administrators covering approximately 70% of pension scheme members which TPR regulates.

96. Formally, trustees are accountable for the quality of scheme administration. Nonetheless TPR views administrators as important stakeholders, since the quality of their work has a direct bearing on saver outcomes, particularly for members of smaller schemes. I understand that a significant proportion of judgements by The Pensions Ombudsman concern administration errors. Furthermore, administrators are critical for operational resilience. Were a major administrator to suffer a serious cyber-attack or other failure, this would have severe consequences for the sector.

97. Capita is a major scheme administrator for several large pension schemes. They were recently victims of a 'ransomware' attack, resulting in the loss of personal customer data. DWP have advised that TPR are supporting Capita and scheme trustees, throughout the reactive process and have kept them abreast of updates which has been extremely helpful.

98. TPR's Supervision team currently engages with three pension scheme administrators on a voluntary basis. In my view voluntary engagement by the Supervision team is an unsatisfactory half-way house, as TPR has only partial coverage and no hard powers to act if it has concerns. I understand that TPR views administrators as an important channel for oversight of the large number of smaller schemes. While consolidation may change the landscape over time, in my view TPR will need to have effective oversight of a large population of small schemes for the foreseeable future. In my view therefore DWP should assess the case for bringing administrators into formal regulation.

Professional trustees

99. As a general matter, TPR encourages schemes to appoint at least one independent or professional trustee. TPR does not mandate schemes to appoint at least one professional trustee, however where appropriate TPR does suggest schemes consider appointing a professional trustee. Where TPR has specific concerns, it can step in and appoint a professional trustee.

100. There is no regulatory definition of a professional trustee. TPR considers a professional trustee to be a person whose business includes trusteeship, who has represented themselves to one or more schemes as having expertise in trustee matters, and who is independent of the scheme in question (i.e. not a member or employed by the sponsoring employer). Professional trustees may be paid, and some are employed by professional trustee firms, which are private companies.

101. There are no hard regulatory requirements for becoming a professional trustee, although there exists a voluntary accreditation framework and a set of standards developed by a group of industry representatives with TPR input.[48] Professional trustee firms are not regulated.

102. Stakeholders put it to me that TPR should have stricter requirements for schemes to appoint professional trustees, stricter standards for what it means to be a professional trustee and maintain a register of professional trustees (with the ability to strike off unsuitable individuals).

103. I understand that, at present, there are fewer people who hold themselves out as professional trustees than there are schemes; in other words, TPR cannot

[48] Professional Standards (appt.org.uk)

currently mandate that all schemes appoint a professional trustee because there are not enough to go around. This problem should ease as the number of schemes falls with scheme consolidation. However, consolidation also means there may be limited incentive for people to qualify as professional trustees if the market is shrinking over time. In considering the case for formal requirements regarding professional trustees, therefore, DWP and TPR need to consider the desirable 'endgame' pension industry structure and the trajectory for getting there.

104. I understand that over the summer DWP and TPR will be doing further work on trustee capability, including on the confidence and skills to govern schemes able to invest in a wide range of assets.

Other

105. TPR currently regulates superfunds on a voluntary basis. While it remains government's intention to introduce formal powers in this area, there have been significant delays (superfund regulation was first proposed in 2018).[49] In the meantime, TPR has offered superfunds voluntary authorisation, which allows funds to demonstrate that they meet TPR's standards before accepting scheme transfers. Currently only one fund (Clara) has been assessed as meeting TPR's standards. While this interim approach is welcome in the circumstances, in the medium-term it is no substitute for a statutory framework.

106. It was suggested to me that **accountants**, **financial advisers** and **payroll providers** play an important role in influencing outcomes for savers, on the basis that many small businesses look to these intermediaries to recommend a pension scheme, and payroll providers in particular are well-placed to ensure compliance by small businesses with AE obligations.

107. I note also that there are many other professional advisers in the pensions supply chain. Some of these are overseen by a professional body (for example **actuaries**), while others are not currently regulated (for example **investment consultants**, though I note the proposal to bring these into regulation by the FCA).[50]

Recommendation 5: TPR to monitor evolution of the pensions supply chain in its strategy work and flag any concerns about gaps in regulatory oversight to DWP. DWP to work with TPR to understand the costs and benefits of extending TPR's remit to cover pension administrators and introduce formal standards and authorisation for professional trustees.

[49] Pensions: defined benefit superfunds - House of Commons Library (parliament.uk)
[50] Investment consultants market investigation - GOV.UK (www.gov.uk)

Rule-making powers

108. At present, most rules governing the pensions industry are set by DWP through primary and secondary legislation. TPR has no formal ability to set rules, although in practice it can influence market-wide behaviour through its codes of practice and guidance.

109. The last review, in 2019, recommended that DWP consider giving TPR powers to make rules in specific circumstances. In particular, the review felt that giving TPR the ability to make rules in relation to information-gathering would help it become a stronger, more pro-active regulator. Unfortunately given other priorities (notably the pandemic) this recommendation was not taken forward. I therefore considered whether it is still relevant and should be picked up again.

110. Industry stakeholders I spoke to recognise the drawbacks of having rule-making powers largely reserved to DWP and dependent on primary legislation. In their experience they waited a long time for anticipated rule changes to be given effect through primary legislation, then had to absorb a lot of change at once in the aftermath of a pensions bill passing. Dependency on legislative time creates a challenge for resource planning - stakeholders mentioned the experience of allocating staff and budget to build expertise to support expected changes, only to find the changes significantly delayed. Examples cited included superfunds and the pensions dashboard. They felt that a regulator with rule-making powers might be better able to pace and sequence change.

111. It is striking to me that the legislation governing the FCA and PRA (Financial Services and Markets Act 2000, FSMA)[51] was designed to avoid a dependency on new primary legislation to update the regulatory framework as markets evolve. New financial activities can be brought within the scope of regulation through secondary legislation, and the regulators themselves have extensive rule-making powers. In its post-Brexit review of the future regulatory framework for financial services, HMT opted largely to continue with this approach.

112. There is no hard line between which aspects of rule-making should sit with Government and which with an independent regulator. In my view core pensions policy should sit clearly with DWP, covering for example contribution rates under AE. However, day-to-day regulation should be delegated to the regulator within constraints. For example, I can see a strong case for TPR to have powers over information-gathering (within constraints around the type and purpose of information that can be requested, and the compliance burden on the sector). Delegated Information gathering powers would give TPR greater agility in their response to changes in the market and to new risks that might arise, requiring them to access or collect different information and data. This would enable TPR

[51] Financial Services and Markets Act 2000 (legislation.gov.uk)

to act without requiring legislative changes - and the associated draw on DWP resources.

113. In my view TPR's need for agility in information-gathering is likely to increase as it progresses its digital transformation, and potentially if it is given responsibilities in respect of financial stability. (As noted above, last Autumn TPR was able to assemble information quickly on a voluntary basis, but this may not always be possible).

114. There may be other areas beyond information-gathering where it could be sensible for TPR to have rule-making powers. For example, I understand that work is being progressed by DWP and TPR to help DC scheme members navigate the decumulation phase of DC schemes, and that a consultation will be launched shortly. The suggested approach will require TPR to oversee trustees' management of schemes during decumulation, and I understand this is an area in which delegating specific rule-making powers to TPR is being considered.

115. Other areas suggested include the funding metrics for DB schemes, benchmarks to assess value for money performance in DC schemes, and the authorisation criteria for Trustees.

116. For these reasons, in my view the recommendation from the previous review still stands. I believe it would be helpful for TPR and DWP to explore in which areas the delegation of limited rule-making power to TPR could serve the mutual interests of DWP, TPR and industry.

Recommendation 6: DWP to consider delegating day-to-day regulatory powers to TPR. DWP and TPR to jointly produce an options paper to include analysis of what areas of rule-making could be delegated, and any legislative change necessary to enable this.

Enforcement strategy

Schemes

117. Several stakeholders made observations about TPR's appetite to use its toughest enforcement powers, in particular the FSD and Contribution Notice (CN). Issuing a CN or FSD represents the final stage in TPR's use of its 'anti avoidance powers.[52] These included:

- A perception that TPR is reluctant to use its toughest formal powers, preferring to reach a negotiated agreement wherever possible.
- A perception that TPR is reluctant to take cases it might lose.

[52] Anti-avoidance powers | The Pensions Regulator

- An observation that informal resolution may be quicker and cheaper than seeing cases through decision and appeal, but it leaves a less clear record of precedent for others in the sector to draw on.

- A suggestion that TPR uses its fining powers relatively freely but on minor issues (for example procedural failings in relation to the Chair's statement).

118. TPR published an enforcement strategy in October 2022, which sets out the outcomes it hopes to achieve by enforcement and its options for doing so.[53] I spoke to TPR and found it to have a coherent and considered approach to driving compliance, including through the use of its enforcement powers. In particular:

- TPR's approach to compliance is not enforcement-led. Its main focus is on encouraging and enabling compliance, with enforcement used as a backstop for dealing with problem actors, rather than a primary motivator for the sector at large. In my view this is good regulatory practice, and consistent with academic concepts such as 'outcome-based cooperative regulation'[54] and with successful approaches in other sectors such as aviation.

- TPR considers the full range of interventions to achieve good outcomes for savers. It may decide enforcement is necessary when "an appropriate outcome for savers cannot be achieved by working together with individuals, schemes, and employers, or the risk of harm is too great or immediate, or behaviours are egregious."[55] Even where wrongdoing has occurred, it is not always necessary to pursue cases to conclusion to achieve a good outcome. To take the case of BHS as an example, TPR initiated use of its anti-avoidance powers but following negotiations, Phillip Green agreed to pay £534 million to the scheme, and thus avoided being issued with a CN. This achieved the desired outcome at reduced cost.

- TPR makes a conscious effort to use the full range of its enforcement powers and documents its use of powers in regular enforcement bulletins.[56]

- It also tracks stakeholder perceptions of its use of enforcement powers. As shown in Annex F, a significant majority of stakeholders believe it is effective or fairly effective in this area.

119. In my view, TPR is right to focus on 'cooperative regulation' rather than enforcement as a way to drive up standards and compliance across the sector. However, it is important that the sector understands that TPR can and does use the full suite of powers available to it when necessary – a perception of reluctance can be damaging. I would encourage TPR to consider its approach to communicating enforcement outcomes, to ensure the implications of its cases are

[53] Enforcement strategy | The Pensions Regulator
[54] An Introduction to Outcome Based Cooperative Regulation (OBCR) by Christopher Hodges OBE :: SSRN
[55] Enforcement strategy | The Pensions Regulator, para 12
[56] Compliance and enforcement bulletin July to December 2022 | The Pensions Regulator

well understood by participants right across the industry as well as the parties to the case. TPR publishes clear information on enforcement outcomes (through its regular enforcement bulletins, also its recent Regulatory Intervention Report)[57] but there may be more it could do to promote this.

120. Nonetheless, the observations put to me about perceived reluctance to enforce may also reflect resource constraints limiting the number of cases TPR can take. I note that its key performance indicators (KPIs), set by the Board and published in its annual report, reflect a modest number of enforcement cases each year.[58] TPR's enforcement team accounts for a relatively small part of overall headcount in frontline regulation. Furthermore, certain of its powers are resource-intensive to use. TPR has pursued criminal prosecution cases, but criminal cases are inevitably more resource-intensive than civil cases, so there is an opportunity cost.

121. TPR also told me that FSDs are particularly cumbersome to use, as it requires a full set of procedures (up to and including a formal decision by the Determinations Panel) to establish liability, followed by the full set of procedures again to determine the amount. TPR has raised this previously with DWP and discussed an amendment to simplify procedures, but this was not taken forward in the last Bill. The more efficiently TPR can use its powers, the more it can achieve with limited resources. Should the opportunity arise, I would encourage DWP to consider this again.

122. I strongly support TPR's approach to using the full range of possible interventions, including informal ones, to drive compliance across the sector, and to secure enforcement outcomes cost effectively through negotiated settlement where appropriate. Nonetheless, in my view any regulator needs to take a sufficient volume of enforcement cases to operate an effective regime. This is important for punishing 'bad actors' and establishing deterrence, but also for building up a body of precedent and case law for the regime. In this last respect, novel cases can be particularly important. Whether the regulator wins or loses, such cases help establish the boundaries of the regime and provide legal clarity for the regulated population.

Recommendation 7: TPR to review its enforcement approach, resourcing, and communication around enforcement outcomes. DWP to consider the case for simplifying the regime for use of FSDs at the next legislative opportunity.

Automatic Enrolment (AE)

123. TPR has a statutory objective to maximise employer compliance with AE, ensuring that all employers register eligible employees (those aged between 22

[57] Prosecution report and latest enforcement data show TPR is protecting savers | The Pensions Regulator
[58] TPR Annual Report and Accounts 2021/22

and the state pension age earning more than £10,000 per year) into a pension scheme, and that they make the required level of employer contributions.

124. Employers must submit a declaration of compliance every three years. While some employers fail to get this right first time, through a combination of pro-active communication, assistance, and where necessary enforcement, TPR secures high rates of declaration. 96% of employers have declared, giving assurance that over 99% of eligible UK workers are enrolled in a pension scheme.[59]

125. Once an employer has signed up to a pension scheme, the scheme is responsible for chasing missing or late contributions in the first instance. If the scheme is unable to secure the money in 90 days, TPR will commence enforcement, starting with an automatic warning and escalating from there. 97% of employers make contributions before they become significant late payments.[60]

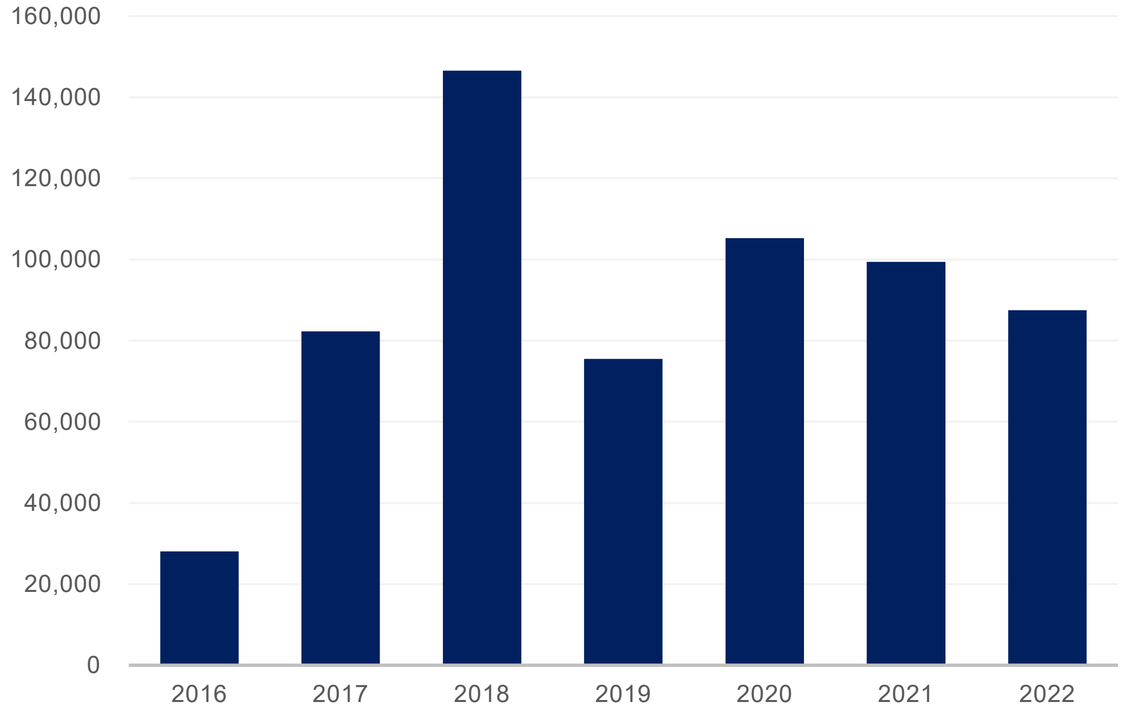
126. There are over a million employers in the UK, meaning AE compliance and enforcement activities are conducted at scale and largely automated. Over the 12 months prior to March 2023, TPR issued over 3 million direct communications, and conducted around 130,000 enforcement cases. To date, these efforts have resulted in over £500m being paid into schemes.[61]

127. Not all activities are automated: TPR also conducts physical compliance inspections of businesses across the UK, and complex investigations targeting a range of issues including the gig economy, large employer audits, high-risk sector reviews, and the most serious deliberate avoidance cases.

128. Compliance has remained stable since the initial enrolment of employers of all sizes completed in 2018; TPR told me compliance does not appear to have been significantly impacted by Brexit, the pandemic or post-pandemic inflationary pressures so far. This is reflected in a broadly stable caseload since 2018, as illustrated in Figure 10.

[59] Figures from TPR
[60] TPR Annual Report and Accounts 2021/22, Performance Analysis, Key Outcome Indicator 1
[61] Figures from TPR

Figure 10: Number of closed auto-enrolment cases



Source: [Enforcement bulletins | The Pensions Regulator]

129. Overall, in my view TPR has set high targets for compliance with AE requirements, and monitors performance and outcomes closely, resulting in over 99% of UK workers working for employers who have demonstrated compliance. There are nonetheless some businesses who fail to comply, and some employees who miss out on some pension contributions. Non-compliance is often caused by lack of knowledge and administrative errors rather than wilful avoidance of the duties. Beyond this, where employers fail to make contributions, this is commonly because they are struggling financially with a proportion of employers going on to become insolvent thereafter (in these cases, responsibility for recovering missing pension contributions passes to the insolvency practitioner). Only a minority of cases could be characterised as hardcore non-compliance by 'rogue' employers, and TPR's manual enforcement approach can take such cases all the way through to civil and criminal court resolution.

130. When employees report missing contributions, TPR picks up cases that indicate that an employer is failing a significant proportion of its workforce. Individual disputes about entitlement are referred to The Pensions Ombudsman (TPO).[62] This division of responsibilities appears to be effective, with only a very small number of cases (low single figures per year) where TPR could arguably have acted instead of TPO.[63]

[62] Workplace pensions – unpaid pension contributions (pensions-ombudsman.org.uk)
[63] Figures from TPR

131. A recent report by the Resolution Foundation recommended that TPR shift to undertake more proactive enforcement of AE rules and get both tougher and quicker when non-compliance is detected.[64] While I understand the instinct to get tough on non-compliance by employers, given the nature of the residual non-compliance with AE requirements it is not clear to me that increasing the incidence or level of fines would have a material deterrence effect among this population (e.g. financially struggling employers). There may be more TPR could do to act more quickly where it has intelligence suggesting that an employer could be failing, to ensure that pension obligations to workers do not fall behind claims from other creditors. However, I note that TPR is being challenged to make resource savings in its AE operations (this is discussed later in this report, under Efficiency); putting more effort into this area would likely have a high opportunity cost elsewhere.

132. In my view, overall TPR is effective at protecting almost all workers and ensuring that the great majority of employers meet their obligations. That said, it is important that no segment of employers feels 'below the radar' in terms of TPR's monitoring or enforcement, including small employers, and that pension obligations are not left behind other creditors when companies are failing.

133. Since 100% compliance is unrealistic, there will remain a residual risk of harm to savers from missed pension contributions. After a point, it is likely to be more cost-effective to compensate savers who have lost out in this way than to spend more on compliance and enforcement. I note that some other regulators (for example Ofgem)[65] use the proceeds of enforcement fines to fund customer redress.

134. The other notable compliance issue with AE relates to 'gig economy' entities contracting labour, where the burden is on TPR to prove they are employers. This relies on TPR taking cases to establish a body of case law, which is necessarily resource-intensive and takes time. I would encourage TPR to work with DWP to assess whether this approach is adequate, or whether further legislation is needed to prevent companies avoiding workplace obligations (recognising that this issue goes beyond AE and touches holiday and sick pay etc as well).

Recommendation 8: TPR to consider whether there are cost-effective options to increase incentives to comply among smaller and financially weaker employers, and to secure contributions early from employers in financial difficulty.

[64] Enforce-for-good.pdf (resolutionfoundation.org)
[65] Authority guidance on the allocation of redress funds | Ofgem

Supervision strategy

135. There is widespread consensus that the pensions landscape in the UK is unnecessarily fragmented, with a large number of small-scale schemes with variable quality of oversight and operations. Policy initiatives are underway to drive consolidation (as discussed in the overview section above).

136. While the ultimate goal is a more consolidated and professionalised pensions sector, TPR will likely have to oversee a 'long tail' of small schemes (currently numbering over 5,000 DB and over 25,000 DC schemes)[66] for the foreseeable future. Driving compliance and identifying concerns across a disparate population of regulated entities poses particular supervisory challenges. For example, as noted above there have been reports of very low awareness of the 'value for members' obligation introduced in 2021 among small schemes. It will be important for TPR to learn the lessons from this experience as they pursue work on value for money going forward.

137. I would encourage TPR to consider both indirect influence over this population (for example via pensions administrators, as discussed above) and making best use of data and technology. Although, as discussed below, the potential for data and technology-driven approaches to supervision may be limited by the capabilities within this population, there is an opportunity for the regulator to push this population to invest to modernise where possible and consolidate where not.

138. At the same time TPR will need a different supervisory approach for understanding the largest and most sophisticated schemes, who may be professionally run but where there is potential to cause harm on a much bigger scale (both in individual schemes and systemically).

139. On both the DB and DC sides, therefore, TPR's strategy needs to provide for;

(i) continuing to drive consolidation among smaller schemes that are sub-scale and at risk of being badly run

(ii) effective oversight of the long tail of small schemes in the meantime and

(iii) improving capability to deal with the biggest and most sophisticated players.

Recommendation 9: TPR to develop a strategy that drives consolidation among smaller schemes that are sub-scale and at risk of being badly run and also sets out its supervisory offer to deal with the largest, most sophisticated schemes. This to include consideration of the powers TPR might need to achieve this, as well as what additional capabilities it needs to invest in.

[66] Annual report on UK defined benefit and hybrid schemes 2022 | The Pensions Regulator shows 5,378 DB/Hybrids (Table 1) and 204 Public Service schemes.
DC trust: scheme return data 2022/23 | The Pensions Regulator shows 26,990 DC schemes, of which only 1,220 have at least 12 members.

Governance

140. In this chapter I will consider TPR's approach to governance, leadership and management, covering:

- Governance structures
- Composition and performance of the Board
- The Executive Team
- Committee structure and decision-making arrangements
- The Determinations panel
- Audit and Risk Assurance Committee (ARAC)

Governance structures

141. TPR's governance structure is set out in its Framework Document[67] drawn up between DWP and TPR. This document sets out the broad framework within which the organisation operates, including powers and duties, but also the roles and responsibilities of the Chief Executive (CEO), Chair, and Board. In addition, the document sets out DWP's requirements, as the sponsor responsible to Parliament for TPR governance and finance. I understand this document is now being updated in line with a new cross-government template. TPR's internal governance structure is robust and operates the standard 'three-level' defence model, based on industry and cross government best practice.

The Board

142. TPR is led by a unitary Board comprised of non-executive and executive members (appointed by Ministers), chaired currently by Sarah Smart. In the case of the non-executive members, these are ministerial appointees, TPR does not have direct control of appointments to the Board, although standard procedure is for the TPR Chair to be involved in recruitment.[68] The appointment process is overseen by the Arm's Length Body Partnership Division within DWP who undertake campaigns on behalf of Ministers, involving TPR in the design of the roles and the selection process. Board remuneration is in line with that paid to the other ALBs sponsored by DWP. Currently the Board meets around 8 times a year.

143. Sarah Smart has been in post as Chair since June 2021. Internal and external stakeholders I spoke to considered Sarah to be a good and effective Chair, who

[67] Framework document - TPR - DWP

[68] Board appointments are made by DWP Ministers, based on a report from an Advisory Assessment Panel (AAP). For NED roles, this panel usually includes the Chair of the ALB, along with an independent member.

has put much consideration into developing her Board, and that the Board now has a strong set of non-executive directors. Staff and non-executive directors told me the Board is well run. This is consistent with my observations from attending a Board meeting in person. I found the briefing papers comprehensive and available in good time, the meeting was well run (on that occasion by the Senior Independent Director, Kirstin Baker), and the discussion open and constructive.

144. I was told at the outset of the review that the Board was looking to improve the quality of performance information that it receives. During this review, the incoming CEO trialled a new Board performance report. Key changes were a shift from monthly to quarterly reporting, and greater aggregation to give a holistic view of performance rather than operational detail. Impact metrics remain a work in progress. (I return to impact assessment in the Efficiency section).

145. The new Board performance report covers:

- Outcome metrics: still being refined but include an overview of scheme funding levels, membership, and progress against regulatory targets.
- Performance summary: key performance indicators (compliance and operational metrics) and financial performance.
- Policy progress tracker: progress in key policy areas (e.g. DB Funding Code, Value for Money, DC consolidation).
- Portfolio update: progress on key programmes (e.g. Pensions Dashboards, accommodation, digital service delivery).
- Internal value for money assessment: this reporting is still being developed but is designed to cover economy, efficiency, effectiveness, and equity for each directorate.
- Stakeholder engagement and comms update.
- Complaints and Freedom of Information requests: volumes and subject matter.
- Regulatory grip and risk appetites: size and direction of travel of key risks; risks outside tolerance and explanation/mitigation.
- Key Performance Indicators: reporting against 23 KPI targets.

146. This new format is likely to undergo further development but in my view is a step in the right direction.

147. The framework document requires the Chair to run a yearly Board evaluation and there should be an independent review every 3 years. The 2020/21 evaluation was conducted independently, concluding there were no significant areas of concern. The most recent 2021/22 review was carried out internally, with

generally positive findings, including the development of the latest strategy and the scrutiny of performance.

148. The Board has a good working relationship with DWP, including good informal conversations as needed. Other government stakeholders found TPR up to and including the Board agile in decision-making when it was required during the LDI event in the Autumn of 2022.

149. With regard to diversity, the Board has good representation in terms of gender. However, one stakeholder observed that the approach to diversity is slightly old fashioned, and the Board would benefit from considering the diversity of its membership in a broader sense (experience, personality type etc).

Executive Team

150. During this review, Charles Counsell left the CEO position to be replaced by Nausicaa Delfas. Staff and stakeholders told me that Charles was well-respected during his tenure, and that Nausicaa's arrival is welcomed as her FCA experience is seen as relevant for taking TPR forward.

151. Both internal and external stakeholders indicated that TPR's Executive Committee is well regarded and has dealt well with recent challenges including the LDI event last September and October. Stakeholders told me the Executive Team is visible to the industry (for example appearing at conferences) and has an approachable and constructive style of engagement. The hope was expressed that this would continue following the departure of David Fairs (former Executive Director of Regulatory Policy, Analysis and Advice), who was well respected in the sector.

152. Stakeholders did feel that there was a gap in visibility and approachability in the middle tiers of TPR management – engagement was good at both senior team and working level but some stakeholders felt that there was less engagement, and less transparency about responsibilities and decision-making, between the two.

Determinations Panel

153. The Determinations Panel is a committee of TPR but has separately appointed membership and legal support, enabling it to make regulatory determinations with clear independence and impartiality from the case team. Last year the panel received 10 cases, issued 11 determination notices and three orders, and exercised 16 powers.[69]

154. It was suggested to me that the panel is under-utilised, given the very significant accumulated expertise and experience of its members (of whom there

[69] TPR's 2022/23 Annual Report, p.97 - to note, this was published after the majority of work on this report was completed

are usually 8-10 at any one time), and the high quality of applicants for panel positions. I understand the panel already plays a broader role supporting TPR, for example promoting learning from past cases, and that there is appetite to do more, for example around exploring the potential to automate enforcement decisions.

155. I note that the rationale for appointing independent panellists to take regulatory decisions is to avoid capture or confirmation bias, so it is important that the panel members maintain an appropriate degree of independence to assure stakeholders that regulatory decisions are fair and impartial. That said, I understand that making use of panel members' time is likely to be a cost-effective way for TPR to access senior regulatory and enforcement expertise.

156. I would encourage the TPR Board and the panel chair to consider a range of ways to draw on the calibre of expertise that TPR has been able to recruit to the panel. There may be other options than stretching the remit of the determinations panel, for example recruiting a separate advisory panel or cadre of senior advisers.

Industry and Consumer Panels

157. I note that both the FCA and PRA have statutory panels to give industry and consumer representatives insight and input into the work of both regulators. There is no equivalent statutory provision for TPR. However, I understand that TPR set up equivalent panels (a Stakeholder and Practitioner panel, a Saver panel and an Employer panel) on a voluntary basis. Stakeholders told me they welcomed this.

158. Clearly TPR has a range of ways to draw on relevant senior expertise. Having access to a cadre of senior staff or stakeholder representatives recruited for this purpose is likely to be cost-effective relative to other options such as professional advisory services.

Recommendation 10: TPR governance team to present options paper to TPR Board on access to, and utilisation of, senior regulatory, enforcement and sector expertise, with a view to ensuring TPR is accessing senior expertise through appropriate channels.

Audit and Risk Assurance Committee (ARAC) and Remuneration and People Committee (RPC)

159. The Audit and Risk Assurance Committee (ARAC) and Remuneration and People Committee (RPC) are sub-committees of the Non-Executive Committee of the Board (as shown in Annex D), rather than sub-committees of the Board itself. In practice both committees report into to Board.

160. ARAC oversees the risk framework and gives the Board assurance that TPR is operating within the Board's risk appetite. It also oversees audit and assurance processes, both internally and externally.

161. TPR has now introduced a three lines of defence model,[70] and is working (supported by the Chair of ARAC) to bed this in properly, improving mitigations where necessary (e.g., financial controls), and taking a more quantitative approach to articulating risk tolerance in relation to both internal and external risks (e.g., the DB funding code presents an opportunity for TPR to articulate risk tolerance for schemes more clearly). It was put to me that the organisation was still growing in maturity and its understanding of the purpose of ARAC (monitoring and managing risk) as distinct from the Board (setting risk appetite).

162. I am extremely supportive of efforts to articulate and codify risk appetite and tolerance and return to this below.

Executive Committee Structure

163. The committee structure below Board level is shown in Annex D. TPR staff told me this structure is overly complex and that some decisions require sign-off from multiple committees. Stakeholders and staff told me this can result in too much bureaucracy, a lack of clarity on where decisions are made, and a risk that committees overturn decisions previously taken elsewhere.

164. I understand the incoming CEO plans to review the committee structure, which is welcome. In my experience of working at a senior level in several regulators, complex decision-making arrangements are a symptom (rather than cause) of a risk-averse culture. Regulators inevitably have a tendency towards risk aversion, as they are often heavily criticised when things go wrong, and it can be very difficult to articulate and agree a level of risk tolerance with sponsor departments, let alone to establish robust public understanding of this.

165. In my view, therefore, the committee structure should be streamlined alongside a serious effort to (re)articulate risk tolerance and establish a culture of empowerment and accountability. This will require DWP’s support (notably when things go wrong, within risk tolerance). I note that TPR’s Board has previously discussed risk management and risk appetite, including a session with the CEO of the Civil Aviation Authority, who talked about the aviation sector’s culture of speaking openly about risk. I also understand TPR’s strategy team is working with the Risk team to expand TPR’s risk framework to cover external and systemic risks. These are both positive developments.

[70] This is explained on p92 of TPR’s Annual Report and Accounts, 2021/22

Recommendation 11: TPR to review its internal committee structure and risk framework with a view to stream-lining decision making at the appropriate level, giving due weight to cultural as well as procedural aspects.

Accountability

166. In this section I will cover TPR’s relationship with DWP, other government departments, Parliament, and other stakeholders. I will also cover TPR’s impact reporting (which is relevant for efficacy and efficiency as well, but for simplicity I will cover it once, here).

DWP

167. The relationship between TPR and DWP is led by DWP’s ALB Partnership Team. The working relationship appears to be close and effective, with regular contact (monthly meetings) and occasional secondment of staff. DWP policy teams also work closely with TPR counterparts, and I note the importance of these relationships for developing new policy. For example, DWP staff told me that DWP and TPR policy teams have been working closely to develop the DB scheme funding policy in order to finalise the draft Occupational Pension Schemes (Funding and Investment Strategy and Amendment) Regulations 2023. This working relationship is critical in ensuring that the draft regulations and TPR's revised DB Funding Code of Practice are well integrated, to create clearer funding standards that will enable TPR to intervene more effectively when needed.

168. TPR executives and DWP staff meet for Quarterly Accountability Reviews to consider TPR’s performance against agreed objectives, funding and risks. TPR discusses its corporate plan with DWP each year before sharing it with the Minister for Pensions. DWP also conducts an Annual Assurance Assessment (as it does for each of its ALBs). In 2023 this concluded that TPR is successful in its core functions and has a robust and thorough risk structure, but it is overall a ‘medium’ risk to the Department due to its ratings on ‘diversity’ and ‘organisational capacity and capability’. This has also been the rating trend for the last 4 years (as shown in Annex E).

169. Members of the Department attend meetings of TPR’s Audit and Risk Assurance Committee. Aggregate ALB risks are also reported into the Departmental Audit and Risk Committee on a periodic basis.

Other Government Departments

Cabinet Office

170. While individual departments are responsible for oversight of specific ALBs, CO is responsible for the overall framework for ALB oversight, including driving greater efficiency. CO sets guidance on the reviews of public bodies. It has also commissioned departments to provide data on the size and shape of the corporate functions of their ALBs (Human Resources (HR), Finance, Commercial,

DDaT, Property and Comms). What this data shows about how TPR compares to other regulators is addressed in the Efficiency section.

HM Treasury (HMT)

171. While TPR's sponsor department is DWP, it also has an indirect relationship with HMT. This has on occasion given rise to problems (for example I was told of one occasion when DWP did not relay TPR's views to HMT in full, and HMT was therefore unaware that TPR had concern about an aspect of policy). By contrast, HMT has a direct relationship with both the PRA and FCA (as sponsor department). Since HMT has overall policy responsibility for financial stability, if TPR is to take on a greater role in this area it would benefit from having a stronger direct relationship with HMT, partly to support coordination with the other financial regulators via the FPC. (See Recommendation 3)

172. Similarly, as discussed above, as Government policy on growth and productive finance develops, TPR should be involved in discussions to ensure that the interests of savers are protected and promoted. In doing so it would almost certainly benefit from having a stronger relationship with HMT.

173. In terms of TPR's own spending authority, TPR has recently received updated delegated authorities from DWP. This confers authority to commit resources/ incur expenditures without specific prior approval in specific areas and within specific limits. TPR's board works with HMT and DWP in relation to their delegated spend, following the principles of the 'Government Code of Good Practice on Corporate Governance[71] and 'Managing Public Money.[72]

174. As discussed in the later Efficiency section, the question of TPR's funding also merits further consideration.

Parliament

175. The Secretary of State for Work and Pensions is accountable to Parliament for the activities, performance and delegated spend of TPR. In line with other regulators, the TPR Chair and Chief Executive can and have been called to appear before parliamentary committees. As discussed above, the Select Committee on Work and Pensions is currently conducting an inquiry into LDI, which has not been published at the time of writing, but which may put forward recommendations in respect of TPR's role and responsibilities.

176. Following the UK's departure from the European Union (EU), there has been a renewed debate about regulatory accountability to Parliament. For example, a recent report by a Parliamentary group[73] argued for greater Parliamentary accountability of UK regulators, including the creation of a joint 'Committee for

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[71] HM Treasury & Cabinet Office, (2017), Corporate governance in central government departments: code of good practice
[72] HM Treasury, (2023), Managing Public Money, MPM updates .docx (publishing.service.gov.uk)
[73] Regulatory Reform Group, the-purpose-of-regulation.pdf (pensioncorporation.com), 2023

Oversight of Regulators' made up of members from both Houses of Parliament to provide specialist in-depth scrutiny of regulators' work.

177. I do not have any recommendations specific to TPR on Parliamentary accountability but note that this is a wider debate about regulatory accountability which both DWP and TPR should be aware of and may wish to participate in.

178. Pensions policy is not a devolved area of legislation, meaning TPR has consistent powers as a regulator across the whole of the United Kingdom. TPR does nonetheless maintain relationships with leaders across the devolved administrations, in particular communicating as appropriate when handling large cases.

Other public bodies

179. The working relationships with both the PPF and TPO appear strong, both in terms of the formal arrangements and day to day relationships. Stakeholders perceive TPR, the PPF and TPO as a strong combined force acting on behalf of customers.

180. One possible area of improvement related to information sharing. I understand that TPO is obliged to share complaint information with both complainants and respondents, and that this could inhibit other bodies from sharing information (for example in relation to potential scams) that TPO would then be obliged to pass on. This issue was only raised once in my conversations with stakeholders, so I have not made a specific recommendation on this point but as a general matter if TPR were to find such restrictions seriously inhibiting communication among pensions bodies to the detriment of savers, I would urge it to raise this matter with DWP to explore whether the restrictive provisions could be amended.

Industry stakeholders

181. As mentioned elsewhere, feedback from sector stakeholders was that TPR is generally felt to be supportive in helping schemes and employers comply, open in its communication, and approachable. Trustees were positive about the support TPR provides, including the trustee toolkit ("an excellent resource"). As noted above, there was a question about the accessibility of staff between working and executive level, but in general I heard few concerns about TPR's willingness to engage.

182. The trustees I spoke to did note that TPR does not maintain direct communication with trustees: communication comes via the schemes, and trustees are reliant on their schemes to pass on relevant updates or on reading about these in the pensions press. It was suggested that TPR could maintain a register of trustees, which would it allow it to communicate directly with this

community (as well as exercise more direct monitoring, for example of whether training has been completed). I understand this idea is under active consideration but will need to be prioritised within the wider programme of digital spend (discussed under Efficiency below).

183. As discussed elsewhere, the two areas where I heard most concerns from the sector were around tolerance for risk in schemes, and around willingness to enforce (both covered above under Efficacy). In both cases, I would encourage TPR to consider its stance (as reflected in recommendations 4 and 7) and to ensure it communicates this clearly to the sector.

Impact reporting

184. TPR already holds itself to account publicly against a range of key outcome and performance indicators, against which it reports in its Annual Report and Accounts. I support this as good practice – undertaking impact monitoring is important for efficacy and efficiency, and reporting on it publicly is important for accountability.

185. TPR recognises that it is still "on a journey" to being more outcome focused, and impact reporting remains a work in progress. I am strongly supportive of this direction of travel. Best practice in regulators is to assess:

- Key outcomes – monitor the outcomes that matter, in this case outcomes to savers. As discussed elsewhere, this should include returns as well as risk, particularly for DC savers, and the value for money work should be an important step in this direction.

- Expected impacts – given TPR's lack of rule-making powers, responsibility for assessing the likely impact of major pension policy interventions sits to a large extent with DWP. Nonetheless, to the extent that TPR does implement market-wide interventions on its own initiative either now or in the future, it is good practice to set out the expected impacts transparently and give affected parties opportunity to comment before interventions are implemented. This reduces the risk of unintended consequences.

- Actual impacts – it can be difficult to isolate the impact of regulatory interventions from other market events after the fact. Nonetheless it is important that regulators try to understand the impacts they have on the sectors they regulate through the various tools at their disposal, and there exists a range of techniques for doing this.[74] This includes both generalisable lessons (for example assessing the impact of enforcement on other market participants) and lessons specific to a particular intervention (for example post-implementation reviews).

[74] See for example Regulatory Impact Assessment | en | OECD

186. One of the challenges with impact analysis is devoting time and resource to doing it properly. Ex post impact analysis, in particular, suffers from being always important but never urgent and therefore is always at risk of being deprioritised. Some organisations ensure that they deliver a robust program of objective and unbiased impact analysis by creating a separate unit that is specifically charged with assessing impact, and not with implementing new interventions. This would typically sit in the strategy, analysis or economics functions rather than in the main regulatory business units.

Recommendation 12: TPR to consider the next stage in the evolution of its approach to monitoring of outcomes and impact, with a focus on capturing lessons learnt. To include consideration of budget to devote to this activity, and where in the organisation it should sit.

Efficiency

187. In this section I address TPR's overall approach to efficiency and value for money, its plans for digital transformation, its funding, and its approach to estate and hybrid working. In my assessment I have considered:

- TPR's plans for delivering efficiency savings
- Its estates and hybrid working policy
- Its ambitions for digital transformation
- Its funding streams and the General levy.

Delivering 5% efficiency savings

188. Under the CO guidelines for this review,[75] all bodies are expected to identify efficiency savings to Resource Departmental Expenditure Limits (RDEL) of more than 5%, to be realised within 1-3 years. Furthermore, the Chancellor of the Exchequer has recently announced a public sector productivity programme, which will include ALBs in scope.[76]

189. Table 4 summarises TPR's spending ask and plans for efficiency savings at the time of the last spending review (SR) bid.

Table 4: Summary of TPR forecast and SR ask (at the time of the SR bid)

£ millions	**2021/22**	**2022/23**	**2023/24**	**2024/25**
Levy	63.6	61.6	63.9	60.4
Additional requests	0	3.5	6.6	8.8
Full Levy SR ask	**63.6**	**65.1**	**70.5**	**69.2**
AE SR ask	46.6	38.9	40.6	35.9
Total spend	**110.2**	**104**	**111.1**	**105.1**
Levy efficiency before additional requests vs 21/22				£3.2m (5%)
AE efficiency vs 21/22				£10.7m (23%)
Total TPR efficiency vs 21/22				£13.9m (13%)

Source: TPR

[75] Public Bodies Review Programme - GOV.UK (www.gov.uk)
[76] Chancellor Jeremy Hunt's speech at the Centre for Policy Studies - GOV.UK (www.gov.uk)

190. On the levy side, TPR committed to achieving 5% efficiency savings against its 2021/22 baseline of £63.6m by 2024/25. 5% implies a budget reduction of £3.2m and therefore a target budget of £60.4m for 2024/25 (for levy-funded operations only). There are two caveats to this:

- First, the cost of existing operations was projected to rise before falling, due to upfront costs incurred through (a) the refit and move to new (but ultimately lower cost) premises and (b) the timing of capitalisation of Microsoft licences. After 2023/24, the figures were projected to stabilise, delivering against the efficiency target by 2024/25.
- Second, the SR bid also requested additional budget to fund several specific activities and expansions in remit, including the pension scams taskforce, superfunds supervision, CDC authorisations and supervision, the Pensions Dashboard, and replacing end of life and out of support back-office systems. I understand that efficiency considerations were considered in forecasting spend around the additional remit; for example, this will not involve an increase in headcount at Director level. In the event DWP did not fund all the additional budget requests from TPR, for example turning down requests for budget to replace end of life out of support back-office systems and regulatory initiatives.

191. TPR planned to make this £3.2m saving by realising efficiencies from the work it had done investing heavily in the systems estate, allowing TPR to automate and reduce contractors and resource in the business. The move to new accommodation was expected to save £0.5m per annum on lease costs for Levy, though I note that it was also expected to require £4.7m in fit-out costs between 2021/22 and 2023/24. On the AE side, TPR intends to achieve significant efficiency savings (23%) through reducing AE running costs. The bulk of this saving comes from the in-sourcing of AE services previously provided by Capita. There may be further efficiency savings available from revisiting the AE operating model now that AE has been fully implemented. TPR is currently piloting approaches to doing this without lowering compliance levels. I explore this in more detail below.

192. Some stakeholders noted that there was a degree of duplication in certain activities between the AE and scheme regulation functions, possibly exacerbated by the two funding streams, and that there might be scope for modest efficiency savings from eliminating this. I explore this in more detail below. Benchmarking suggests there are modest efficiency gains available in corporate functions, also covered below.

193. At the time of writing TPR had not yet published its Annual Report and Accounts for 2022/23.[77] However, I note that (in common with many ALBs) TPR has tended to underspend its budget in previous years (see table 1 page 17). This

[77] TPR's Annual Report and Accounts 2022/23 was published on 13th July 2023 – to note, this was published after the majority of work on this report was completed.

underspend relative to budget appears to have become more pronounced in recent years.

194. Based on my conversations with TPR and the evidence I have seen, I have no reason to doubt that TPR will be able to deliver the savings against baseline budget that it committed to in the SR. However, I also recognise that new demands are emerging (for example in relation to master trusts, CDCs and financial stability, as discussed under Efficacy). TPR may have some capacity to fund new activities from underspend, but it would be preferable to ensure forecasts are accurate and to revisit budgets as and when TPR's remit expands.

195. I am unable to point to concrete steps TPR is taking to realise savings beyond those outlined in this report, and unable to say for sure how much the savings from those steps will amount to. But in my view TPR appears to be looking for savings in the right places and taking a responsible approach to managing its budget.

Cabinet Office Public Bodies Corporate Function Benchmarking

196. In August 2022, the CO commissioned government departments to provide cost data on some of the largest public bodies, including TPR. The exercise was intended to cluster and compare similar public bodies to identify potential efficiency opportunities in the corporate functions, covering HR, Finance, Commercial, Digital, Data & Technology, Property, Communications, and Legal. I have reviewed the CO benchmarking data (which is not publicly available). TPR also told me it had previously commissioned a similar benchmarking exercise from a commercial provider. The results were similar to those found by CO.

197. TPR performed well in comparison to similar ALBs, meeting benchmark levels (the median of its cluster) for most functions. TPR beat benchmark cost comparisons in Finance and Property. The exercise did identify an emerging theme across many organisations around the need to reduce reliance on contingent labour and outsourcing. This is relevant for TPR's projects and DDaT function, which employ a significant amount of contingent labour. The benchmarking exercise also pointed out that TPR's HR and Commercial functions also had a relatively high proportion of contingent labour (though absolute numbers were lower than in projects and DDaT).

198. TPR is restructuring its HR function. Current HR costs are above benchmarks but as TPR invests in HR systems capability, it is expected that HR costs will come in line to meet the benchmarking proxy in this area.

199. TPR complete a self-assessment model which is returned to DWP, which compares back-office costs against domestic and international organisations, with salaries benchmarked using Korn Ferry Hay to ensure wages are competitive

and in line with local comparative organisations. Procurement is completed using government frameworks and competitive tendering.

Automatic Enrolment Efficiencies[78]

200. TPR recognises that AE has now largely moved from implementation into steady state. While there are still expansions of the programme to come (for example including younger workers), and each year new employers will need to enrol, all categories of employer have now been brought within scope. TPR is now actively looking to introduce alternative approaches to operating the AE regime without lowering compliance levels and is currently testing ways to achieve this.

201. TPR intends to reduce the level of intervention with lower-risk employers and to introduce targeted, automated interventions with higher-risk employers. TPR has already established that HMRC's real-time information (RTI) data is a reliable indicator of low compliance risk. It is exploring the scope for extending the use of risk-indictor data to identify lower-risk employers, for reducing interventions with low-risk employers (for example those who fail to redeclare at the three year point but who are making contributions as expected), and automating interventions where risks are indicated (for example where an employer appears to have taken on eligible jobholders but pension contributions do not appear in the RTI data).

202. TPR now intends to test the impact of reducing interventions with lower risk employers, on both rates of compliance and on its own operating costs. This will be done incrementally, extending the evidence base to understand more about longer-term impacts on compliance. This strikes me as a robust and sensible approach to exploring ways to reduce cost (both for itself and for low-risk employers) while maintaining the high levels of compliance achieved so far. TPR intends to start pilots by September 2023 with a view to scaling up during 2024/25.

203. While these approaches seem likely to yield operational cost savings, I note that automation is associated with significant DDaT costs. I understand DDaT accounts for around £8m of the £40m AE budget. I return to DDaT costs below.

Recommendation 13: TPR to review its plans for delivering 5% efficiency savings, with a particular focus on identifying further savings in addition to those already being realised through estate costs and the Capita insourcing.

Funding streams

204. As outlined in the Overview section, TPR comprises two distinct operating segments that are separately funded. The regulation of new and existing DB, DC,

[78] Most detail in this section came from TPR

master trust and public sector schemes is funded through the General Levy, charged on occupational and personal pension schemes in the United Kingdom. AE is taxpayer funded through a separate Grant-in-Aid stream from the DWP, and resources are charged and treated separately from levy funded activities. TPR adhere to strict protocols to avoid cross-subsidy (although the allocation of common costs provides a degree of flexibility).

205. It has been suggested that, now AE is through implementation and into steady state, TPR could be fully funded by the pensions sector, rather than having an element of taxpayer funding.

206. In principle, I can see the case for having AE regulation funded by the pensions industry. The industry benefits hugely from AE inflows, and it seems reasonable that it should pay for oversight of a regime from which it stands to benefit.

207. There is also the question of whether TPR would benefit from having its two funding streams (AE and Levy) merged into one. Feedback from TPR was that this would be on balance helpful, as it would give the organisation more flexibility to manage resourcing holistically, and this would make it easier to cope with peaks and troughs of activity across its operations.

208. I also noted some duplication of internal functions – for example there are separate strategy and enforcement teams for AE and for schemes. While there might be some very modest efficiency savings if a single funding stream facilitated the merging of some functions, the level of, say, enforcement activity would not reduce through merging AE and scheme enforcement so I do not regard this as a driving rationale. I was however struck that TPR felt like an organisation of two parts and think it possible that there would be less tangible cultural benefits from greater integration, for example better flow of talent and know-how around the organisation.

209. All that said, TPR manages fine to operate under the current funding arrangement, so I do not regard merging the funding streams as essential or urgent. I also recognise that the levy is now rising sharply to address the deficit (this is explained below in more detail), and that any move to bring AE into levy funding would raise questions about the appropriate distribution of costs across the industry (DB vs DC, size of schemes, etc).

Recommendation 14: DWP, in consultation with HMT, to undertake an analysis of how TPR could be fully funded by the pensions sector to inform a recommendation to Ministers. This should account for timing given the levy deficit, and the appropriate distribution of costs across the industry.

Estate management and hybrid working

210. As discussed above, TPR's plan for delivering 5% efficiency savings included accommodation costs savings from moving offices. TPR's offices are in Brighton. The organisation is due to move into a smaller and less expensive building there later this year.

211. The decision to move to a smaller building reflects post-pandemic ways of working and relies on people continuing to work from home at least some of the time and on effective hybrid working. TPR is currently trialling a working from home policy that requires a minimum of four days per month of individual attendance in the office.

212. During interviews for the review, several internal and external stakeholders commented that TPR staff have not returned to the office since the pandemic to the same extent as staff in other organisations. It was pointed out on the one hand that many TPR staff value highly the flexibility that comes with the ability to work from home (and that this is a key recruitment and retention consideration), but on the other that younger or newer staff may miss the opportunity to 'learn by listening' to more senior colleagues in the office environment.

213. The question of office-based working is complicated by the fact that not all TPR staff are Brighton-based, yet Brighton is the only office. There are staff who formerly worked at Capita who are based in Birmingham, and during the pandemic a number of staff (particularly in hard-to-recruit disciplines such as digital) were recruited remotely and are based right across the country.

214. TPR is currently in the 'test and learn' phase of its hybrid working trial. I would encourage it to consider the following as it assesses the results and develops its working policy going forward:

- Whether to have distinct policies for staff who are based in Brighton (for whom frequent office attendance is at least a practical option), vs staff who are based elsewhere (for whom it is not).
- Whether to offer those based outside Brighton the option of regular office working, for example through Government hubs or other shared spaces.
- The level of attendance that the new space in Brighton can support, and how to coordinate attendance if/when demand is high.
- The need to strike a reasonable balance in office attendance between the needs of staff who particularly value flexibility in where they work, and those who need in-person support and mentoring or particularly value office interactions and ambience.
- Whether TPR needs a hard rule on office attendance or whether the right balance can be struck through a combination of "rule of thumb" guidance and role-modelling by senior staff.

- The likely balance in future between recruiting locally and nationwide, given the need to hire scarce skills (notably digital and data) within limited budgets, and how this drives estates policy going forward.

Recommendation 15: On completion of the 'test and learn' phase, TPR to review its policy on hybrid working and its estates policy outside Brighton.

Digital transformation

215. TPR has a stated ambition to be a data-driven, digitally enabled regulator.[79] This ambition includes greater use of data to give a richer picture of activity in the sector and to better identify risks, and more automation of manual processes to save cost (both TPR's own cost and compliance costs to the regulated population). I am confident that this is the right strategic ambition and a necessary direction of travel for TPR (in common with most other regulators).

216. The more difficult question is how to prioritise and sequence investment in data and digital. Considerations include:

- Available resources, both budget and capability.
- Cultural readiness to adopt new ways of working, e.g. user-centred design.
- Remedial investments (e.g. replacing unsafe legacy systems) vs foundational investments (e.g. in data storage or handling capability) vs projects that will deliver specific benefits (e.g. automating specific processes).
- Expected pay-offs, which could include reductions in operating costs (for TPR and/or the regulated population) or improvements in effectiveness (e.g. better visibility of how pensions are invested, or of risks on a sector-wide basis).
- Digital readiness of the sector (e.g. ability to submit information digitally or automate processes).

217. On the basis of the interviews I conducted, TPR has started to consider these factors but has some way to go to articulate its digital and data ambitions in detail and to make key choices about priorities and sequencing.

218. In my opinion TPR stands to become a more efficient and effective regulator if it succeeds in its digital transformation. However, while there will be some invest-to-save measures, it is highly unlikely that TPR's digital transformation will reduce its overall cost. Furthermore (as with all organisations) there is significant risk of spending badly on digital. In the rest of this section I comment on some of the key factors that affect TPR's ability to spend money well in this area.

[79] TPR Corporate Plan 2023/24

Track record

219. The table below shows TPR's digital spend between 2019-2023:[80]

Table 5: Expenditure on Data, Digital and Technology

£m	2019-2020	2020-2021	2021-2022	2022-2023
Expenditure	10.0	15.7	16.8	17.0

Source: TPR management accounts

220. In 2018 TPR initiated an ambitious digital programme. The Systems to Support Regulatory Activity (SSRA) programme aimed to (i) replace unsupported IT systems that were no longer fit for purpose (for example due to being at risk of security breaches) and (ii) support TPR's ambition to become a data-led regulator. TPR wanted the new systems to enable a single view of all scheme activities and to automate manual processes, as well as dealing with the risks associated with the legacy systems.

221. The programme required a budget allocation of £32m investment (made up of £28m plus £4m contingency) over a timescale of 24 months,[81] with delivery to be led by TPR staff supported by external specialists for the digital build and configuration.

222. All new digital programmes within ALBs are required to meet service standards set by the Government Digital Service (GDS). The SSRA programme did not meet the required standards and was therefore not approved.

223. I understand from TPR that some of the budget allocation was spent on projects within the SSRA programme (e.g. the portals project) before the programme was paused. However, TPR's digital ambition is still some time off from being realised. This entails some continuing risk from legacy systems as well as a lack of progress towards a more data-led view of schemes and the ability to automate processes.

224. Specifically, I understand that the SSRA programme did not meet the GDS standards on customer testing. Feedback from interviews indicates that there may have been some misunderstanding about the right way to approach service standard assessments, which standards were most relevant to the SSRA programme, and the potential to be pragmatic in the interpretation of standards. This was partly due to the inexperience of TPR digital staff (many of whom had come from the private sector) in navigating Government digital programme governance. DWP offers a range of support to TPR on digital (including training, assurance) but it may be that DWP could do more to help TPR navigate GDS service standards in future.

[80] Source TPR's management accounts. This includes fixed asset expenditure. As a result, they are different to those included in TPR's Annual Report and Accounts.

[81] SSRA business case TPR (not published)

225. TPR has taken steps to get back on track. It has established a DDaT directorate, recruited an Executive Director and is finalising recruitment of their senior team.

226. The SSRA programme was primarily to provide new systems for core regulatory functions around pension schemes whilst replacing obsolete legacy systems. AE, by contrast, has newer, fit for purpose systems and TPR is already well-placed to explore and test data-driven and automated approaches in this part of its operations (as described above in the section on AE efficiencies).

Digital capability

227. While digital transformation inevitably involves outside expertise, it requires at least a minimum effective core in-house capability to manage programmes successfully, focus on the right priorities for the organisation, and thus secure good value for money. TPR expects the digital delivery programme to be 46% contractor/external supplier and 54% internal TPR staff costs.

228. In common with many other organisations (particularly but not exclusively in the public sector), TPR finds it difficult to recruit and retain experienced digital staff. TPR is approaching this creatively, for example (as discussed above) hiring nationwide, and bringing in graduates and apprentices to build and grow talent within the organisation as well as hiring mid-career staff. Nonetheless I would not want to understate the challenge here.

229. A further challenge in recruitment is uncertainty around funding and approval for challenging and interesting projects, which makes it hard to pitch a strong offer around career development for digital staff. This is a chicken and egg problem: it is difficult to secure funding and approval for major digital projects without high confidence that the organisation has the resource to deliver them; yet hard to secure the resource without confidence that major projects will go ahead.

230. There is also a cultural challenge associated with new ways of working, including agile working. Some of those I interviewed felt that TPR senior management had not yet fully understood or embraced this, and that more senior support and training was needed at all levels in the organisation to affect the mindset shift needed to transform ways of working. I understand there is a range of support including training available from DWP.

231. Lastly there is the question of putting in place the right governance and oversight for digital programmes and projects. Interviewees told me that TPR's committee structures are cumbersome generally (this is discussed above under Governance) and that traditional regulatory decision-making structures are not appropriate for work run on an agile or 'fail-fast' basis. I would encourage TPR to consider the oversight of digital work explicitly when it is reviewing its committee structure. It can also draw on informal support (e.g. assurance sessions) from DWP.

Licensing costs

232. The other significant cost associated with a step-up in digital ambition is licensing and data storage. I understand that TPR's Microsoft licences and cloud hosting contract alone will cost up to £23.92m over the 3 years 2023-2026. TPR is thinking pragmatically about whether it can access the data it needs through application programming interfaces (APIs) with other organisations (for example the FCA, HMRC), rather than collecting and storing data on its own systems. Nonetheless the scale of cost involved here is likely to be significant.

Sector readiness

233. I understand from both TPR and wider stakeholders that digital capability in the pensions sector varies hugely. This means TPR faces some counterparties who are (or could easily become) ready to interface digitally in terms of submitting or enabling access to data and automating processes, while others would themselves require significant digital transformation to achieve this.

234. TPR needs to be realistic in terms of what it can achieve given the digital readiness of its counterparts. But it can also use this opportunity to push schemes to digitalise where they can and consolidate where they cannot.

Recommendation 16: TPR to develop a clear strategy for digital transformation in terms of both invest-to-save and invest-to-improve measures. Within this, ensure that the best mix of in-house and external contracting is used to minimise costs and grow in-house skills and capability; and that sequencing and prioritisation of projects takes into account capability in the sector. TPR to design specific governance for digital transformation and to seek support from DWP for training in new ways of working and navigating Government Digital Services standard assessment process.

The Levy Deficit

235. The Secretary of State for Work and Pensions sets the rate of the general levy each year. The levy covers, or partially covers, the cost of running TPR, TPO and The Money and Pensions Service (MaPS).

236. In 2016, the General Levy held a small surplus, enabling DWP at that point to lower rates to larger schemes slightly. Since then, in light of events including EU Exit and Covid-19, Ministers took decisions to freeze levy rates (so as not to burden the sector further). However, over the same period TPR and the other levy-funded bodies were permitted to grow to cover an increasing span of activities to support government objectives. Without a corresponding increase in the levy rates, the levy has fallen into deficit. In 2016, the levy was £15.2m in credit; by 2022 it was £125m[82] in deficit.

[82] These figures have been provided by DWP control accounts.

237. Allowing the levy to fall significantly into deficit is unhelpful as it pushes already incurred costs onto future savers and reduces financial headroom and flexibility for the regulatory regime. While some flexibility is operationally useful, this should be limited - it should not be possible for a significant gap to emerge between the budget agreed for TPR and the funding of that budget.

238. In 2020, the DWP developed a remediation plan to bring the levy back into balance. Following consultation, levy rates were increased in each of the years commencing April 2021, April 2022, and April 2023. A further consultation is planned for later this year on levy rates from April 2024. While it is welcome that a remediation plan is underway, in my view there should also be stronger safeguards against allowing such a significant deficit to develop in future.

Recommendation 17: DWP to develop and implement procedural controls to ensure TPR budgets and funding stay within agreed tolerances.

Annexes

Annex A: Recommendations from the Previous Review in 2019

Form and Functions

Recommendation 1: The Department should consider the benefits of extending TPR's powers to enable them to make rules in specific circumstances, and if this could enable the regulator to better achieve its goal of being clearer, quicker and tougher.

Recommendation 2: TPR should continue their work to connect with other organisations and improve its information sharing capabilities in order to improve the information available to pension scheme members.

Recommendation 3: This review has found that TPR and the FCA are working together effectively on industry issues. TPR should ensure they proactively monitor delivery against the joint strategy to provide assurance of the ongoing effectiveness of the relationship to the Department.

The UK's departure from the European Union

Recommendation 4: We recommend that TPR continues to work with the countries they are most aligned with in order to share best practice and maintain a working relationship for cross border schemes. At the appropriate time, TPR should explore establishing information sharing agreements to facilitate these relationships.

Recommendation 5: The regulator should augment the work of its Brexit Working Group to consider what guidance and support it could offer its regulated entities at this challenging and uncertain time.

Relationship with the Department

Recommendation 6: Both the Department and TPR should take steps to ensure that the introduction of new staff safeguards the relationship between the two organisations.

Recommendation 7: The Department should take the opportunity of the closure of the AE programme to review the partnership arrangements with the AE division of TPR, for example by aligning oversight into the existing Partnership approach for the organization.

Recommendation 8: The Department should review TPR's budget delegations to ensure that the requirements for departmental approval are proportionate and recognise that TPR has strong assurance measures in place.

Governance

Recommendation 9: TPR should seek to add a Board member with experience in organisational and digital transformation at the next available opportunity. This could also be an opportunity to increase the ethnic diversity of its Board members.

Operational Effectiveness

Recommendation 10: TPR should take the opportunity of the reshaping of their organisation to review their current internal governance structures and streamline them.

Recommendation 11: The regulator should assess whether the codes of practice they measure schemes against are the correct minimum standards of compliance they expect of all schemes.

Recommendation 12: TPR should seek improved methods of gathering data to monitor schemes, in order to decrease the regulatory burden on schemes and employers.

Recommendation 13: We recommend that scenario planning capability remains an area of focus for TPR and that resources are prioritised towards it.

Organisational Effectiveness

Recommendation 14: The regulator should put in place a plan to have a workforce whose diversity more closely reflects the population they serve, which includes an ambition to increase BAME representation at Board level.

Efficiency

Recommendation 15: The Department should continue to work towards a decision regarding TPR's future funding arrangements in order to provide TPR with greater certainty.

Recommendation 16: TPR should engage with the Office of Government Property to source suitable accommodation in London to support its work. During the course of the review, TPR has acquired office space in central London.

Annex B: Review Terms of Reference

Background

1. The Pensions Regulator (TPR) was established under the Pensions Act 2004 and is the UK regulator of work-based pension schemes. It works with trustees, employers, pension specialists and business advisers, providing guidance on what is expected of them. As an executive non-departmental public body, it is accountable to Parliament through the Secretary of State for Work and Pensions. TPR is funded through both the taxpayer, Resource Departmental Expenditure Limits (RDEL) and via the general levy on pensions schemes. The split is roughly 1/3 RDEL and 2/3 general levy.

Purpose and scope

2. This review of TPR will be conducted on behalf of the Secretary of State for Work and Pensions. The review aims to provide a robust challenge to, and assurance of TPR. In doing so it will draw on the structure and approach of the Cabinet Office's guidance on reviews, focussing on four key areas:

    - Governance;
    - Accountability;
    - Efficacy;
    - Efficiency.

3. Taking the above into account, the review will consider (but not limited to):

    - How TPR is currently performing and its ability to adapt and respond to future challenges and opportunities whilst meeting its obligations;
    - The appropriateness of the financial arrangements underpinning TPR and the extent to which its current funding model delivers value for money and an optimum return for its members and wider industry;
    - How TPR is managing relationships with its key stakeholders and interacting with devolved administrations;
    - Identification of where savings to Resource Departmental Expenditure Limits (RDEL) of at least 5% can be made.

Governance

4. With reference to the guidelines set out in the Cabinet Office's 'Partnerships with Arm's-Length Bodies: Code of Good Practice' this will consider governance within TPR and between TPR and DWP, including:

    - The composition and effectiveness of the board;
    - Effectiveness of corporate governance including staff management and the assessment of risk management;
    - TPR's transparency and accountability, specifically with regard to data handling and performance.

Accountability

5. The review will consider the position and status of TPR as a DWP sponsored non-departmental public body, focusing on:

    - current partnership/stewardship arrangements with DWP;
    - relevance of the current suite of performance metrics;
    - TPR's interaction with DWP policy and other Government functions.

Efficacy

6. This will consider how TPR delivers its functions and how this is assessed, including:

    - How far the functions performed by TPR contribute to DWP's goal to "ensure financial security for current and future pensioners";
    - TPR delivery of its current statutory duties and responsibilities and how effectively it responds to any changes and engages with DWP and HM Treasury.

Efficiency

7. This will consider how TPR manages its resources, with reviewers expected to identify more than 5% efficiency savings. Consideration will be shaped by a self-assessment, undertaken by the body and partnership team and any steers on areas of specific interest or focus. This area remains of particular interest and is expected to consider an assessment of:

    - How effective TPR is in managing public money in line with HMT guidance;
    - How effective and efficient TPR has been in achieving its purposes and carrying out its functions;
    - How effective TPR is in delivering value for money and how it plans to become more efficient, including the use of shared services;
    - Strategic alignment with wider government on accommodation, capital spend and recruitment.

Review Approach and Timeline

8. Mary Starks has been appointed as the independent lead for this review. As Lead Reviewer, she will conduct the review with independence and objectivity and is accountable for the recommendations made. The Lead Reviewer will be supported by a small review team of civil servants from the Department for Work and Pensions.

9. The review will gather evidence by working with TPR, looking at corporate documentation, observing Board meetings and conducting a series of interviews with the body and other stakeholders, including DWP's partnership team. The review will begin in March 2023 with the final report and recommendations completed in late Summer 2023.

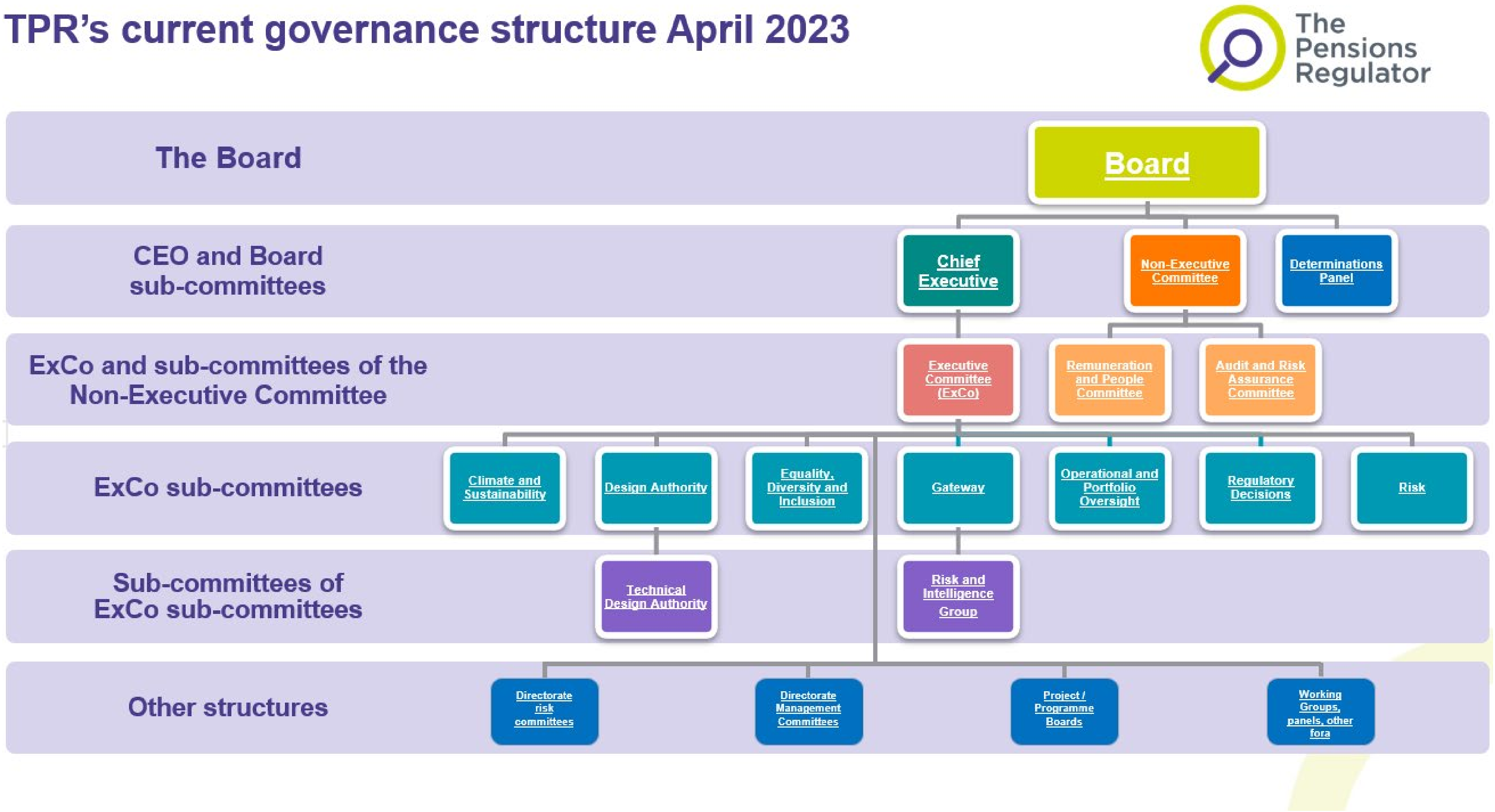
Annex C: List of Stakeholder Organisations

(interviewed or providing written evidence)

1. DWP policy, partnership, digital and finance officials
2. TPR Board members, Chair and Executive Committee
3. Financial Conduct Authority
4. Pension Protection Fund
5. Pensions and Lifetime Savings Association
6. Association of Professional Pension Trustees
7. The People's Pension
8. Money and Pension Service
9. The Pension Ombudsman
10. Federation of Small Business
11. HM Treasury
12. Joint Industry Forum
13. British Venture Capitalist Association
14. Bank of England
15. Hargreaves Lansdown
16. Association of Member Nominated Trustees

In addition, a small number of other individuals and academics submitted views.

Annex D: Committee Structure



Annex E: Annual Assurance Assessment (AAA) Ratings

Ratings for the risks posed to DWP by TPR in key areas - using a five-tier scale (Low, Low/Medium, Medium, Medium/High, High)

AAA categories	TPR risk ratings per category		
	2020	2021	2022
Operational Management	Low	Low	Low
Financial Management	Low	Low	Low/Medium
Wider Government Agenda	Low	Low	Low
Working Environment	Low	Low	Low/Medium
Policy and Strategy	Low	Low	Low
Risk Management	Low	Low	Low/Medium
Organisational Capacity & Capability	Low/Medium	Medium	Medium
Diversity and Inclusion	Low/Medium	Medium	Medium
People Management	Low	Low	Low/Medium
Internal Governance	Low/Medium	Medium	Low/Medium

Annex F: Stakeholders' views on the effectiveness of TPR's operations

Thinking now about how TPR operates, how effective do you think it is at carrying out each of the following roles? (% fairly/very effective)

Asked of:	Rating for:	2018-19	2019-20	2020	2021	2022	Not effective
DB/hybrid schemes	Protecting the benefits of members of DB work-based pension schemes	79%	85%↑	85%	85%	**87%**	3%
	Strengthening the funding of DB schemes	61%	73%↑	75%	74%	**79%**↑	3%
	Minimising any adverse impact on an employer's sustainable growth	44%	46%	52%	46%	**48%**	13%
	Reducing the risk of claims to the Pension Protection Fund	56%	67%↑	71%	72%	**74%**	3%
DC schemes	Protecting the benefits of members of DC work-based pension schemes	73%	71%	85%↑	75%↓	**82%**↑	2%
AE schemes	Maximising employer compliance with their automatic enrolment duties	85%	88%	84%	88%	**85%**	2%
All schemes	Improving standards in scheme governance and administration	86%	83%	87%	83%	**87%**↑	3%
	Protecting pension savers across all scheme types through proactive and targeted regulatory interventions	-	-	78%	73%	**78%**↑	4%
	Responding to significant events relating to an individual scheme	-	-	-	-	**61%**	5%
	Investigating trustees, employers and governing bodies where TPR's standards are not met	55%	60%	59%	58%	**65%**↑	3%
	Taking enforcement action where it discovers criminal activity	-	-	-	-	**67%**	2%
	Taking enforcement action where it discovers breaches of pensions regulation	-	-	-	-	**71%**	3%

Base: All respondents - DB & hybrid - 2018-19 (547), 2019-20 (397), 2020 (231), 2021 (540), 2022 (543); DC - 2018-19 (356), 2019-20 (244), 2020 (153), 2021 (361), 2022 (300); AE - 2018-19 (488), 2019-20 (291), 2020 (212), 2021 (454), 2022 (403); Total - 2018-19 (718), 2019-20 (502), 2020 (325), 2021 (700), 2022 (700)

↑ ↓ Sig. higher/lower than previous year

Source: TPR internal analysis of their Perceptions tracker [Pensions research and analysis | The Pensions Regulator]