Draft Regulations laid before Parliament under section 131(1) of the Pension Schemes Act 2026 (c. 22), for approval by resolution of each House of Parliament.

D R A F T   S T A T U T O R Y   I N S T R U M E N T S

2027 No.

PENSIONS

The Occupational Pension Schemes (Value for Money) Regulations 2027

Made	- - - -	***
Coming into force		

The Secretary of State makes these Regulations in exercise of the powers conferred by sections 11(1) to (5) and (13), 12(2) and (3), 13(1)(a)(ii), (b) and (c) and (3)(a), 14(1)(a) and (b) and (2), 15(2)(b), (3) to (5) and (8), 16(1) to (3), 17(1)(d) and (4)(c), 18(1), (3), (4), (6), (7) and (9), 19(2) and 130(3)(a) of the Pension Schemes Act 2026.

In accordance with section 11(7) of that Act, the Secretary of State has consulted with such persons as the Secretary of State considers appropriate.

PART 1
Preliminary

Citation, commencement, extent and application

1.—(1) These Regulations may be cited as the Occupational Pension Schemes (Value for Money) Regulations 2027 and come into force on [6th April 2027].

(2) These Regulations extend to England and Wales and Scotland.

(3) In the first VFM period, regulations 9 and 23 to 51 do not apply to—

(a) a single employer arrangement with fewer than 50,000 members;

(b) a legacy arrangement;

(c) a bespoke arrangement.

Interpretation

2.—(1) In these Regulations—

"active member" has the meaning in section 124(1) of the Pensions Act 1995 (interpretation)(**a**);

"arrangement", means an allocation of contributions to one or more investments according to a strategy adopted by responsible trustees or managers;

"benchmark" has the meaning in regulation 24(2);

"bespoke arrangement" means an arrangement, as at 31st December of a VFM period, which—

(a) has an investment strategy set by an employer or third party acting on behalf of the employer,

(b) is used only by the employer's employees or past employees, and

(c) has been operating for at least one calendar year;

"calendar year" means a continuous period from 1st January to 31st December inclusive;

"contribution" in relation to a member, means a payment into a pension scheme or arrangement made by, on behalf of, or in respect of that member and, except in regulation 13(2)(a), it includes the transfer of the member's accrued rights from a previous pension scheme;

"decumulation aim", in relation to a regulated VFM arrangement, means the benefit, from the following benefits, which the arrangement is intending to provide to a member in decumulation—

(a) a drawdown pension,

(b) an annuity,

(c) cash, or

(d) any other benefit;

"deferred member" has the meaning in section 124(1) of the Pensions Act 1995;

"first VFM period" has the meaning in regulation 5(1);

"investment charges" means the fees and charges in relation to a regulated VFM arrangement's investments including any performance-based fees but excluding transaction costs;

"legacy arrangement" means an arrangement, as at 31st December of a VFM period—

(a) which—

(i) is a multi-employer arrangement which has—

(aa) at least one employer which has 50 or more members with contributions still invested in the scheme, and

(bb) 80 per cent. of active members or deferred members with contributions still invested in the arrangement,

(ii) where paragraph (i) does not apply, has at least 80 per cent. of an employer's active members' or deferred members' contributions invested within it,

(iii) has members invested in the arrangement that responsible trustees or managers cannot link to a particular employer and there are no other arrangements within the scheme, or

(**a**) 1995 c. 26.

(iv) has at least 50 members invested in the arrangement that the responsible trustees or managers cannot link to a particular employer and the number of those members is greater than the average number of such members in other arrangements within the scheme,

(b) which has 1000 or more members or, where there are fewer than 1000 members, is the arrangement with the greatest number of members, or the only arrangement within the scheme, and

(c) which has been operating for at least one calendar year.

"member" means an "active member" or a "deferred member" of the regulated VFM scheme or regulated VFM arrangement concerned;

"metric data" means the information set out in Part 2;

"multi-employer scheme or arrangement" means a scheme or arrangement used by more than one employer;

"retirement age cohort" has the meaning in regulation 8(4);

"second and subsequent VFM periods" has the meaning in regulation 5(2);

"service costs" means total costs and charges less investment charges;

"single employer scheme or arrangement" means a regulated VFM scheme or regulated VFM arrangement used by a single employer;

"target retirement date" means the age at which the member intends to retire as identified by the member or, where the member does not identify a date on which they intend to retire, the responsible trustees or managers;

"total costs and charges" means the sum of service costs and investment charges;

"transaction costs" means the costs incurred as a result of the buying, selling, lending or borrowing of investments;

"working day" means any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday under the Banking and Financial Dealings Act 1971(**a**) in England and Wales and Scotland.

(2) Where an occupational pension scheme provides money purchase benefits in conjunction with other benefits, references in Chapter 1 of Part 2 of the Pension Schemes Act 2026 (other than section 11(13)) to the occupational pension scheme are to an occupational pension scheme only to the extent it provides money purchase benefits.

(3) In these Regulations, metric data, unless otherwise specified, must be expressed as a single percentage figure to 2 decimal places.

Regulated VFM Schemes

3.—(1) A relevant pension scheme(**b**) is a regulated VFM scheme if it, as at 31st December of a VFM period—

(a) provides money purchase benefits falling within paragraph (a) of the definition of money purchase benefits in section 181(1) of the Pension Schemes Act 1993 (interpretation)(**c**),

(**a**) 1971 c. 80. See section 1 for the definition of "bank holiday".
(**b**) See section 11(12) of the Pensions Schemes Act 2026 for the definition of "relevant pension scheme" and section 21 of that Act for the definition of "occupational pension scheme".
(**c**) 1993 c. 48.

(b) is registered under section 153 of the Finance Act 2004 (registration of pension schemes)(**a**), and

(c) is not a relevant small scheme or an executive pension scheme, within the meanings in regulations made under section 47(5) of the Pensions Act 1995(**b**), or a collective money purchase scheme within the meaning in section 1 of the Pension Schemes Act 2021(**c**).

(2) Where responsible trustees or managers(**d**) of a regulated VFM scheme notify the Pensions Regulator under section 62(5)(b) of the Pensions Act 2004 (the register: duties of trustees or managers)(**e**) that the scheme is being wound up, regulation 23 does not apply with effect from the date of the notification.

Regulated VFM Arrangements

4.—(1) An arrangement under a relevant pension scheme is a regulated VFM arrangement if it is in accumulation and holds contributions in connection to the benefits mentioned in regulation 3(1)(a), and which, as at 31st December of a VFM period, is—

(a) a default arrangement,

(b) a legacy arrangement,

(c) a transferred-member arrangement, or

(d) a bespoke arrangement.

(2) A section of a collective money purchase scheme, within the meaning in section 1 of the Pension Schemes Act 2021 or an additional voluntary contribution arrangement set up by the employer is not a VFM arrangement.

(3) A default arrangement is an arrangement, as at 31st December of a VFM period—

(a) to which the contributions of one or more active members or deferred members are allocated without those members expressing a choice as to where those contributions are allocated,

(b) which has 1000 or more members or, where there are fewer than 1000 members, is the arrangement with the greatest number of members, or the only arrangement within the scheme, and

(c) has been operating for at least one calendar year.

(4) A transferred-member arrangement is an arrangement, as at 31st December of a VFM period—

(a) to which an active member or a deferred member's contributions have been transferred, whether from a different scheme or different arrangement within the same scheme, without the member's consent,

(b) which has 1000 or more members or, where there are fewer than 1000 members, is the arrangement with the greatest number of members, or the only arrangement within the scheme, and

(c) which has been operating for at least one calendar year.

(5) If the responsible trustees or managers operating a regulated VFM arrangement enter into an agreement (in a form acceptable to the Pensions Regulator) with another scheme for the

(**a**) 2004 c. 12.
(**b**) 1995 c. 26. See regulation 1(2ZB) of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (S.I. 1996/1715). Paragraph (2ZB) was inserted by S.I. 2015/879.
(**c**) 2021 c. 1.
(**d**) See section 11(8) of the Pension Schemes Act 2026 for the meaning of "responsible trustees or managers".
(**e**) 2004 c. 35.

acceptance of a transfer of all active members and deferred members under the arrangement, regulation 23 does not apply with effect from the date of the agreement.

(6) Where a regulated VFM arrangement uses different administration systems for different members of the same arrangement, then members must be grouped based on the administration system used and they must be treated as being in a separate VFM arrangement for the purpose of these Regulations.

(7) In paragraph (6), an "administration system" is the information technology platform used to manage members' investments.

VFM period

5.—(1) The first VFM period is the period beginning on 1st July 2027 and ending on 31st December 2027.

(2) Second and subsequent VFM periods begin on 1st January in any year (beginning with 1st January 2028) and end on 31st December in that year.

Database

6.—(1) The Secretary of State appoints the Pensions Regulator to make available, and operate, an electronic database for the publication or sharing of metric data.

(2) The Pensions Regulator must enable and facilitate the use of the database to publish or share information relating to persons to whom rules made by the Financial Conduct Authority apply, where that information corresponds to metric data.

Review of these Regulations

7.—(1) The Secretary of State must from time to time—

(a) carry out a review of these Regulations,

(b) set out the conclusions of the review in a report, and

(c) publish the report.

(2) In carrying out the review the Secretary of State must in particular—

(a) set out the objectives intended to be achieved by the regulatory system established by these Regulations,

(b) assess the extent to which those objectives are being achieved, and

(c) assess whether those objectives remain appropriate and, if so, the extent to which they could be achieved with a system that imposes less regulation.

(3) The first report under this regulation must be published before the end of the period of 5 years beginning with the day on which these Regulations first come into force.

(4) Reports under this regulation are afterwards to be published at intervals not exceeding 5 years.

PART 2

Metric data

Section 1
General

Sharing metric data

8.—(1) Responsible trustees or managers must share metric data in respect of a VFM period with the Pensions Regulator by uploading the metric data to the electronic database operated by the Regulator in accordance with regulation 6(1).

(2) The Pensions Regulator must—

(a) determine the form in which metric data must be shared, and

(b) publish, or share with the Secretary of State and responsible trustees or managers, details of the form so determined.

(3) Metric data must be shared by 31st March following the end of each VFM period.

(4) Metric data must, unless otherwise specified, be shared in relation to each of the following cohorts of members of the regulated VFM scheme or regulated VFM arrangement in respect of the VFM period—

(a) members who reached their target retirement date on a date in the VFM period, and

(b) members who are 30 years away from their target retirement date on a date in the VFM period.

(5) Metric data must, unless otherwise specified, be shared in relation to each of the following reporting periods in respect of the VFM period—

(a) the previous calendar year ("1 year reporting period"),

(b) the previous 3 calendar years where data is available ("3 year reporting period"),

(c) the previous 5 calendar years where data is available ("5 year reporting period"), and

(d) the previous 10 calendar years where data is reasonably practicable to obtain ("10 year reporting period").

(6) In this Regulation, data will be available to responsible trustees or managers unless the regulated VFM arrangement has not been capable of accepting contributions from or on behalf of members throughout the VFM period.

Publishing metric data

9.—(1) Responsible trustees or managers must, in respect of a VFM period—

(a) by 7th November following the end of a VFM period, publish metric data by uploading it to the electronic database operated by the Pensions Regulator in accordance with regulation 6(1),

(b) on the date that metric data is uploaded to the electronic database in accordance with sub-paragraph (a), publish, on the regulated VFM scheme's or regulated VFM arrangement's own website or on a publicly accessible website where the scheme or arrangement has no publicly accessible website of its own, a link to the metric data published on the database, and

(c) where a person requests a copy of the metric data uploaded to the database, provide a hard copy of it to the person within 5 working days beginning with the date that the request for a copy was received by the responsible trustees or managers.

(2) Paragraph (1) applies only to the median data in the metric data referred to in regulations 19(7), 20(4), 21(7) and 21(9)(a).

(3) Metric data published in accordance with paragraph (1) must be published for a period of 5 years beginning on 7th November of the year it was first published.

Member satisfaction surveys

10.—(1) For the purposes of section 14(2) of the Pension Schemes Act 2026, the Pensions Regulator is designated as the relevant authority.

(2) Responsible trustees or managers must—

(a) issue VFM member satisfaction survey forms to relevant members of a regulated VFM scheme or regulated VFM arrangement from time to time as directed by the relevant authority, and

(b) make reports ("survey data reports") from the information returned in survey forms.

(3) Survey data reports relating to a VFM period are to be regarded as metric data.

Section 2
Quality of Services metric data

Quality of services metric data

11.—(1) "Quality of services metric data", in respect of a regulated VFM scheme or regulated VFM arrangement, is information, in respect of a VFM period, relating to—

(a) the accuracy of record keeping,

(b) the promptness of core financial transactions,

(c) complaints, and

(d) member engagement.

(2) Quality of services metric data must relate to all members of the regulated VFM scheme or regulated VFM arrangement and may include data relating to members of another arrangement within the scheme.

Accuracy of record keeping information

12.—(1) The following information is accuracy of record keeping information so far as it relates to a VFM period—

(a) whether the responsible trustees or managers review the common data for accuracy on—

(i) a more frequent than annual basis,

(ii) an annual basis, or

(iii) a less frequent than annual basis,

(b) whether the responsible trustees or managers update the common data on—

(i) a more frequent than annual basis,

(ii) an annual basis, or

(iii) a less frequent than annual basis,

(c) the date on which the responsible trustees or managers last reviewed the common data,

(d) the percentage of members with complete and accurate common data at the date in sub-paragraph (c),

(e) the number of members with incomplete or inaccurate common data at the date in sub-paragraph (c),

(f) whether the responsible trustees or managers review the scheme specific data for accuracy on—

(i) a more frequent than annual basis,

(ii) an annual basis, or

(iii) a less frequent than annual basis,

(g) whether the responsible trustees or managers update the scheme specific data on—

(i) a more frequent than annual basis,

(ii) an annual basis, or

(iii) a less frequent than annual basis,

(h) the date on which the responsible trustees or managers last reviewed the scheme specific data,

(i) the percentage of members with complete and accurate scheme specific data at the date in sub-paragraph (h), and

(j) the number of members with incomplete or inaccurate scheme specific data at the date in sub-paragraph (h).

(2) In this regulation—

"common data" means data that is used by the responsible trustees or managers to identify a member of the regulated VFM scheme or regulated VFM arrangement and includes, in relation to the member—

(a) the member's—

(i) national insurance number,

(ii) surname and either forename or initials,

(iii) sex,

(iv) date of birth, and

(v) address including postcode,

(b) the date the member's pensionable service started,

(c) the date the member became a member of the scheme or arrangement,

(d) the date of the member's first contribution to the scheme or arrangement,

(e) the member's target retirement date,

(f) whether the member is an active member or a deferred member, and

(g) the date the member's membership status last changed;

"pensionable service" has the meaning in section 124(1) of the Pensions Act 1995(**a**);

"scheme specific data" means data unique to each member of a regulated VFM scheme or regulated VFM arrangement that is not common data and is needed by the responsible trustees or managers to meet their obligations, conduct their regular functions for effective administration of the scheme or arrangement and provide effective communications.

(**a**) 1995 c. 26.

Promptness of core financial transactions information

13.—(1) The following information is promptness of core financial transactions information in respect of the core financial transactions referred to in paragraph (2) so far as they relate to the VFM period—

(a) the arithmetic mean end-to-end time period to complete each core financial transaction, and

(b) the percentage of core financial transactions that were completed in—

(i) 1 to 3 days,

(ii) 4 to 6 days,

(iii) 7 to 10 days,

(iv) 11 to 20 days,

(v) 21 to 30 days,

(vi) 31 to 50 days, and

(vii) more than 50 days.

(2) The core financial transactions referred to in this paragraph are—

(a) the payments in and investment of contributions, beginning with the date the payment is received by the scheme and ending with the date at which they are invested in the appropriate investment fund,

(b) transfers of members between schemes, beginning with the date a request for transfer is sent to the responsible trustees or managers of the scheme from which the member's benefits will be transferred and ending with the date the member's details and the cash equivalent transfer value of their benefits are sent to the receiving scheme or, where the transfer is for the purpose of purchasing an annuity, to the annuity provider,

(c) transfers between investments, beginning with the date a request for a transfer to an alternative investment within the arrangement is sent to the responsible trustees or managers and ending with the date the transfer is completed,

(d) payments out to beneficiaries following the death of a member, beginning with the date on which the responsible trustees or managers are informed of the death of the member and ending with the date the payment is sent to a beneficiary's receiving account,

(e) payments out as a pension commencement lump sum (within the meaning in paragraph 1 of Schedule 29 to the Finance Act 2004(**a**)), beginning with the date the member has specified as the payment date and ending with the date the payment is sent to the member's receiving account,

(f) payments out as taxable retirement income to members, beginning with the date that the member has specified as the date of the first payment of a series of regular taxable income payments or, where the payment is an ad hoc payment, the date the member has specified as the payment date, and ending with the date the payment is sent to the member's receiving account.

Complaints information

14.—(1) Complaints information, in respect of a regulated VFM scheme or regulated VFM arrangement, and so far as relating to a VFM period, is—

(**a**) 2004 c. 12. Paragraph 1 is amended by paragraph 11 of Schedule 20 to the Finance Act 2007 (c .11), paragraph 24 of Schedule 16 to the Finance Act 2011 (c. 11), paragraph 26 of Schedule 9 to the Finance Act 2024 (c. 3) and S.I. 2006/572 and 2009/1172.

(a) the percentage of members that made at least one complaint,

(b) the percentage of complaints made that were upheld by the responsible trustees or managers,

(c) the arithmetic mean end-to-end time period for closing a complaint (including complaints commenced in previous VFM periods),

(d) the arithmetic mean, expressed as a percentage, of the—

(i) end-to-end time period for closing a complaint,

(ii) period to complete stage one of the scheme's internal dispute resolution procedure, and

(iii) period to complete stage two of the scheme's internal dispute resolution procedure,

in under 1 week, 1 to 2 weeks, 2 to 4 weeks, 4 to 8 weeks and more than 8 weeks.

(e) in relation to the complaints determined by the Pensions Ombudsman (irrespective of the date the complaint was referred to the Ombudsman), the number upheld and the number partly upheld, expressed as a percentage.

(2) In this regulation—

"complaint" means any oral or written expression of dissatisfaction communicated to the responsible trustees or managers, whether justified or not, from a member, or on their behalf with their consent, about the provision of, or failure to provide, a financial service, which alleges that the complainant has suffered (or may suffer) financial loss, material distress or material inconvenience,

"end-to-end time period for closing a complaint" means the period of time beginning with the date a complaint is received by the responsible trustees or managers and ending with the date—

(a) the complaint is upheld by the responsible trustees or managers and the complainant is provided with a resolution, or

(b) the complaint is not upheld by the responsible trustees or managers and the complainant is notified accordingly.

Member engagement information

15. Member engagement information is the percentage of members that have nominated a beneficiary as at 31st December of the VFM period.

Section 3
Asset Allocation metric data

Asset allocation metric data

16.—(1) "Asset allocation metric data", in respect of a regulated VFM scheme or regulated VFM arrangement, and so far as relating to a VFM period, is—

(a) the share of assets allocated to each class of assets referred to in paragraph (2) expressed as a percentage of—

(i) if calculating asset allocation for each retirement age cohort, the assets in accumulation invested by the scheme or arrangement for the benefit of the members of the relevant retirement age cohort as at 31st December of the VFM period, and

(ii) if calculating asset allocation for all members of the scheme or arrangement, the assets in accumulation invested by the scheme or arrangement as at 31st December of the VFM period,

(b) the percentage of assets allocated to each class of assets referred to in paragraph (2) apportioned to show the percentage of those assets which are allocated to each of class of assets which are listed and unlisted, and

(c) the percentage of assets allocated to each class of assets which are listed and unlisted apportioned to show the percentage of those assets which are invested in the United Kingdom, are not invested in the United Kingdom, and where the information about where the assets are invested is unknown.

(2) The assets referred to in this paragraph are—

(a) listed equities—

(i) shares located in a developed market,

(ii) shares located in an emerging market, and

(iii) shares located in any other market,

(b) bonds—

(i) fixed-interest government bonds,

(ii) indexed-linked government bonds,

(iii) investment grade corporate bonds,

(iv) non-investment grade corporate bonds,

(v) securitised bonds, and

(vi) any other type of bond, and

(c) private equity—

(i) venture capital,

(ii) growth equity,

(iii) buyout or leveraged buyout funds, and

(iv) other private equity.

(d) private debt,

(e) infrastructure equity,

(f) infrastructure debt,

(g) real estate not falling within infrastructure equity,

(h) real estate not falling within infrastructure debt,

(i) cash, and

(j) any other asset.

(3) This regulation does not apply to a bespoke arrangement.

Further provision about asset allocation metric data

17.—(1) Asset allocation metric data must relate to—

(a) each retirement age cohort within the regulated VFM scheme or regulated VFM arrangement, and

(b) all members of the scheme or arrangement.

(2) Asset allocation metric data must equal 100 per cent and cash assets, or where cash assets are zero the largest asset allocation, may be adjusted to ensure asset allocation equals 100 per cent.

(3) Where an asset falls within one or more sub-paragraphs in regulation 16(2), it must be treated as falling within—

(a) the sub-paragraph which represents its primary investment purpose where that is clear to the responsible trustees or managers, or

(b) where there is no single primary investment purpose, or it is unclear to the responsible trustees or managers whether there is a primary investment purpose, the asset should be categorised in the following order—

(i) infrastructure equity,

(ii) infrastructure debt,

(iii) real estate not falling in infrastructure equity,

(iv) real estate not falling in infrastructure debt,

(v) private equity, and

(vi) private debt.

(4) For the purposes of regulation 16—

(a) member contributions received by the responsible trustees or managers which have not yet been allocated by the responsible trustees or managers should not be included in asset allocation metric data;

(b) cash held by the responsible trustees or managers to meet operating expenses should not be included in asset allocation metric data;

(c) assets are invested in the United Kingdom if—

(i) in relation to a listed asset, it has its primary listing on a United Kingdom market and constituents of United Kingdom market indices,

(ii) in relation to a listed asset which is an investment in a listed investment vehicle, the underlying asset in which the vehicle is invested is a United Kingdom asset,

(iii) in relation to private equity, there are shares in a United Kingdom registered private company or partnership,

(iv) in relation to infrastructure and property, it is located in the United Kingdom, and

(v) in relation to private debt, the borrower is located in the United Kingdom.

(5) In this regulation and regulation 16—

"bond" means an instrument creating or acknowledging indebtedness, issued by—

(a) a company or organisation,

(b) His Majesty's Government in the United Kingdom, or

(c) the government of any country or territory other than the United Kingdom;

"buyout or leveraged buyout funds" means purchasing a controlling share in a company with own funds or using borrowed money (leveraged buyout);

"cash" means cash and cash-like assets that offer low-risk alternatives to cash, such as money market funds, treasury bills, or insurance funds linked to these or other cash-like assets;

"developed market" means the financial market of a country with an advanced economic structure, including high per-capita income, sustained growth, industrialised sectors and sophisticated infrastructure that supports efficient capital allocation;

"emerging market" means a financial market that exhibits some characteristics of a developed market but does not yet fully meet all the standards of a developed market;

"fixed-interest government bonds" means debt securities issued by a national government to borrow money, which provide a set, regular interest payment and the return of the principal amount at a fixed maturity date;

"growth equity" means investment in a mature growing business;

"index-linked government bonds" means debt securities issued by a national government where the principal value and interest payments vary based on an inflation index;

"infrastructure" means physical structures, facilities, systems or networks that provide or support public services, including water, gas and electricity networks, roads, telecommunications facilities, schools, hospitals and prisons;

"investment grade corporate bonds" means debt securities issued by a financially stable company that carries a low risk of default;

"listed" in relation to an asset, means an asset which is admitted to trading on a regulated market;

"listed equities" means an investment in company stocks and shares on a stock exchange;

"non-investment grade corporate bonds" means debt securities issued by a company with a credit rating which does not allow the company to classify the bonds as investment grade corporate bonds;

"private debt" means an instrument creating or acknowledging indebtedness which is not a bond;

"private equity" means investment in a company that is not publicly traded on a stock exchange;

"real estate" means residential, commercial or industrial property which does not fall in the definition of infrastructure;

"securitised bonds" means fixed-income securities created by pooling illiquid income-generating assets and selling shares of the generated income flows to investors;

"unlisted" in relation to an asset, means an asset which is not admitted to trading on a regulated market;

"venture capital" means investment in small, early-stage business that is expected to have high growth potential and which has access to other forms of financing.

Section 4
Investment performance metric data

Investment performance metric data

18. "Investment performance metric data", in respect of a regulated VFM scheme or regulated VFM arrangement, so far as relating to a VFM period, is—

(a) backward-looking investment performance metric data, and

(b) forward-looking investment performance metric data.

Backward-looking investment data

19.—(1) Backward-looking investment performance metric data is—

(a) gross investment performance net of transaction costs,

(b) gross investment performance net of investment charges,

(c) gross investment performance net of total costs and charges, and

(d) annualised standard deviation.

(2) The backward-looking investment performance metric data in paragraph (1)(b) does not need to be shared for the 3 year reporting period, 5 year reporting period or 10 year reporting period.

(3) The backward-looking investment performance metric data in paragraph (1)(a) must be calculated as follows—

(a) identify the gross monthly returns net of transaction costs that would have been experienced by the following hypothetical members over the periods in sub-paragraph (b) up to 31st December of the VFM period—

(i) a hypothetical non-contributing member who is 30 years away from their target retirement date as at 31st December of the VFM period, and

(ii) another hypothetical non-contributing member who reached their target retirement date on 31st December of the VFM period,

(b) the periods referred to in sub-paragraph (a) are—

(i) 1 year (consisting of 12 gross monthly returns),

(ii) 3 years (consisting of 36 gross monthly returns),

(iii) 5 years (consisting of 60 gross monthly returns), and

(iv) 10 years (consisting of 120 gross monthly returns), where the information is reasonably practicable to obtain,

(c) for each of the periods in sub-paragraph (b), compound the 12, 36, 60 or 120, as the case may be, gross monthly returns net of transactions costs, and

(d) take the nth root of each of the compound figures in sub-paragraph (c) where n is respectively 1, 3, 5 and 10 to give the annualised gross investment returns net of transaction costs that the hypothetical members would have experienced as they aged towards 30 years to retirement and 0 years to retirement over the previous 1, 3, 5 and 10 years.

(4) The backward-looking investment performance metric data in paragraph (1)(b) must be calculated by deducting the figure for investment charges in regulation 21(1)(a) from the figure for the backward-looking investment performance metric data in paragraph (1)(a).

(5) Where a scheme or arrangement has invested in a unit-linked fund, responsible trustees or managers must use the charge applied to that unit-linked fund as its investment charges in order to calculate the backward-looking investment performance metric data in paragraph (1)(b).

(6) The backward-looking investment performance metric data in paragraph (1)(c) must be calculated by deducting the figure for the total costs and charges metric data calculated in accordance with regulation 21(6) from the figure for the backward-looking investment performance metric data in paragraph (1)(a).

(7) Where the total costs and charges vary between employers in a multi-employer scheme or arrangement, paragraph (6) does not apply and the backward-looking investment performance metric data in paragraph (1)(c) must be calculated by deducting the figures for the annualised minimum, maximum and median values for the costs and charges metric data calculated in accordance with regulation 21(7) from the figure for the backward-looking investment performance metric data in paragraph (1)(a).

(8) The backward-looking investment performance metric data in paragraph (1)(d) for a retirement age cohort is calculated as follows—

(a) using the figures for gross monthly returns net of transaction costs calculated in accordance with paragraph (3)(a), calculate the standard deviation of the monthly returns, and

(b) annualise the figure for each year by multiplying it by the square root of 12.

(9) Where the investment returns of a scheme or arrangement's investment portfolio are smoothed by tracking an index, responsible trustees or managers must disregard the returns and calculate backward-looking investment performance metric data by using the monthly returns of the investment in accordance with this regulation.

(10) Responsible trustees or managers must not take into account any guaranteed investment return when calculating backward-looking investment performance metric data.

(11) Subject to paragraph (12), responsible trustees or managers must, in accordance with paragraph (13), chain-link the relevant backward-looking investment performance metric data to calculate the backward-looking investment performance metric data for each retirement age cohort in each reporting period if the following circumstances arise within a reporting period—

(a) where the responsible trustees or managers replace an existing arrangement ("arrangement A") with a different arrangement ("arrangement B") within the scheme and the members of arrangement A are transferred to arrangement B, or

(b) where members from at least one existing arrangement ("existing arrangement A") are transferred to another existing arrangement ("existing arrangement B") within the scheme, such that these Regulations no long apply to existing arrangement A.

(12) Paragraph (11) does not apply where the arrangement into which members are transferred has—

(a) been an arrangement to which these Regulations apply for each of the previous 3 calendar years, and

(b) had pension contributions invested in it by or on behalf of at least 5 per cent. of the members of the relevant scheme of which the arrangement is part in each of the previous 3 calendar years.

(13) Where paragraph (11) applies, the backward-looking investment performance metric data for the receiving arrangement must be calculated based on the monthly returns of both arrangements, weighted by assets under management, for the time in the reporting period prior to the completion of the transfer as follows—

(a) the monthly weighting for investment returns for an arrangement must be calculated by—

(i) adding the assets under management in the transferring arrangement and receiving arrangement, and

(ii) dividing the assets under management in the transferring arrangement and receiving arrangement by the result, and

(b) the monthly returns must be calculated by—

(i) for each arrangement, multiplying the gross investment performance net of transaction costs by the weight calculated for the arrangement in accordance with sub-paragraph (a); and

(ii) adding the resulting amounts.

(14) For the purposes of paragraph (13)(a), the assets under management in an arrangement are to be determined—

(a) where all the members of the arrangement are transferred in a single step, on the last day of the month prior to the transfer, or

(b) where members are transferred in more than one step, on the last day of the month prior to each transfer.

Forward-looking investment performance metric data

20.—(1) Forward-looking investment performance metric data is—

(a) expected gross investment performance net of expected total costs and charges, and

(b) expected annualised standard deviation of the investment returns of the regulated VFM scheme or regulated VFM arrangement

relating to the 10 year period beginning with the end of the VFM period in relation to the asset allocation for each retirement age cohort.

(2) Responsible trustees or managers must determine the methodology and assumptions they will use to calculate the forward-looking investment performance metric data, ensuring that the assumptions are reasonable and reflect those used in determining, or in later monitoring, the ongoing suitability of the strategic asset allocation of the scheme or arrangement.

(3) Responsible trustees or managers must calculate the forward-looking investment performance metric data based on the strategic asset allocation of the scheme or arrangement.

(4) Where the total costs and charges vary between employers in a multi-employer scheme or arrangement, paragraph (1) does not apply and responsible trustees or managers must calculate—

(a) expected minimum gross investment performance net of expected total costs and charges,

(b) expected maximum gross investment performance net of expected total costs and charges, and

(c) expected median gross investment performance net of expected total costs and charges,

relating to the 10 year period beginning with the end of the VFM period in relation to the assets held for each retirement age cohort as at 31st December of the VFM period.

(5) Responsible trustees or managers must comply with paragraphs (2) and (3) when calculating the metrics in paragraph (4) as if references to forward-looking investment performance metric data were references to the data referred to in paragraph (4)(a), (b) or (c), as the case may be.

(6) Responsible trustees or managers must—

(a) include with the metric data that is shared in accordance with regulation 8(1)—

(i) projected return assumptions,

(ii) projected risk assumptions,

used to set and monitor their strategic asset allocation and to derive their forward-looking investment performance metric data for the period of 10 calendar years beginning with the end of the VFM period, and

(b) record those assumptions in writing and retain the record for a minimum period of 6 years.

(7) In paragraph (6), the projected return assumptions and projected risk assumptions included in metric data must be specified in relation to each class of assets referred to in regulation 16(2).

(8) In this Regulation, the "strategic asset allocation" means the long-term investment strategy adopted by responsible trustees or managers.

Section 5
Costs and charges metric data

Costs and charges metric data

21.—(1) "Costs and charges metric data", in respect of a regulated VFM scheme or regulated VFM arrangement, so far as relating to a VFM period, is—

(a) investment charges,

(b) service costs, and

(c) total costs and charges.

(2) The costs and charges metric data in paragraph (1)(a) and (b) does not need to be shared for the 3 year reporting period, 5 year reporting period or 10 year reporting period.

(3) In respect of the second and subsequent VFM periods, responsible trustees and managers must—

(a) compare the percentage figure for investment charges with the equivalent percentage figure from the previous VFM period, and

(b) calculate the increase or decrease as a single percentage figure.

(4) Where a scheme or arrangement applies only an annual management charge, the costs and charges metric data must be calculated using that annual management charge.

(5) Where paragraph (4) applies, the costs and charges metric data in paragraph (1)(c) must be calculated by—

(a) using the annual percentage figures produced in accordance with paragraph (4) for each year within the reporting period ending with the calendar year for that retirement age cohort,

(b) calculate the geometric average of those annual percentage figures.

(6) In any other case, where costs and charges do not vary by employer, the costs and charges metric data in paragraph (1)(c) must be calculated as follows—

(a) identify the total costs and charges that would have been experienced by the following hypothetical members over the periods in sub-paragraph (b) up to 31st December of the VFM period—

(i) a hypothetical deferred member who is 30 years away from their target retirement date as at 31st December of the VFM period, and

(ii) another hypothetical deferred member who reached their target retirement date on 31st December of the VFM period,

(b) the periods referred to in sub-paragraph (a) are—

(i) 1 year (consisting of 12 monthly periods),

(ii) 3 years (consisting of 36 monthly periods),

(iii) 5 years (consisting of 60 monthly periods), and

(iv) 10 years (consisting of 120 monthly periods), where the information is reasonably practicable to obtain,

(c) for each of the periods in sub-paragraph (b), compound the 12, 36, 60 or 120, as the case may be, costs and charges experienced in each monthly period, and

(d) take the nth root of each of the compound figures in sub-paragraph (c) where n is respectively 1, 3, 5 and 10 to give the total annualised costs and charges that the hypothetical members would have experienced as they aged towards 30 years to retirement and 0 years to retirement over the previous 1, 3, 5 and 10 years.

(7) Where one or more of the costs and charges metric data varies between employers in a multi-employer scheme or arrangement, paragraph (6) does not apply, and responsible trustees or managers must calculate the annualised minimum, maximum and median values for the costs and charges metric data in paragraph (1)(a) to (c).

(8) The minimum, maximum and median referred to in paragraph (7) relate to—

(a) each retirement age cohort within the scheme or arrangement, and

(b) all members of the scheme or arrangement.

(9) In relation to the retirement age cohort who are 30 years from their target retirement date on a date in the VFM period, responsible trustees or managers of a multi-employer scheme or arrangement must, for each set of employer cohorts in paragraph (10), calculate for the VFM period—

(a) the minimum, maximum and median of the total costs and charges,

(b) the contribution per member averaging across active members and deferred members for each employer cohort, and

(c) the percentage of employers in each employer cohort (totalling 100 per cent).

(10) The employer cohorts are—

(a) Employers whose members benefits are valued—

(i) less than £100,000,

(ii) from £100,000 up to but not including £1 million,

(iii) from £1 million up to but not including £5 million,

(iv) from £5 million up to but not including £25 million,

(v) from £25 million up to but not including £50 million,

(vi) from £50 million up to but not including £100 million,

(vii) from £100 million up to but not including £250 million, and

(viii) £250 million or more, and

(b) Employers with—

(i) less than 100 members,

(ii) between 100 and 499 members,

(iii) between 500 and 999 members,

(iv) between 1,000 and 4,999 members,

(v) between 5,000 and 9,999 members,

(vi) between 10,000 and 24,999 members,

(vii) between 25,000 and 49,999 members,

(viii) between 50,000 and 99,999 members, and

(ix) 100,000 members or more.

(11) Where a scheme or arrangement's investment is not managed by an external party, investment charges must be estimated and responsible trustees or managers must—

(a) include with the metric data that is shared in accordance with regulation 8(1), an explanation of how the estimate has been calculated and the assumptions applied, and

(b) keep a written record for 6 years of—

(i) the methodology used to calculate the estimate, and

(ii) where appropriate, a record of the objective market rate used and the source of the information.

Section 6
Supporting information

Supporting information

22.—(1) "Supporting information" is metric data that must also be shared in accordance with regulation 8(1).

(2) The following information about a regulated VFM scheme that is providing a regulated VFM arrangement is supporting information—

(a) the name of the scheme,

(b) the Pensions Regulator's reference number associated with the scheme,

(c) the total number of active members in arrangements in the scheme as at 31st December of the VFM period,

(d) the total number of deferred members in arrangements in the scheme as at 31st December of the VFM period, and

(e) the total value of assets held by the arrangements in the scheme as at 31st December of the VFM period.

(3) The following information about an arrangement is supporting information—

(a) a unique identifier associated with the arrangement,

(b) whether the arrangement is a bespoke arrangement,

(c) whether the arrangement is a legacy arrangement or a default arrangement,

(d) whether the arrangement is open to employers new to the provider of the arrangement,

(e) the number of active members in the arrangement as at 31st December of the VFM period,

(f) the number of deferred members in the arrangement as at 31st December of the VFM period,

(g) the value of assets held in the arrangement as at 31st December of the VFM period,

(h) whether or not the assets in the arrangement were managed by a party external to the scheme as at 31st December of the VFM period,

(i) whether there are employer subsidies in respect of the arrangement,

(j) the decumulation aim,

(k) the number of employers in the arrangement as at 31st December of the VFM period,

(l) the number of members in the arrangement per employer as at 31st December of the VFM period,

(m) the arithmetic mean contributions of an active member in the arrangement as at 31st December of the VFM period,

(n) the arithmetic mean benefit value of members in the arrangement as at 31st December of the VFM period, and

(o) the percentage of members in the arrangement that have switched or transferred their benefits to an alternative arrangement in the scheme as a percentage of the total number of members as at 31st December of the VFM period.

(4) Responsible trustees or managers must share, in accordance with regulation 8(1), any information about a regulated VFM arrangement that could reasonably be expected to be relevant to the assessment of whether the arrangement is providing value for money and which is not reflected in any metric data.

(5) Information falling within paragraph (4) may include additional benefits or legacy features provided by the arrangement, such as life insurance lump sums, guaranteed annuity rates, guaranteed investment performance outcome and dependent pension upon death.

(6) Where information falling within paragraph (4) is shared, responsible trustees or managers must also share information regarding the percentage of members in the arrangement that are entitled to that benefit as at 31st December of the VFM period.

PART 3

VFM Assessment

Section 1
General

VFM Assessment

23.—(1) Responsible trustees or managers must, in respect of a VFM period—

(a) make a VFM assessment(**a**), in the form determined by the Pensions Regulator, of the performance of the regulated VFM scheme or regulated VFM arrangement with regard to the provision of value for money,

(b) assign a VFM rating(**b**) to the regulated VFM scheme or regulated VFM arrangement in accordance with section 15(1) of the Pension Schemes Act 2026 and include that rating in the VFM assessment,

(c) by 31st October following the end of the VFM period, publish a report of the VFM assessment by uploading the report to the electronic database operated by the Pensions Regulator in accordance with regulation 6(1),

(d) notify the Pensions Regulator of the publication of the report of the VFM assessment,

(e) on the date that the VFM assessment is uploaded to the electronic database in accordance with paragraph (1)(c), publish on the regulated VFM scheme's or regulated VFM arrangement's own website or on another publicly accessible website where the scheme or arrangement has no website of its own, a link to the report of the VFM assessment published on the database, and

(f) where a person requests a copy of the report of the VFM assessment, provide a hard copy of it to the person within 5 working days beginning with the date that the request for a copy was received by the responsible trustees or managers.

(2) When carrying out a VFM assessment, responsible trustees or managers must follow the three steps set out in this Part of the Regulations in relation to each regulated VFM scheme or regulated VFM arrangement they are responsible for.

(**a**) See section 11(2)(a) of the Pension Schemes Act 2026 for the definition of "VFM assessments".
(**b**) See section 15(1) of the Act for VFM ratings.

Step 1

24.—(1) Step 1 of a VFM assessment requires responsible trustees or managers to compare—

(a) the metric data of a regulated VFM scheme or regulated VFM arrangement with that of the benchmark to form a provisional view of the value for money for each retirement age cohort, and

(b) in the second and subsequent VFM periods, the position for each relevant metric (other than the minimum and net investment performance metric data) relative to individual regulated VFM schemes or regulated VFM arrangements in the commercial market comparator group, or the commercial market comparator sub-group, as the case may be.

(2) In paragraph (1)(a), the benchmark, in relation to a given data metric, is—

(a) in the first VFM period, the arithmetic mean of that metric data (as shared with the Pensions Regulator in accordance with regulation 8(1)) calculated across regulated VFM schemes and regulated VFM arrangements to which this regulation applies, and

(b) in the second and subsequent VFM periods, the arithmetic mean of that metric data (as shared with the Pensions Regulator in accordance with regulation 8(1)) calculated across the commercial market comparator group.

(3) In paragraph (1)(b), responsible trustees or managers must undertake the comparison—

(a) for the retirement age cohort who are 30 years from their target retirement date on a date in the VFM period, by reference to the commercial market comparator group;

(b) for the retirement age cohort who have reached their target retirement date on a date in the VFM period, by reference to—

(i) the commercial market comparator sub-group, or

(ii) the commercial market comparator group where a sub-group that meets the definition of a commercial market comparator sub-group has not been identified.

(4) The commercial market comparator group is the group of regulated VFM schemes and regulated VFM arrangements each of which—

(a) is used by more than one employer,

(b) is open to any employer new to the provider of the arrangement, and

(c) has been assigned a "fully delivering" or light green intermediate rating in the most recent VFM period.

(5) The commercial market comparator sub-group is a sub-group of four or more regulated VFM arrangements in the commercial market comparator group with the same decumulation aim and that aim is—

(a) a drawdown pension,

(b) an annuity, or

(c) cash.

Comparing data

25.—(1) Responsible trustees or managers must compare—

(a) for each retirement age cohort—

(i) the backward-looking investment performance metric data in regulation 19(1), and

(ii) the costs and charges metric data in regulation 21(1), and

(b) for the retirement age cohort who are 30 years from their target retirement date on a date in the VFM period, the total costs and charges metric data in regulation 21(1)(c) or, in relation to a multi-employer scheme or arrangement, regulation 21(9),

over each of the reporting periods set out in regulation 8(5), with the corresponding data of the benchmark.

(2) When responsible trustees or managers are comparing gross investment performance net of total costs and charges and total costs and charges, they must first determine the characteristics of the particular regulated VFM scheme or regulated VFM arrangement being assessed in accordance with the first column of the following table and apply the method of comparison set out in the corresponding row in the second column of the table.

Scheme or Arrangement to be assessed	Corresponding comparison with the benchmark
Multi-employer scheme or arrangement	Responsible trustees or managers must compare the gross investment performance net of total costs and charges of the scheme or arrangement with the benchmark's average median metric, average maximum metric and average minimum metric;
Single employer scheme or arrangement	Responsible trustees or managers must compare— (1) the gross investment performance net of total costs and charges metric data of the scheme or arrangement with the benchmark's average median metric; (2) the total costs and charges metric data of the scheme or arrangement with the corresponding total costs and charges metric data of the benchmark in relation to each of the employer cohorts within regulation 21(10).

(3) Responsible trustees or managers must compare, for each retirement age cohort, the regulated VFM scheme's or regulated VFM arrangement's forward-looking investment performance data with the corresponding forward-looking investment performance metric data of the benchmark.

(4) When responsible trustees or managers are comparing the remaining investment performance metric data and costs and charges metric data they must compare it with the corresponding metric data of the benchmark.

(5) When responsible trustees or managers of a legacy arrangement are considering whether the arrangement is providing value for money in respect to each retirement age cohort, if there are fewer than four VFM arrangements which share the same decumulation aim, or the decumulation aim is other than a drawdown pension, an annuity or cash, the responsible trustees or managers must compare the arrangement's metric data with that of the benchmark and take account of the decumulation aim in step 3.

Assessing material difference

26.—(1) Responsible trustees or managers must assess the data they have compared in accordance with regulation 25 to identify whether there is a material difference between the value delivered by the regulated VFM scheme's or regulated VFM arrangement's metric data and the corresponding benchmark's metric data.

(2) Where the responsible trustees or managers identify—

(a) materially worse gross investment performance net of total costs and charges compared with that of the benchmark's corresponding metric data, or

(b) similar gross investment performance net of total costs and charges compared with that of the benchmark's corresponding metric data, but much greater investment risk by reference to the metric data in regulation 19(1)(d),

responsible trustees or managers must consider that factor as indicative that value is not being delivered by the investment performance of that retirement age cohort.

(3) For the purposes of regulation 25(3), there will be a material difference where at least one of the forward-looking investment performance metric data for at least one retirement age cohort of the regulated VFM scheme or regulated VFM arrangement is materially lower than the corresponding data in the benchmark.

Weighting of backward-looking investment performance metric data and forward-looking investment performance metric data

27.—(1) Responsible trustees or managers may balance the backward-looking investment performance metric data with the forward-looking investment performance metric data and weigh them against each other as follows—

(a) forward-looking investment performance metric data may be given some weight but not more weight than the other metric data;

(b) backward-looking investment performance metric data may be given a near-equal weight to the forward-looking investment performance metric data, where—

(i) responsible trustees or managers have made recent significant changes to the investment strategy of the regulated VFM scheme or regulated VFM arrangement, and

(ii) there are significant investments in assets where the returns experienced in recent periods do not reflect the responsible trustees' or managers' reasonable expectations on the long-term returns achievable in the asset class;

(c) forward-looking investment performance metric data may be given moderate weight where—

(i) responsible trustees or managers have made recent significant changes to the investment strategy of the regulated VFM scheme or regulated VFM arrangement, or

(ii) there are significant investments in assets where the returns experienced in recent periods do not reflect the responsible trustees' or managers' expectations on the long-term returns achievable in the asset class;

(d) forward-looking investment performance metric data may be given very little weight where—

(i) responsible trustees or managers have not made recent significant changes to the investment strategy of the regulated VFM scheme or regulated VFM arrangement, and

(ii) there are no significant investments in assets where the returns experienced in recent periods do not reflect the responsible trustees' or managers' expectations on the long-term returns achievable in the asset class.

(2) When deciding on the appropriate weight to be given to backward-looking investment performance metric data and forward-looking investment performance metric data, responsible trustees or managers must consider the impact on intergenerational fairness and cross-member subsidies of investments in assets which result in early returns that are structurally depressed or which display an initial decline in performance followed by a sharp recovery that exceeds the starting point.

(3) Responsible trustees or managers must apply decreasing weight to forward-looking investment performance metric data as value for money is evidenced by the backward-looking investment metric data over time.

(4) In the report of the VFM assessment, responsible trustees or managers must explain how the forward-looking investment performance metric data and the backward-looking investment performance metric data have been used to come to a provisional view as to whether each retirement age cohort is providing value for money and the reasons for that provisional view.

Provisional view of value in respect of each retirement age cohort

28. After completing the process set out in regulations 25 to 27, responsible trustees or managers must come to a provisional view as to whether the regulated VFM scheme or regulated VFM arrangement is providing value for money in respect to each retirement age cohort—

(a) taking into account quantitative comparisons for each retirement age cohort in context where there is information that explains observed differences in terms of the needs of the members of the regulated VFM scheme or regulated VFM arrangement when compared with the benchmark,

(b) taking into account investment returns in the context of the risk being taken and, for the retirement age cohort who have reached their target retirement date on a date in the VFM period, what risk is appropriate for the decumulation aim,

(c) when considering the retirement age cohort who have reached their target retirement date on a date in the VFM period, taking into account that volatile performance may impact retirement outcomes and that de-risking too much too early may reduce income in retirement,

(d) when considering different reporting periods, weighting in the order 5 year and 10 year (where available), 3 year and 1 year, giving particular weight to the metric data which have reporting periods over the previous 5 years and 10 years except where there has been a recent and significant change to investment strategy,

(e) when considering investment charges together with the gross investment performance net of total costs and charges, if the investment charges figure is so low it could impact on the investment choices available to the regulated VFM scheme or regulated VFM arrangement, using available data for investment charges for shorter periods as indicative of this particular metric for a longer period,

(f) when considering the retirement age cohorts of a legacy arrangement comparing the underlying investment performance relative to the benchmark,

(g) when comparing with-profit arrangements, focusing on the gross investment performance net of total costs and charges of the underlying investments net of the cost of those investments, and

(h) disregarding asset allocation data to assess the value delivered by the investment performance unless responsible trustees or managers have concerns about the asset allocation and cannot justify a value rating.

Provisional view of value in respect of overall investment performance

29.—(1) When the responsible trustees or managers have reached a provisional view of the value for money provided by the regulated VFM scheme or regulated VFM arrangement in respect of each retirement age cohort in accordance with regulation 28, they must then come to a provisional view of value for money in relation to overall investment performance.

(2) Subject to paragraph (3), responsible trustees or managers must come to a provisional view that a regulated VFM scheme or a regulated VFM arrangement as a whole is not providing value for money where they have provisionally concluded that one or both retirement age cohorts is not providing value for money in relation to investment performance.

(3) Paragraph (2) does not apply if the responsible trustees or managers consider there to be reasonable grounds to conclude that the regulated VFM scheme or regulated VFM arrangement as a whole is providing value for money (for example, where they consider that in the context of the arrangement as a whole, the number of members within the particular retirement age cohort that is not providing value is not material or the impact to member outcomes would not be significant).

Section 3
Step 2

Step 2

30. Step 2 of a VFM assessment requires the quality of services metric data of a regulated VFM scheme or regulated VFM arrangement to be compared with that of the benchmark and for a provisional view on value for money to be formed.

Assessing value for money of the quality of services data metric data

31. Responsible trustees or managers must assess, for each retirement age cohort, the value for money of the quality of services metric data shared in accordance with regulation 8(1) by—

(a) comparing the quantitative metric data prepared in accordance with regulations 11 to 15 with the corresponding metric data of the benchmark,

(b) comparing the service costs for the 1 year reporting period with the corresponding metric data of the benchmark, and

(c) identifying any material difference between the data compared in sub-paragraphs (a) and (b) in the value of services provided to members of the regulated VFM scheme or regulated VFM arrangement.

Provisional view of value delivered by quality of services metric data

32.—(1) After completing the process in regulation 31, responsible trustees or managers must form a provisional view as to the value delivered by the quality of services provided to members of the regulated VFM scheme or regulated VFM arrangement compared to that provided by the benchmark.

(2) Where the responsible trustees or managers identify—

(a) materially worse overall service quality for comparable service costs compared to the benchmark's corresponding metric data,

(b) materially higher service costs for comparable overall quality of services compared to the benchmark's corresponding metric data, or

(c) that the quality of services provided to members of the regulated VFM scheme or regulated VFM arrangement is such that the needs of those members are not met,

responsible trustees or managers must consider that as provisionally indicative that the quality of services of the regulated VFM scheme or regulated VFM arrangement are not delivering value for money.

Step 3

33. Step 3 of a VFM assessment requires a determination to be made as to whether the regulated VFM scheme or regulated VFM arrangement provides overall value for money to the members and for a VFM rating to be assigned.

Determining value for money

34.—(1) The responsible trustees and managers must determine whether the regulated VFM scheme or regulated VFM arrangement provides value for money compared to the benchmark by considering—

(a) the data, evidence and other information that responsible trustees or managers have considered under step 1 and step 2, and

(b) the responsible trustees' or managers' provisional ratings in accordance with regulations 29 and 32 including the results of comparisons with the benchmark.

(2) Responsible trustees or managers must take account of—

(a) member and employer demographics, such as the number of members, and

(b) any special features or characteristics, such as a guaranteed annuity rate,

disclosed in the supporting information of the regulated VFM scheme or regulated VFM arrangement and the benchmark that may affect value delivered for members.

(3) Where responsible trustees or managers consider that the metric data does not reasonably reflect the value for money of a regulated VFM scheme or regulated VFM arrangement or that the scheme or arrangement is not providing equivalent or better value for money than the benchmark in a way that the responsible trustees or managers consider is not material, they may determine that the scheme or arrangement is providing value for money based on other information.

(4) Where responsible trustees or managers compare the metric data of a regulated VFM scheme or regulated VFM arrangement with that of the benchmark and they consider that the scheme or arrangement is not providing equivalent or better value for money than the benchmark, responsible trustees or managers may determine that the scheme or arrangement is providing value for money where they reasonably consider that this is a consequence of the differing decumulation aim of the scheme or arrangement.

(5) For the purposes of paragraph (4), responsible trustees or managers may consider data held in the electronic database operated by the Regulator in accordance with regulation 6(1) which relates to arrangements not included in the benchmark that have similar decumulation aims.

PART 4

VFM Ratings and consequences

Intermediate ratings

35.—(1) There are 2 grades of intermediate ratings that may be assigned to a regulated VFM scheme or regulated VFM arrangement, namely—

(a) amber intermediate rating, and

(b) light green intermediate rating.

(2) The conditions for assigning an amber intermediate rating to a regulated VFM scheme or regulated VFM arrangement are that the scheme or arrangement is not delivering value for money but it is expected to do so within a reasonable time.

(3) The conditions for assigning a light green intermediate rating to a regulated VFM scheme or regulated VFM arrangement are that the scheme or arrangement is delivering value for money in some respects but not providing overall value for money.

Condition B of section 15(1)(b)(ii) of the Pension Schemes Act 2026

36. For the purposes of section 15(1)(b)(ii) of the Pension Schemes Act 2026(**a**) ("not delivering" rating), Condition B is met if the responsible trustees or managers have assigned an amber intermediate rating to the regulated VFM scheme or regulated VFM arrangement in each of the three VFM periods immediately preceding a VFM period.

Power of the Pensions Regulator to issue a notice under section 15(5) of the Pension Schemes Act 2026

37. Where a regulated VFM scheme or regulated VFM arrangement would be assigned a "not delivering" rating in respect of a VFM period by virtue of Condition B of section 15(2) of the Pension Schemes Act 2026 being met, the Pensions Regulator may, if it considers that the financial interests of the scheme's or arrangement's members is best met by assigning an intermediate rating instead of a "not delivering" rating, by notice to the scheme or arrangement authorise the responsible trustees or managers to assign to the scheme or arrangement an amber intermediate rating or a light green intermediate rating, as the Regulator considers appropriate.

Revising a VFM rating

38.—(1) Paragraph (2) applies where the responsible trustees or managers—

(a) have assigned an amber intermediate rating or a "not delivering" rating to a regulated VFM scheme or regulated VFM arrangement, in respect of a VFM period, and

(b) can evidence, by following the assessment process in steps 1 to 3, improvements to the value for money delivered by the scheme or arrangement since the amber intermediate rating or the "not delivering" rating, as the case may be, was assigned.

(2) Where paragraph (1) applies, responsible trustees or managers may assign a revised VFM rating to the scheme for the remainder of the VFM period.

(3) Within 5 working days beginning with the date on which a revised VFM rating is assigned, responsible trustees or managers must notify the Pensions Regulator of the revised VFM rating.

Consequences of an amber intermediate rating

39.—(1) This regulation applies, in respect of the second and subsequent VFM periods, where responsible trustees or managers have assigned an amber intermediate rating to a regulated VFM scheme or regulated VFM arrangement.

(2) Responsible trustees or managers must prepare an improvement plan(**b**).

(3) Within 5 working days beginning with the date on which the improvement plan was finalised, responsible trustees or managers must provide a copy of the improvement plan to the Pensions Regulator.

(**a**) 2026 c. 22.
(**b**) See section 16(2)(a) of the Pension Schemes Act 2026 which makes provision for improvement plans.

(4) Where responsible trustees or managers assess that transferring the benefits (under the regulated VFM scheme or regulated VFM arrangement) of some or all of the members to another scheme or arrangement is reasonably expected to result in the generality of those members receiving improved long-term value for money, they must prepare an action plan setting out proposals for the transfer of the benefits of the members or subsets of members of the scheme or arrangement.

(5) Within 1 month beginning with the date on which the report of a VFM assessment is published in accordance with regulation 23(1)(c), responsible trustees or managers must give notice to any person who is a participating employer in relation to the regulated VFM scheme or regulated VFM arrangement of—

(a) the VFM rating that has effect in relation to the scheme or arrangement,

(b) any actions specified in the improvement plan, and

(c) where an amber intermediate rating is assigned to a scheme or an arrangement which was assigned an amber intermediate rating in the previous VFM period, details of the progress made against each of the actions in the improvement plan prepared in respect of the previous VFM period including the progress made against the expected outcomes.

(6) Responsible trustees or managers must not accept contributions from a participating employer to be invested in a regulated VFM scheme or regulated VFM arrangement that has been assigned an amber intermediate rating unless the employer making some or all of those contributions had agreed to make the contributions to the arrangement, contractually or otherwise, prior to the responsible trustees or managers assigning the amber intermediate rating.

(7) Subject to paragraph (8), responsible trustees or managers of a multi-employer scheme or arrangement must ensure that, with effect from the date on which the report of a VFM assessment is published in accordance with regulation 23(1)(c), no person is to become an employer in relation to the scheme or arrangement for as long as the scheme or arrangement continues to have an amber intermediate rating.

Further provision about the contents of an improvement plan

40.—(1) An improvement plan prepared in accordance with regulation 39(2) must include, in relation to each action specified in the plan—

(a) the outcome that the responsible trustees or managers expect the action to achieve,

(b) an explanation as to how the action will improve value for money,

(c) the date by which that outcome is expected to be achieved, and

(d) the date by which the regulated VFM scheme's or regulated VFM arrangement's performance with regard to the provision of value for money is expected to improve as a result of the action.

(2) Where responsible trustees or managers assign an amber intermediate rating to a regulated VFM scheme or regulated VFM arrangement in a VFM period, and an amber rating was assigned to the scheme or arrangement in the VFM period immediately preceding it ("the previous VFM period"), the improvement plan must include details of the progress made against each of the actions in the improvement plan prepared in respect of the previous VFM period, including the progress made against the expected outcomes.

(3) If the Pensions Regulator considers that the actions specified in the improvement plan are insufficient to improve a regulated VFM scheme's or regulated VFM arrangement's performance with regard to the provision of value for money, the Regulator may require the responsible trustees or managers to amend the improvement plan in accordance with the Regulator's suggestions.

Further provision about the contents of an action plan

41.—(1) An action plan prepared in accordance with section 17(1)(a) of the Pension Schemes Act 2026 (consequences of a "not delivering" rating) or regulation 39(4) (consequences of an amber rating) must include, in relation to each measure proposed in the plan—

(a) the outcome that the responsible trustees or managers expect the measure to achieve,

(b) an explanation as to how the measure will improve value for money,

(c) the date by which that outcome is expected to be achieved, and

(d) the date by which the position with regard to value for money is expected to improve as a result of the measure.

(2) If the Pensions Regulator considers that the measures proposed in the action plan are insufficient to improve a regulated VFM scheme's or regulated VFM arrangement's position with regard to value for money, the Regulator may require the responsible trustees or managers to amend the action plan in accordance with the Regulator's suggestions.

Consequences of a "not delivering" rating

42.—(1) This regulation applies, in respect of the second and subsequent VFM periods, where responsible trustees or managers have assigned a "not delivering" rating to a regulated VFM scheme or regulated VFM arrangement in respect of a VFM period.

(2) The notice to a participating employer given in accordance with section 17(1)(b) of the Pension Schemes Act 2026 must be given within 1 month beginning with the date on which the report of a VFM assessment is published in accordance with regulation 23(1)(c).

(3) Responsible trustees or managers must not accept contributions from a participating employer to be invested in a regulated VFM scheme or regulated VFM arrangement that has been assigned a "not delivering" rating unless the employer making some or all of those contributions had agreed to make the contributions to the arrangement, contractually or otherwise, prior to the responsible trustees or managers assigning the "not delivering" rating.

PART 5

Enforcement

Service of notices

43. Sections 303 to 305 of the Pensions Act 2004 (service of documents and electronic working) apply to notices issued under this Part, and to a notice issued under regulation 37, as they apply to a notification given under any provision of that Act.

Compliance notice

44.—(1) The Pensions Regulator may issue a notice (a "compliance notice") to a person where the Regulator is of the opinion that the person is not complying, or has not complied, with a value for money provision(**a**).

(2) A compliance notice must—

(a) state which value for money provision was not, or is not, being complied with in the opinion of the Pensions Regulator;

(b) state the evidence on which that opinion is based;

(**a**) See section 18(2) of the Pension Schemes Act 2026 for the meaning of "value for money provision".

(c) direct the person to take, or to refrain from taking, the steps specified in the notice;

(d) state that the Pensions Regulator may issue a penalty notice in accordance with regulation 46 if the person fails to comply with the compliance notice.

(3) The steps mentioned in paragraph (2)(c) may be any steps that the Pensions Regulator reasonably requires with a view to remedying the non-compliance with a value for money provision and, where appropriate, avoiding repetition of it.

(4) A compliance notice may, in particular—

(a) state the period within which any step must be taken or must cease to be taken;

(b) require the person to provide to the Pensions Regulator, within a period specified in the notice, information relating to the non-compliance;

(c) require the person to inform the Pensions Regulator, within a period specified in the notice, how they have complied with, or are complying with, the compliance notice;

(d) give the person a choice between different steps that may be taken to ensure compliance with the value for money provision and, where appropriate, the non-compliance is not repeated;

(e) where there is more than one contravention, specify separate steps in respect of each contravention, to the extent that the Pensions Regulator considers this to be appropriate.

(5) A direction in a compliance notice may be expressed to be conditional on compliance, by a third party, with a specified direction contained in a third party compliance notice in accordance with regulation 45.

Third party compliance notice

45.—(1) The Pensions Regulator may issue a notice ("a third party compliance notice") to a person where—

(a) the Regulator is of the opinion that the non-compliance by a person with a value for money provision was, wholly or partly, a result of an act or omission by another person ("the third party"),

(b) that act or omission is not non-compliance with a value for money provision, and

(c) a compliance notice has been given to a person in accordance with regulation 44 and—

(i) the person is unable to confirm that they are complying with, or will be able to comply with, the value for money provision to which the compliance notice relates, or

(ii) the Pensions Regulator is of the opinion that the person is not complying with, or has not complied with, the value for money provision to which the compliance notice relates.

(2) A third party compliance notice must—

(a) state the particulars of the act or omission by the third party, and the circumstances in paragraph (1)(c) which apply, in the opinion of the Pensions Regulator;

(b) if the Pensions Regulator is of the opinion that the circumstances in paragraph (1)(c)(i) apply, state the evidence on which that opinion is based;

(c) if the Pensions Regulator is of the opinion that the circumstances in paragraph (1)(c)(ii) apply, state—

(i) the value for money provision that has not been complied with, in the Regulator's opinion, and

(ii) the evidence on which that opinion is based;

(d) direct the third party to take, or to refrain from taking, the steps specified in the notice;

(e) state that the Pensions Regulator may issue a penalty notice in accordance with regulation 46 if the third party fails to comply with the third party compliance notice.

(3) The steps specified in the third party compliance notice may be any steps that the Pensions Regulator reasonably requires to ensure compliance with the value for money provision and, where appropriate, to ensure non-compliance is not repeated.

(4) A third party compliance notice may, in particular—

(a) state the period within which any steps must be taken or must cease to be taken;

(b) require the third party to provide to the Pensions Regulator, within a period specified in the notice, information relating to the non-compliance;

(c) require the third party to inform the Pensions Regulator, within a period specified in the notice, how they have complied with, or are complying with, the third party compliance notice;

(d) give the third party a choice between different steps that may be taken to ensure compliance with the value for money provision and, where appropriate, the non-compliance is not repeated;

(e) where there is more than one contravention, specify separate steps in respect of each contravention, to the extent that the Pensions Regulator considers this to be appropriate.

Penalty notice

46.—(1) The Pensions Regulator may issue a notice imposing a penalty (a "penalty notice") on a person where the Regulator is of the opinion that the person—

(a) has failed to comply with a compliance notice or third party compliance notice, or

(b) has contravened a value for money provision.

(2) The amount of the penalty is to be determined by the Pensions Regulator([**a**]).

(3) A penalty notice must—

(a) if it is issued to the responsible trustees or managers of a regulated VFM scheme or regulated VFM arrangement, be issued to all the trustees or managers of that scheme or arrangement and specify their joint and several liability for the penalty,

(b) state the amount of the penalty,

(c) state the date by which the penalty must be paid, which must be at least 4 weeks beginning with the date on which the penalty notice is issued,

(d) state the period (if any) to which the penalty relates,

(e) if the penalty notice is issued in accordance with paragraph (1)(a), specify the failure to which the penalty notice relates,

(f) if the penalty notice is issued in accordance with paragraph (1)(b), specify the value for money provision that has been contravened, and

(g) notify the person to whom the notice is issued of the review process in accordance with regulation 50 and the right of referral to a tribunal in accordance with regulation 51.

(4) Where the Pensions Regulator issues more than one penalty notice to a person because there has been—

(a) more than one failure to comply with the same compliance notice, or

(**a**) See section 18(5) of the Pensions Schemes Act 2026 for the maximum penalty.

(b) more than one contravention of a value for money provision (whether more than one contravention of the same provision or contraventions of different provisions),

the penalty notices may be issued in one document.

Further powers of the Pensions Regulator: directions notice

47.—(1) If the Pensions Regulator determines that a rating assigned by responsible trustees or managers for the purposes of section 11(4)(a) of the Pension Schemes Act 2026 is not correct, the Regulator may, by a directions notice, substitute for that rating, the rating the Regulator considers should have been assigned.

(2) Where the Pensions Regulator substitutes a rating in accordance with paragraph (1), that rating is deemed for all purposes to be the rating assigned to the scheme under section 15(1) of the Pension Schemes Act 2026.

(3) Within 5 working days beginning with the date that the Pensions Regulator substitutes a rating, responsible trustees or managers must include the revised VFM rating in the report of the VFM assessment and upload the amended report to the electronic database operated by the Pensions Regulator in accordance with regulation 6(1).

Penalty notices: recovery

48.—(1) A penalty payable under a penalty notice is recoverable by the Pensions Regulator.

(2) In England and Wales, any such penalty is, if the County Court so orders, recoverable under section 85 of the County Courts Act 1984(**a**) or otherwise as if it were payable under an order of that court.

(3) In Scotland, any such penalty is enforceable as if it were an extract registered decree arbitral bearing a warrant for execution signed by the sheriff court of any sheriffdom in Scotland.

(4) The Pensions Regulator must pay any penalty recovered in accordance with this regulation into the Consolidated Fund.

Penalty notices: recovery from bodies corporate and Scottish partnerships

49.—(1) Where—

(a) a penalty under regulation 46 is recoverable from a body corporate or a Scottish partnership by reason of any act or omission of the body or partnership, and

(b) the act or omission was done with the consent or connivance of, or is attributable to any neglect on the part of, any persons mentioned in paragraph (2),

the Pensions Regulator may issue the penalty notice to each of those persons who consented to or connived in the act or omission, or to whose neglect the act or omission was attributable.

(2) The persons are—

(a) in relation to a body corporate—

(i) any director, manager, secretary or other similar officer of the body, or a person purporting to act in any such capacity, and

(ii) where the affairs of the body corporate are managed by its members, any member who has management functions;

(b) in relation to a Scottish partnership, the partners of that partnership.

(**a**) 1984 c. 28. Section 85 is amended by section 67 of, and paragraph 69 of Schedule 13 to, the Tribunals, Courts and Enforcement Act 2007 (c. 15), paragraph 10(1) and (35) of Schedule 9 to the Crime and Courts Act 2013 (c. 22) and S.I. 1991/724.

(3) Where the Pensions Regulator requires any person mentioned in paragraph (2) to pay a penalty, the Regulator—

(a) may not also require the relevant body corporate or Scottish partnership to pay a penalty in respect of the same act or omission, and

(b) must issue a penalty notice to the person who is required to pay, but may also notify the relevant body corporate or Scottish partnership.

Review by the Pensions Regulator

50.—(1) The Pensions Regulator may review a notice to which this paragraph applies—

(a) on the written application of the person to whom the notice was issued, or

(b) if the Regulator considers it appropriate to do so.

(2) Paragraph (1) applies to—

(a) a compliance notice,

(b) a third party compliance notice,

(c) a penalty notice, and

(d) a directions notice.

(3) An application to review a notice in accordance with paragraph (1)(a) must be made within 28 days beginning with the date on which the notice is issued.

(4) The Pensions Regulator may review a notice in accordance with paragraph (1)(b) within 18 months beginning with the date on which the notice is issued.

(5) Where the Pensions Regulator receives an application to review a notice in accordance with paragraph (1)(a), the effect of the notice is suspended for the period—

(a) beginning with the date that the Regulator receives the application to review a notice, and

(b) ending with the date on which the person making the application is informed of the outcome of the review by the Regulator.

(6) In carrying out the review, the Pensions Regulator must consider any representations made by the person to whom the notice was issued.

(7) The Regulator may withdraw the penalty if the Regulator considers it appropriate to do so having regard to the circumstances in which the contravention took place.

(8) If the Pensions Regulator does not withdraw the penalty, the Regulator may—

(a) confirm or vary the notice;

(b) substitute a different notice.

Reference to the First-tier Tribunal or Upper Tribunal

51.—(1) Where the conditions in paragraph (2) apply, a person may make a reference to the Tribunal in respect of—

(a) the issue of a penalty notice or the amount of the penalty, or

(b) a directions notice issued by the Pensions Regulator in accordance with regulation 47(1).

(2) The conditions are—

(a) that the Pensions Regulator has completed a review of the notice in accordance with regulation 50(1), or

(b) that an application for a review of the notice was made in accordance with regulation 50(1)(a) and the Pensions Regulator has determined not to carry out a review.

(3) Where a reference is made to the Tribunal, the effect of the notice is suspended for the period beginning with the date the Tribunal receives the reference and ending—

(a) with the date the reference is withdrawn,

(b) if the reference is made out of time, with the date on which the Tribunal determines not to allow the reference to proceed, or

(c) with the date on which the reference has been determined and the Tribunal has remitted the matter to the Pensions Regulator.

(4) In this Regulation—

"the Tribunal" means—

(a) the Upper Tribunal, in any case where it is determined by or under Tribunal Procedure Rules that the Upper Tribunal is to hear the reference;

(b) the First-tier Tribunal in any other case;

"Tribunal Procedure Rules" means—

(a) in relation to the First-tier Tribunal, the Tribunal Procedure (First-tier Tribunal) (General Regulatory Chamber) Rules 2009([a]), and

(b) in relation to the Upper Tribunal, the Tribunal Procedure (Upper Tribunal) Rules 2008([b]).

Signed by authority of the Secretary of State for Work and Pensions

name
Minister of State
Date Department for Work and Pensions

(**a**) S.I. 2009/1976.
(**b**) S.I. 2008/2698.