BESTrustees Limited
1 Cornhill
London
EC3V 3ND
020 7332 4100

enquiries@bestrustees.co.uk
www.bestrustees.co.uk

The Pensions Regulator
Telecom House
125–135 Preston Road
Brighton
BN1 6AF

By e-mail only: strategyconsultation@tpr.gov.uk

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Dear Sir/Madam

Corporate Strategy Consultation

We are pleased to respond to The Pensions Regulator's ("TPR's) corporate strategy consultation.

BESTrustees is one of the longest established professional trustee companies operating in the pensions arena. We currently have 35 professional trustees and over 200 client schemes.

Our response is, of course, in the context of our business as a firm of highly skilled professional trustees which focuses on a "pure" governance model. We have a broad range of experience, with deep technical knowledge, and we use it to the benefit of our clients. Our commercial interest is also different to other trustee firms as we are employee owned. This means our commercial drivers do not require us to extend our service proposition into other areas or provide a dividend flow to meet an external shareholder's return requirements. In our model, the distinction between impartial trusteeship and independent advice can never compromised.

It is important to state at the outset that our overall view is that the current framework for the governance of the majority of UK pension schemes and the regulatory environment operate well.

We acknowledge, however, that this is a changing industry and concur with the comments you have made in this respect. Consolidation and the diminishing role of defined benefit schemes are clearly significant trends, but this does not change the fact that the pensions industry remains diverse with many different parties involved. In particular, the role of lay trustees remains important.

As the pensions industry evolves to support member outcomes, we believe it is essential to recognise the demarcation between the various organisations and their roles. The Department for Work and Pensions is rightly setting the vision and introducing the legislation to enable change. TPR and the Financial Conduct Authority also have clear regulatory responsibilities. These responsibilities should help direct the evolution of the market, but this should neither stifle innovation nor reduce the options for decision making, whether at a governance level or by individual savers. Where savers need it though, support must be available.

We strongly support the market outcome you seek of "effective scheme governance and administration by independent, forward-looking and highly skilled trustees and scheme managers." This will, however, be best achieved, in our view, by giving greater recognition to the professional bodies that now exist in the pensions environment and, where appropriate, there being explicit reference in TPR documents to the guidance and standards such bodies publish. Beyond the professional institutes implied by current legislation, the bodies we see ae relevant in this context include the Association of Professional Pension Trustees ("APPT"), the Association of Member Nominated Trustees and the Pensions Administration Standards Association.

You refer to working with the industry and market and we strongly support this approach. To help you achieve your mission, the existing professional bodies in the pensions industry should also be able to easily engage with you and organisations such as APPT should have sufficient regulatory standing to enforce professional and other relevant standards. We consider this essential to have the skilled individuals you envisage to support the delivery of good outcomes and be able to respond to the challenges, which include a broader range of investment options and longer-term strategies. The challenges also include consideration of run-on for defined benefit schemes and, in both defined benefit and defined contribution arrangements, the potential for investment which enhances the UK economy.

Independence is also a key part of your desired market outcome.

Conflicts of interest are undoubtedly a risk to both member outcomes and confidence in pension schemes. As the organisations providing essential services to pension schemes are increasingly attractive to external investors, we see an increased risk of commercial interests being prioritised above members, which could result in poorer outcomes for members. Service providers must be economically viable, but it is essential that the core focus is always on the best outcomes for members, whether it be value for money, quality of service or the receipt of independent advice. We believe this aspect of your mission is critical.

On your specific questions:

1. Does our vision of people having a sustainable income in retirement set the right long-term ambition for the pensions system? Could it be strengthened?

We agree your vision as being the right long-term ambition, albeit we believe people should still be able to decide (in an informed way) what is right for their circumstances rather than any return to, say, compulsory annuitisation.

2. Are the trends we identify – including consolidation, scale, technology, digitalisation and artificial intelligence – the main forces that will shape the system over the next five years? What's most important? Is anything missing?

These are the main forces, but you should also recognise the increasing professionalism in trusteeship, the need to maintain diversity (in its widest sense) and the risks presented by the changing ownership of participants in the industry. On this later point we are concerned that trustees receiving other services from their related parties/companies could undermine trust and confidence in the wider market if something goes wrong. Whilst we acknowledge that processes may have been established to address this risk, we question whether this provides the appropriate level of transparency and accountability.

Your embracing of AI is also welcomed, especially if this makes the provision of information needed by you to fulfil your regulatory obligations less onerous on pension schemes.

3. Where could The Pensions Regulator's role be more active, or targeted, to maximise saver outcomes and support a resilient and sustainable market?

We believe the risk-based approach taken by TPR remains appropriate and we support the extension of oversight to the administration and trustee functions. In this context, we consider it appropriate to raise again our concern that some professional trustee firms are either employing related companies or provide services which blur the distinction between trusteeship, advisory roles and pensions management. In so doing, the concept of independent advice is undermined and effectively such services are less likely to be subject to the same level of challenge and review by the decision maker. We note that this behaviour is not tolerated under the corporate governance code.

We would be happy to discuss this response with you.

Bob Hymas

Bob Hymas,
Director, BESTrustees Limited