# Trust-based pension schemes:

## Trustees and governance, building a stronger future

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Trafalgar House

PENSIONS ADMINISTRATION

# Contents

# About this response

## Respondent overview

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| **Respondent:** | **Trafalgar House Pensions Administration** |
| **About respondent:** | Trafalgar House Pensions Administration Limited is a specialist third-party pensions administrator. Established in 2006, we originated as an in-house administrator and now operate exclusively in pensions administration, supporting trustees of trust-based occupational pension schemes across the UK.<br><br>Our perspective on this consultation is grounded in practical, day-to-day experience of working with trustees as they navigate regulatory change, scheme consolidation, data and cyber risk, and increased expectations around value for money and member outcomes. We therefore have a particular interest in the consultation's proposals on governance, trustee capability and the regulation and oversight of pension scheme administration. |
| **Responding as:** | Administrator |
| **Scheme types covered:** | DB / DC / Hybrid |
| **Geographic scope:** | England |

## How to read this document

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| **Approach:** | Our responses focus on areas where we have direct operational experience and where administration, governance and trustee decision-making have a material impact on member outcomes. Where helpful, we provide contextual commentary and practical examples drawn from administration and governance practice. |
| **Definitions used:** | We use the definitions and terminology set out in the consultation document. Where industry terms are used (for example "administrator", "Integrated Service Provider (ISP)", or "professional trustee"), these are intended to align with the consultation's descriptions. |

## Disclosure and FOI

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| **FOI/publication position:** | We understand that responses to this consultation may be published in whole or in summary form and may be subject to disclosure under the Freedom of Information Act 2000. We are content for this response to be published. |
| **Redactions requested:** | No |

# Executive Summary

### Who we are and why we are responding

Trafalgar House Pensions Administration Limited is a specialist third-party pensions administrator, established in 2006 and originating as an in-house administrator. Our perspective is grounded in the operational reality of administering benefits accurately, securely and consistently at scale, and in supporting trustees through regulatory change, cyber risk, data improvement and market consolidation.

## Headline points

**We support higher governance standards, but they must be delivered through outcomes and evidence, not additional process**. Trusteeship reform should improve member outcomes in practice, rather than increasing procedural burden or duplicating existing oversight without clear benefit.

**Administration should be recognised as a core governance and systemic risk**. Most member detriment arises from data quality failures, payroll dependency, transitions, cyber incidents and weaknesses in operational resilience, rather than from investment decision-making alone.

**Mandatory minimum administration standards are the right regulatory lever, if designed proportionately.** We support baseline standards for administrators and relevant Integrated Service Providers that focus on outcomes such as accuracy, timeliness, data quality, security, resilience and transition governance, and that explicitly recognise credible existing assurance rather than duplicating it.

**A wholesale FCA-style regulatory regime is not appropriate for pensions administration.** Administration risk is operational and delivery-based, not product or conduct driven. Oversight should be purpose-built, risk-based and aligned to how administration failure actually manifests at scheme level.

**The administration market is systemically important and operating under real capacity constraints.** Rising regulatory expectations, consolidation activity and technology dependency are increasing demand for high-quality administration at a time when experienced resource is scarce and not quickly replaceable. Reforms should be designed to strengthen market resilience and continuity, rather than accelerating concentration or creating barriers to service availability.

**Market capacity and delivery reality must shape implementation.** Administration is labour-intensive, resourcing is not elastic in the short term, and experienced capability takes time to develop. Compressed timetables or disproportionate requirements risk exacerbating capacity pressures and reducing choice, particularly for smaller and more complex schemes.

**Registration and deregistration are blunt tools that do not work at scale.** In a consolidating market, forced exits or portfolio transfers risk destabilising service delivery, creating rushed transitions and causing member harm rather than improving protection.

**TPR's most effective role is early warning, stabilisation and orderly transition planning.** Disorderly exits are fundamentally a time-and-capacity issue. Early identification of stress, clear expectations on resilience and wind-down readiness, and structured stabilisation intervention are more effective than attempting to manage exits once continuity is already fragile.

**Trustee capability must be matched by administration parity.** Strengthening trustee skills and expectations will only deliver better outcomes if paired with minimum administration standards, clearer accountability and standardised, comparable reporting.

**Member voice should be captured through structured, evidence-led mechanisms**. Reliance on anecdotal representation risks skewed insight. Governance should embed repeatable, representative measures of member experience so trustee decisions are consistently informed by robust evidence rather than individual perspectives.

## Priority themes and our key asks

### 1. Outcome-focused administration standards and proportionate oversight (Q22 to Q24)

Introduce mandatory minimum standards for scheme administrators and relevant Integrated Service Providers that are explicitly outcomes-focused. Standards should concentrate on areas where member detriment most commonly arises in practice, including benefit accuracy, timeliness, data quality, payroll dependency, security, operational resilience and transition governance.

These standards should be designed to work with the grain of the market. They should recognise credible existing assurance and control frameworks, allowing evidence to be mapped to regulatory expectations rather than duplicated. Oversight should be risk-based and purpose-built for pensions administration, rather than adopting a wholesale FCA-style regulatory model that is not aligned to the operational nature of administration risk.

### 2. Operational resilience, cyber governance and technology dependency

Set clearer and more consistent expectations on operational resilience and cyber governance as part of the minimum standards framework. These expectations should align to real delivery controls, including incident management, vulnerability management, penetration testing, business continuity and disaster recovery.

Trustees and regulators should also treat technology dependency as a core governance issue. Dashboards connectivity, digitisation, systems integration, data architecture readiness and supplier dependency increasingly determine administration performance and risk. Clear expectations are needed around change governance, transition planning, testing and cutover discipline to protect members during periods of change.

### 3. Market capacity, consolidation and delivery realism

Policy design and implementation should reflect the realities of the pensions administration market. Administration is labour-intensive, margins are tight and experienced capability is not elastic in the short term. Consolidation, regulatory change and rising expectations are increasing demand for high-quality administration at a time when capacity and specialist skills are constrained.

Implementation timetables should therefore be realistic and proportionate. Without this, there is a risk of exacerbating capacity pressures, accelerating market concentration for regulatory rather than member-outcome reasons, and reducing choice, particularly for small and micro schemes that may already struggle to secure suitable administration support.

### 4. Early warning, stabilisation and orderly transition planning

TPR's most effective role in protecting members is in early identification of risk and structured stabilisation, rather than relying on exit management once continuity is already fragile. Disorderly administration failure is fundamentally a time-and-capacity problem.

We therefore support stronger expectations around early warning indicators, stabilisation planning and transition readiness for larger or systemically important providers, including data portability, documentation standards, payroll continuity and handover arrangements. This approach is more realistic and protective than registration or deregistration tools that are unlikely to work safely at scale.

**5. Trustee capability supported by administration parity and clear evidence**

We support efforts to strengthen trustee capability and professionalism. However, higher expectations of trustees will only translate into better outcomes if they are matched by minimum administration standards, clearer accountability and standardised, comparable reporting.

Without this parity, governance risks becoming unbalanced, with trustees accountable for outcomes but lacking consistent, reliable information and benchmarks to oversee delivery effectively.

**6. Skills, training and sustainable professional development**

Minimum standards should also support long-term investment in skills, training and professional development across the administration market. Clear expectations can reinforce structured training pathways, relevant qualifications and ongoing development in areas such as DB complexity, data management, payroll, cyber governance and transition delivery.

At the same time, policy should recognise that administration capability is built through experience over time. Phased implementation and realistic timelines are essential to avoid placing undue pressure on a limited pool of experienced practitioners.

**7. Member outcomes and evidence-led member voice**

Encourage trustees to embed structured, evidence-led mechanisms for capturing and using member experience and outcomes. Reliance on anecdotal or assumed representation risks skewed insight and inconsistent decision-making.

Repeatable, independently verified member experience data, alongside service performance and complaints insight, should be treated as core governance information, ensuring the member voice informs decisions consistently and transparently.

**Closing position**

Overall, Trafalgar House supports the consultation's direction of travel towards stronger governance and higher expectations. Our central message is that durable improvement in member outcomes will come from practical administration standards, realistic implementation, market resilience, disciplined transition governance and early-warning oversight, with reforms designed around how administration risk actually arises and is managed at scheme level.

# Detailed responses question-by-question

## Chapter One: Good Governance

### Current trusteeship and governance: what works, barriers, and future needs

### Q1 - What do you think works well in the current trusteeship and governance system?

From an administration perspective, current trusteeship and governance arrangements work best where there is clear accountability, informed oversight and structured engagement with administrators.

In particular, we observe that governance works well where:

- Trustees recognise administration as a core governance function, not a purely operational activity. Boards that actively engage with administration performance, data quality, cyber risk and service resilience are better placed to protect member outcomes.
- Clear delegation and decision-making frameworks are in place. Where trustees set clear objectives, risk appetite and escalation routes, administrators can operate effectively and raise issues early.
- Regular, meaningful management information (MI) is reviewed by trustees. Boards that focus on trends (backlogs, error rates, complaints, member experience) rather than isolated metrics are better able to challenge and improve service delivery.
- Professional trustees or strong chairs bring structure, discipline and continuity, particularly for smaller or more complex schemes. From an administrator's viewpoint, this often leads to more timely decisions and clearer priorities.
- Independent assurance and controls are understood and used. Trustees who engage with assurance reports (e.g. internal controls, cyber, business continuity) are better able to assess operational risk without duplicating oversight effort.
- Collaborative relationships between trustees, administrators and advisers exist. Governance is strongest where challenge is constructive, roles are respected and issues are addressed proactively rather than reactively.

Overall, the existing framework works best when trustees are equipped to oversee outsourced delivery effectively and focus on outcomes for members.

## Q2 - What are the barriers to good trusteeship?

The most significant barriers to good trusteeship are capacity, complexity and uneven capability, rather than lack of commitment.

Key barriers include:

- **Increasing complexity and pace of change**
  Trustees are being asked to oversee a growing range of regulatory, technical and operational issues (e.g. dashboards, VfM, cyber security, consolidation, endgame decisions). This can stretch trustee time and attention, particularly for lay trustees.
- **Variable understanding of administration and operational risk**
  Administration risk (data quality, payroll dependency, cyber resilience, transitions) is sometimes underestimated. Where trustees lack confidence in these areas, oversight can become either too light or overly detailed and inefficient.
- **Information overload rather than insight**
  Trustees may receive large volumes of reporting without clear prioritisation or narrative. This can obscure emerging risks and make effective challenge harder.
- **Market capacity pressures**
  Trustee, administrator and adviser capacity constraints can lead to compressed timetables for projects and transitions, reducing the time available for robust governance and decision-making.
- **Fragmented service delivery models**
  Where administration, technology and specialist services are delivered across multiple providers, accountability can become blurred unless trustees have strong governance frameworks in place.
- **Inconsistent governance maturity across the market**
  Larger schemes typically demonstrate stronger governance structures than smaller schemes, which can struggle with resourcing, succession planning and access to specialist skills.

These barriers are structural and systemic rather than individual, and they highlight the need for proportionate support rather than simply higher expectations.

## Q3 - Looking ahead to 2030 and beyond, what further support will trustees need to ensure effective scheme governance?

From an administration perspective, trustees will need **practical, targeted support** to govern schemes effectively in a more consolidated, data-driven and outsourced environment.

Key areas of future support include:

- **Stronger capability in administration oversight**
  Trustees will need clearer guidance and support on how to oversee:
  - data quality and digitisation
  - cyber security and operational resilience
  - third-party and supply-chain risk
  - large-scale transitions and consolidations

This does not require trustees to become administrators, but to understand what "good" looks like and how to evidence it.

- **Proportionate training and development**
  Trustee learning should be modular, role-relevant and focused on decision-making rather than technical detail alone. This is particularly important as boards move towards more professionalised and consolidated models.
- **Standardised, outcomes-focused information**
  Trustees would benefit from clearer, more consistent expectations around service metrics, quality indicators and assurance evidence, enabling better comparison and challenge without unnecessary burden.
- **Support during periods of change**
  As schemes consolidate or change administrators, trustees will need clearer standards and guidance on transition governance, data readiness and member communication to manage risk effectively.
- **Tools to manage conflicts and accountability in professionalised models**
  With increased use of professional trustees, sole trustees and bundled service models, trustees will need support to manage conflicts, ensure independence and maintain appropriate checks and balances.
- **Recognition of operational realities**
  Governance expectations must continue to be proportionate, recognising that administration is labour-intensive and requires sustained investment. Unrealistic expectations or compressed timelines risk undermining outcomes rather than improving them.

In summary, effective governance to 2030 and beyond will depend not just on higher standards, but on practical support that enables trustees to oversee administration and service delivery confidently, proportionately and with members' interests at the centre.

# Chapter Three: Skills and knowledge

## Skills requirements for effective trusteeship

**Q16 - What skills will trustees of trust-based pension schemes need in order to be an effective and efficient trustee board? For example, areas such as leadership experience, negotiation skills, investment management (including sustainability-related investment management), communications, financial planning? What other areas should trustees have proficiency in?**

From an administration perspective, trustees need a strong strategic and operational understanding of how scheme administration operates end to end. This is not about trustees becoming administrators, but about having sufficient insight to oversee delivery effectively and challenge service providers in a proportionate and informed way.

Trustees need to understand where member detriment most commonly arises in practice. This includes data quality and data lineage, payroll dependency, manual processing and workarounds, discretionary decision points, and reliance on third-party suppliers and integrated service providers. An appreciation of these operational risk points allows trustee boards to focus governance effort where it has the greatest impact on member outcomes.

The ability to interrogate management information is a critical skill. Effective trustees move beyond headline SLA reporting and focus on trends and leading indicators such as backlogs, error and rework rates, complaints themes, vulnerability indicators and service resilience. This enables boards to challenge delivery constructively and drive improvement proactively rather than reacting once issues have escalated.

Trustees also need increasing capability in technology and change governance. Administration performance is now inseparable from systems capability, integration and data architecture. Trustees should be able to scrutinise technology roadmaps, digitisation plans, dashboards readiness, cyber controls, resilience testing and supplier dependencies, and assess whether change programmes are realistic, well governed and aligned to scheme risk.

Finally, trustees require strong judgement in an outsourced delivery environment. This includes setting clear priorities and risk appetite, making timely decisions when issues are escalated, and engaging effectively with independent assurance and evidence. Trustees who can anchor oversight in credible assurance are better placed to govern efficiently and protect member outcomes.

## Statutory higher standards for professional trustees

### Q17 - Would it be appropriate for TPR to set statutory higher standards for professional trustees? What should these standards look like?

Not answered.

## Lay trustees in a consolidating market: benefits, replication, and support

### Q18 - We are moving towards models of trusteeship that do not include as many lay trustees as now, what important benefits or skills of lay trustees should we try to replicate in consolidated structures? And how should it be achieved?

From an administration perspective, the move towards more professionalised trusteeship models has generally brought stronger strategic focus, clearer accountability and more consistent decision-making. In particular, it has enabled trustee boards to engage more effectively with strategic administration issues such as data quality, operational resilience, cyber governance, transition risk and long-term service sustainability.

However, this shift has also reduced the time available for trustees to engage at a detailed, scheme-specific level. Professional trustees often sit across multiple boards, and while this brings breadth of experience, it can limit capacity for deep operational immersion. Governance therefore needs to be designed deliberately to ensure that administration risk and member outcomes remain under effective scrutiny.

Lay trustees have traditionally been seen as providing a "member voice", but in practice this is often based on anecdotal experience and a snapshot in time rather than a representative or repeatable evidence base. In a consolidating environment, the more important capability to replicate is structured, evidence-led insight into member experience and outcomes. This should include consistent reporting on service performance, complaints and queries, vulnerability indicators and independently verified measures of member experience, so trustee decisions are informed by a broad and current view of the membership.

Consolidated governance models should therefore focus on embedding systematic ways of capturing and using the member voice, alongside robust administration reporting and assurance. This allows trustee boards to retain the benefits traditionally associated with lay trustees, while aligning governance with the strategic administration requirements that increasingly drive member outcomes.

## Statutory higher standards for professional trustees

### Q19 - What support/continuing professional development (CPD) would you like to see put in place for lay trustees? Should all trustees be accredited? Would it lead to a trustee shortage? Who pay for it including time as well as any L&D costs?

Not answered.

# Chapter Four: Skills and knowledge

## Ensuring member perspectives are considered

### Q20 - How can we ensure trustee boards take into account the perspectives of members in their decision making?

From an administration perspective, the most reliable way to ensure member perspectives are reflected is to embed **objective "voice of the member" evidence** into trustee governance, rather than relying primarily on member-nominated trustees (MNTs). In our view, MNT representation can be skewed and may not reflect the breadth of the membership, so it should be complemented by wider, more representative inputs. Trustee boards should require routine reporting on member experience and outcomes, including enquiries, complaints themes, service timeliness, and vulnerable member indicators, and should treat these as core governance information alongside funding and investment reporting.

A practical best-practice approach is to adopt a **partnering model** where administrators provide trustees with consistent, repeatable mechanisms for member insight. This includes independent member feedback measurement, such as Investor in Customers (IIC), which uses verified survey methodology and explicitly captures the "voice of the member", providing a structured evidence base for decisions. It also includes ongoing service governance using experience dashboards and regular forums that convert feedback into prioritised actions, so the member perspective is translated into operational improvement rather than noted and parked. Finally, trustees can formalise this by requiring a clear "member impact" section in decision papers for major changes (for example transitions, service model changes, or communications changes), grounded in the evidence above, so member perspective is systematically considered every time, not intermittently.

### Q21 - Can you give any examples of best practice in the UK or internationally that demonstrate schemes taking appropriate account of their members' views?

Not answered.

# Chapter Five: Administration

## Minimum standards and scope (administrators and ISPs)

### Q22 - What benefits and challenges do you foresee if mandatory minimum standards were introduced for scheme administrators and/or wider administration services such as Integrated Service Providers?

Trafalgar House supports the principle of introducing mandatory minimum standards for pension scheme administrators. From our perspective, administration quality is fundamental to good governance and member outcomes, and the current absence of mandatory baseline standards represents a material gap in the regulatory framework.

However, the design and implementation of such standards will be critical. Done well, they can improve consistency, resilience and confidence across the market. Done poorly, they risk increasing cost, reducing capacity and duplicating existing, effective assurance arrangements without improving outcomes for members.

## Benefits of mandatory minimum standards

### 1. Raising the baseline of member protection and service quality

Administrators are responsible for benefit calculations, payroll, data integrity, security and member interactions. Failures in any of these areas can cause direct financial detriment and reputational damage to schemes and the wider pensions system.

Mandatory minimum standards would:

- establish a clear "floor" for administration quality;
- reduce the risk of poor practice persisting unnoticed; and
- provide greater assurance to trustees and members that core services meet acceptable standards.

This is particularly important as schemes consolidate and administration becomes more centralised and systemically significant.

### 2. Stronger trustee oversight and governance in practice

Trustees retain ultimate responsibility for scheme administration but rely heavily on administrators' controls, reporting and assurance. Minimum standards would:

- give trustees a clearer benchmark against which to assess providers;
- support more consistent procurement and monitoring processes; and
- reduce reliance on bespoke or ad-hoc assessments by individual trustee boards.

From an administrator's perspective, clarity on expectations improves alignment, reduces ambiguity and supports more effective governance relationships.

### 3. Improved resilience during consolidation and regulatory change

The consultation highlights increasing pressures on administrators arising from:

- consolidation activity;
- pensions dashboards;
- data quality initiatives; and
- cyber and operational resilience risks.

Minimum standards could drive more consistent investment across the market in:

- data governance and digitisation;

- cyber security and incident management;
- business continuity and disaster recovery; and
- transition planning and change control.

This would help mitigate systemic risks as schemes move into fewer, larger arrangements.

## 4. Clearer accountability across complex service supply chains

Administration is increasingly delivered through multi-provider models, often involving administrators, ISPs, hosting providers and specialist third parties. Including ISPs within the scope of minimum standards, where they perform critical functions, would:

- reduce ambiguity around accountability;
- clarify expectations for security, resilience and data handling; and
- support trustees in managing end-to-end service risk.

## 5. Skills, training and professional development

Mandatory minimum standards could also play an important role in strengthening skills, training and professional development across the pensions administration market. Clear baseline expectations would provide a more consistent framework for investment in capability and succession planning, supporting higher and more sustainable service quality over time.

Minimum standards could help drive greater focus on:

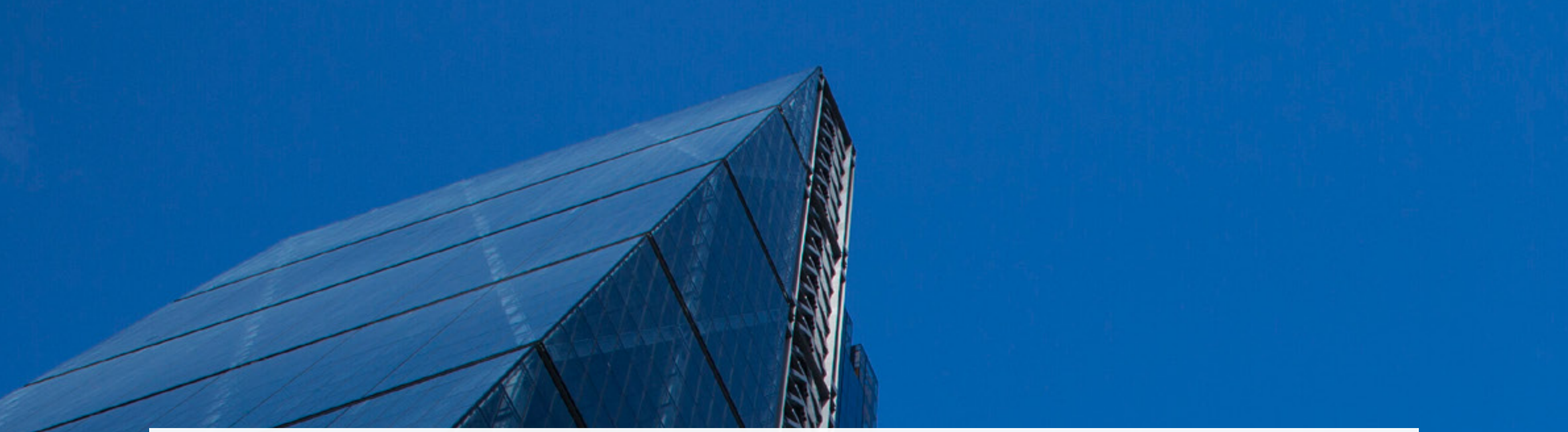
- structured training pathways for administrators, including early-career development and progression into senior technical and leadership roles;
- relevant professional qualifications and technical accreditation, particularly in areas such as DB benefit complexity, data management, payroll, cyber governance and operational resilience;
- ongoing continuing professional development (CPD) aligned to regulatory change, technology dependency and emerging risks; and
- development of specialist expertise in transition management, data remediation and large-scale change delivery, which are increasingly critical to member outcomes.

However, it is important to recognise that administration is a delivery-based profession where experience is built over time. Formal training and qualifications are valuable, but they cannot substitute for practical experience of operating live schemes, managing payroll-critical processes and responding to real-world incidents and change.

Any move towards higher minimum standards should therefore:

- allow for phased implementation and realistic timescales;
- recognise the need to balance formal accreditation with experience-based capability; and
- avoid placing undue pressure on a limited pool of experienced practitioners during the transition period.

Handled proportionately, minimum standards can support the long-term professionalisation and resilience of pensions administration. Handled without regard to training capacity and development timelines, they risk increasing short-term pressure without delivering sustainable improvement.



## Challenges and risks to consider

### 1. Risk of duplication with existing assurance and industry standards

Many administrators already operate within robust, independently assessed control environments, supported by established frameworks such as:

- AAF 01/20 assurance reporting;
- ISO standards (e.g. information security and business continuity); and
- PASA accreditation, guidance and codes of practice.

A key challenge will be ensuring that any mandatory regime **recognises and leverages existing credible assurance,** rather than layering new requirements on top of them. Duplication would:

- increase cost for schemes;
- divert resources from service delivery and improvement; and
- discourage continued investment in established assurance frameworks.

From Trafalgar House's perspective, the most effective approach is one that allows evidence from recognised frameworks to be mapped against regulatory expectations.

### 3. One-size-fits-all approaches could undermine outcomes

The administration market is diverse, including:

- in-house teams;
- third-party administrators;
- bundled service models; and
- providers with overseas footprints.

A rigid, prescriptive standard risks focusing attention on compliance artefacts rather than outcomes, and may not reflect the differing risk profiles of DB, DC and hybrid schemes.

Minimum standards should therefore be:

- outcomes-based;
- proportionate to scheme size, complexity and risk; and
- flexible enough to accommodate different delivery models.

#### Design principles we recommend

From Trafalgar House's perspective, mandatory minimum standards are most likely to succeed if they:

- **Focus on outcomes,** such as accuracy, timeliness, data quality, security, resilience and member experience
- **Recognise existing credible assurance,** including PASA standards, ISO certifications and independent control reports
- **Adopt a proportionate, risk-based approach,** rather than a single uniform threshold
- **Allow sufficient transition periods,** reflecting the operational realities of administration
- **Apply consistently across administrators and relevant ISPs,** to avoid regulatory gaps

Trafalgar House supports mandatory minimum standards for pension scheme administrators and relevant wider administration services, provided they are designed to raise quality and resilience without duplicating existing good practice or undermining market capacity.

Handled proportionately, such standards can strengthen governance, improve member outcomes and enhance trust in the pensions system. Handled poorly, they risk increasing cost and complexity without delivering corresponding benefits.

## 2. Capacity, cost and market impact

Mandatory minimum standards are likely to accelerate the movement of small and micro schemes into the wider administration market. While consolidation can deliver benefits, there is a risk that demand for administration services outpaces realistic market capacity.

Administration is labour-intensive and operates on relatively tight margins. Mandatory standards will inevitably require investment in people, systems and controls, additional documentation, reporting and assurance, and time to implement changes safely. If standards are introduced too quickly or without proportionality, there is a risk of exacerbating existing capacity pressures, accelerating market concentration for regulatory rather than member-outcome reasons, and reducing choice for trustees, particularly for smaller schemes.

In practice, not all providers will have the appetite or commercial viability to onboard very small or highly complex schemes, particularly where legacy data issues, bespoke benefits or limited funding make service delivery disproportionately resource-intensive. Without sufficient transition planning, some schemes may struggle to secure suitable administration support, increasing operational risk rather than reducing it.

Minimum standards will also drive increased demand for consistently high-quality administration, governance, assurance and reporting. While this is directionally positive, administration resourcing is not elastic in the short term. The industry is experiencing shortages of experienced administrators and technical specialists, particularly in areas such as DB complexity, payroll, data remediation, cyber governance and transition management.

Although the industry is investing in building future capacity through training, technology and early-career pipelines, developing experienced administration capability takes time. From an administrator’s perspective, this reinforces the need for proportionate implementation and realistic timetables, so minimum standards support sustainable improvement without creating access, affordability or continuity risks for schemes and members.

## Regulatory oversight alignment (TPR and FCA)

### Q23 - Should TPR have the same levels of regulatory oversight as the FCA regarding administrators and/or wider administration services, and why?

Trafalgar House does not support applying a full FCA-style regulatory regime to pension scheme administrators or wider administration services. While we recognise the consultation's concern about potential regulatory gaps and the desire for parity of protection across trust-based and contract-based pensions, we believe that a wholesale FCA-equivalent model would be disproportionate and risks increasing cost and complexity without delivering commensurate improvements in member outcomes.

Instead, we support a targeted, TPR-led standards and oversight model that is specifically designed around the nature of pension administration risk.

### Why an FCA-style regime is not the right fit

#### 1. The risk profile of administration is operational, not conduct- or product-based

The FCA regime is designed primarily to regulate financial products, sales practices and consumer conduct. By contrast, the key risks in pension administration relate to:

- data quality and integrity;
- benefit calculation accuracy and payroll dependency;
- cyber security and operational resilience;
- service continuity and transition management; and
- third-party and supply-chain risk.

These are operational delivery risks, best addressed through standards, assurance and resilience requirements, rather than through capital adequacy, permissions or conduct rules.

#### 2. Risk of duplication and regulatory overlap

Many administrators already operate within robust governance and assurance frameworks, including:

- independent internal control assurance;
- ISO-aligned security and resilience standards; and
- established industry guidance such as PASA standards.

Introducing FCA-style supervision risks:

- duplicating existing oversight;
- increasing compliance costs for schemes and providers; and
- diverting resource away from service delivery and improvement.

From Trafalgar House's perspective, regulatory effort should be focused on addressing genuine gaps, not re-testing controls already subject to credible independent assurance.

#### 3. Impact on market capacity and stability

The consultation itself highlights pressures on administrators from regulatory change, technology investment, staffing and consolidation. A heavy regulatory regime could:

- exacerbate capacity constraints;
- accelerate market concentration for regulatory rather than member-outcome reasons; and
- reduce choice for trustees, particularly for smaller or specialist schemes.

Given the systemic importance of administration, resilience of the market should be a core regulatory objective.

## What we support instead: a targeted TPR oversight model

We believe member outcomes would be better served by empowering TPR with specific, proportionate powers tailored to administration services, including:

### 1. Power to set and enforce minimum standards

TPR should be able to define minimum administration and ISP standards focused on outcomes such as:

- accuracy and timeliness;
- data quality and security;
- operational resilience; and
- transition governance.

These standards should explicitly recognise existing credible assurance frameworks.

### 2. Risk-based supervision and intervention

Rather than blanket supervision, TPR should focus on:

- higher-risk providers;
- large-scale transitions or consolidation activity; and
- situations where there is evidence of persistent service failure or systemic risk.

This aligns regulatory effort with actual risk to members.

### 3. Clear coordination with the FCA where relevant

Where administrators or service providers sit within FCA-regulated groups, there should be:

- clear information-sharing arrangements; and
- defined boundaries of responsibility, to avoid regulatory gaps without duplicating supervision.

### 4. Strong focus on operational resilience and continuity

Oversight should prioritise resilience, including:

- cyber governance;
- business continuity and disaster recovery;
- incident management; and
- orderly exit and transition planning.

These areas are critical to protecting members but are not naturally addressed by FCA-style conduct regulation.

## Overall view

From Trafalgar House's perspective, the objective should not be to mirror the FCA's regulatory model, but to ensure that TPR has the right tools to oversee administration effectively.

A targeted, outcomes-focused TPR regime would:

- better reflect the nature of administration risk;
- avoid unnecessary duplication and cost;
- support market stability and capacity; and
- deliver stronger protection for members.

We therefore recommend against a full FCA-style regime and in favour of proportionate, purpose-built oversight by TPR.

## Registration and deregistration model

**Q24 - Should administrators have to be registered with TPR to be involved in administering a scheme? If so should TPR be able to deregister an administrator? (A model similar to that in Ireland)**

From an administration perspective, we are not convinced that a formal registration and deregistration regime is either necessary or practical in the UK pensions administration market, particularly as the market continues to consolidate.

The risks the consultation is seeking to address are real, but registration is not well aligned to the way administration risk manifests, nor to how failures are best remedied in practice.

### Registration: limited additional benefit in a consolidating market

Administration is fundamentally a wholesale, scheme-level service, not a retail or advisory activity where individual consumer protection mechanisms (such as firm authorisation) are the primary control.

In practice:

- Administration risk typically arises at scheme level, driven by:
  - scheme-specific data quality,
  - legacy benefit complexity,
  - payroll arrangements,
  - transition history, and
  - resourcing decisions agreed with trustees.
- Poor outcomes are therefore rarely caused by a provider being "unfit" in the abstract, but by how services are governed, resourced and overseen for a particular scheme.

Against that backdrop, registration would provide limited incremental protection:

- Most schemes are already administered by a small number of large, well-known providers, operating at scale.
- Trustees already undertake due diligence, supported by advisers, assurance reports and market intelligence.
- In a consolidating market, a registration badge risks becoming a binary, blunt instrument that does not meaningfully distinguish quality.

In effect, registration would confirm that a provider meets a minimum threshold, but that threshold is not where most administration risk actually sits.

### Micro vs wholesale risk: misalignment of regulatory tool

There is a mismatch between:

- where registration is most effective (micro-level, retail-facing services), and
- where administration risk is most acute (large, complex, scheme-specific operations).

At the micro end of the market, where registration might offer reassurance, risks are typically lower:

- smaller memberships,
- less complex benefit structures,
- lower systemic impact.

At the macro end of the market, where risks are highest:

- portfolios are large and interconnected,
- transitions are complex and resource-intensive,
- capacity constraints are real,

registration does little to prevent failure and may even create false comfort.

## Deregistration: not a practical or proportionate lever

From an administrator's perspective, deregistration is not a realistic or safe regulatory response in most circumstances.

Administration is not like advisory or consumer services where:

- activity can be stopped immediately, or
- clients can be redirected quickly.

Instead:

- Administrators hold live member data, payroll responsibilities and payment authority.
- Removing an administrator from the market would require the simultaneous transfer of entire scheme portfolios, often involving:
    - millions of records,
    - multiple payrolls,
    - bank mandates,
    - historical audit trails.

In a concentrated market, deregistration could:

- create severe capacity shocks,
- force rushed transitions,
- increase operational risk,
- and ultimately harm members, not protect them.

In practice, if an administrator were truly unsuitable at a wholesale level, the market may not have the capacity to absorb an enforced exit safely.

## Where regulatory focus would be more effective

From Trafalgar House's perspective, better outcomes would be achieved by focusing on standards, oversight and scheme-level intervention, rather than registration status.

## What would registration actually add?

From an administrator's standpoint, a registration regime would likely deliver:

- limited additional assurance beyond existing mechanisms;
- increased compliance overhead;
- potential false confidence for trustees;
- and a regulatory lever (deregistration) that is rarely usable in practice.

In a consolidating market, the risk is that registration becomes symbolic rather than effective.

## Overall view

Trafalgar House believes that:

- Administration quality is best regulated through standards and scheme-level governance, not firm-level authorisation.
- Deregistration is not a practical or proportionate tool in a market where administration is systemic, operational and continuity-critical.
- Regulatory effort should focus on raising standards, improving oversight and managing transitions safely, rather than introducing a registration framework that may not materially improve outcomes for members.

In our view, stronger standards, clearer accountability and realistic oversight will do more to protect members than a registration regime that struggles to reflect the realities of pensions administration.

## Consolidation and transition risk to Megafunds

### Q25 - What risks if any, does increased levels of consolidation activity in the DC sector pose to administration service providers? How can these risks be mitigated to ensure an orderly transition to Megafunds?

Not answered.

## Disorderly exit risk and TPR's role

### Q26 - What role should TPR take in reducing the risk and impact of a disorderly market exit by an administration provider?

From an administration perspective, the most effective role for TPR is to create credible early warning and stabilisation capability, rather than relying on "exit management" after a provider is already failing. A disorderly administration exit is primarily a time and capacity problem: schemes cannot be moved at pace without creating member detriment, and the market may not have spare capacity to absorb large portfolios quickly. TPR should therefore focus on identifying signs of stress early and giving trustees and providers the time to act in an orderly way.

Practically, we would support TPR taking a more active market oversight role by:

1. establishing an early warning framework for administrator operational stability and suitability, using consistent indicators such as service backlogs, resourcing strain, cyber and resilience events, financial signals, concentration risk, and material change activity;
2. requiring large or systemically important providers to maintain and periodically evidence orderly wind-down and transition readiness (data portability, documentation standards, access controls, payroll continuity, and handover playbooks); and
3. having powers to require stabilisation plans where warning indicators are triggered, including governance improvements, resourcing actions, independent assurance reviews, and trustee notification requirements.
4. This approach is more realistic than assuming deregistration or forced portfolio transfers are workable tools at scale, and it targets the root cause of disorderly exit risk: insufficient time to intervene before continuity becomes fragile.

## Respondent information (consultation form table)

### Q27 - To help us better understand the trustee landscape and the potential impacts of any changes emerging from the consultation, we would welcome some information regarding the scheme or provider you are answering on behalf of in the table below:

#### 1. Which type of scheme are you a trustee for now, or previously?

Trafalgar House does not act as a trustee.

We provide administration services to a portfolio of UK occupational pension schemes, including:

- Defined Benefit (DB) schemes
- Hybrid schemes

The current portfolio comprises 34 live schemes.

#### 2. What are your assets under management?

Trafalgar House does not manage pension scheme assets. Based on the portfolio data, the total assets of the schemes we administer are approximately £30.0 billion.

#### 3. How many members does your scheme have?

Across the portfolio, Trafalgar House administers pensions for 191,000 members, comprising approximately:

- Active members: 7,000
- Deferred members: 82,500
- Pensioners: 101,500

This reflects a predominantly mature membership profile, with the majority of members either deferred or in receipt of pension benefits.

#### 4. How many Trustees does the scheme have?

Trustee numbers vary by scheme. Across the portfolio:

- Trustee boards typically comprise between 3 and 7 trustees
- Most schemes operate under corporate trustee arrangements

#### 5. Does the scheme have any of the following appointed as Trustee Chair?

Yes. Across the schemes administered:

- Independent professional trustees are commonly appointed as Chair
- Some schemes appoint employer-nominated individuals or former senior executives as Chair

#### 6. Does the scheme have any of the following appointed on the Board of Trustees?

Across the portfolio, trustee boards typically include:

- Independent professional trustees
- Employer-nominated trustees
- Member-nominated trustees

Some schemes also appoint non-executive advisers to support the board.

#### 7. What is the composition of the Board of Trustees?

Varies

# Trafalgar House: 20 years of pensions administration experience

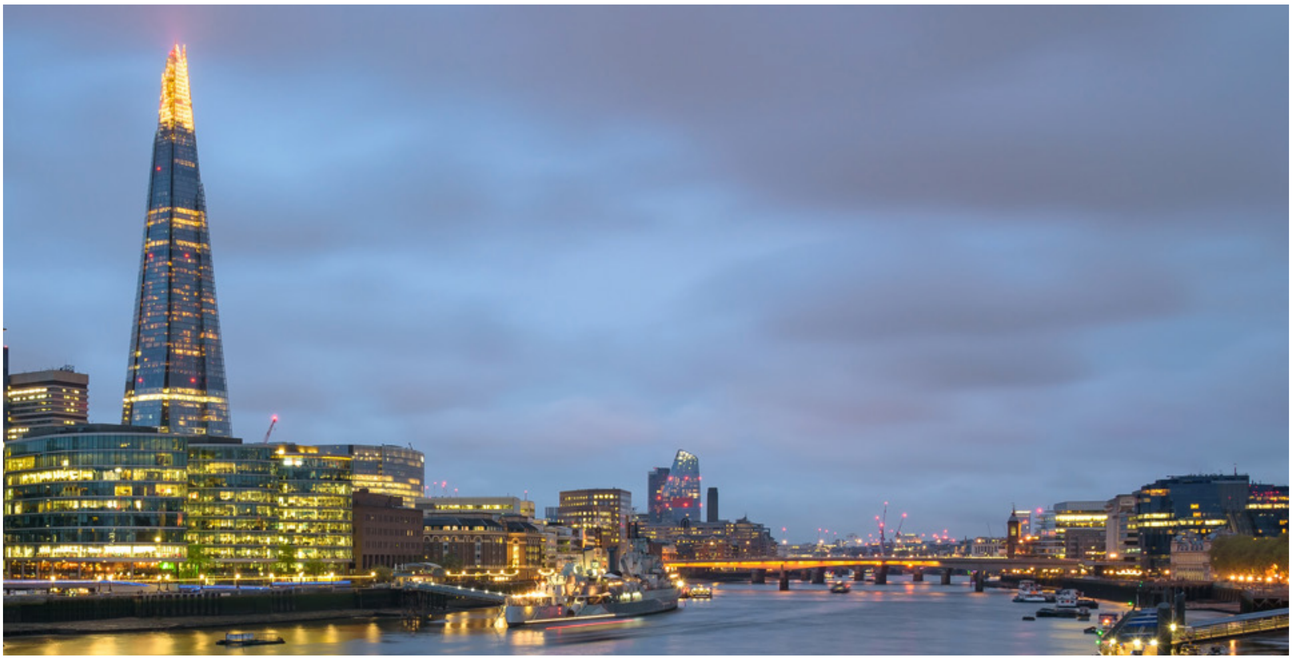
Trafalgar House was established in 2006, originating as an in-house pensions administrator before becoming a specialist third-party provider working exclusively in trust-based occupational pensions. Over the past 20 years, we have grown steadily by focusing on accurate delivery, resilient operations and long-term partnerships with trustee boards.

Today, we support trustees across a portfolio of DB, DC and hybrid schemes, administering benefits for over 190,000 members and supporting schemes with assets of approximately £30 billion. Our experience spans mature DB schemes, complex legacy benefit structures, payroll-critical environments and large-scale data and transition programmes.

Throughout this period, the pensions landscape has changed significantly. Increased regulatory expectations, consolidation, technology dependency, cyber risk and rising member expectations have all reshaped what good administration looks like in practice. Trafalgar House's approach has been to invest consistently in people, systems and governance so that administration remains reliable, secure and capable of supporting change without compromising member outcomes.

Our perspective on this consultation is grounded in that operational reality. We work daily at the interface between trustees, advisers, technology and members, and we see first-hand how governance decisions translate into delivery risk or resilience. That experience underpins our support for higher governance standards, proportionate regulation and a strong focus on administration as a core pillar of member protection.

As the market continues to evolve, Trafalgar House remains focused on sustainable administration, evidence-led governance and supporting trustees to make informed decisions that stand the test of time.



Trafalgar House

PENSIONS ADMINISTRATION

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