XPS Group

October 2024

XPS Insights

# TPR's interim response to statement of strategy consultation published

## What you need to know

- On 23 September 2024, The Pensions Regulator (TPR) published an interim response to its March 2024 statement of strategy consultation.
- As introduced by the Pension Schemes Act 2021, trustees and employers of defined benefit (DB) schemes with actuarial valuation dates on or after 22 September 2024 are required to agree a long-term funding and investment strategy, record it in the statement of strategy and submit it to TPR within the usual 15-month deadline for submission of an actuarial valuation.
- In this interim response, TPR provides comments on the changes it has made to its approach and have provided details of the updated data requirements that schemes will need to provide after agreeing a statement of strategy. For many schemes, the changes will reduce the amount of information that must be provided. There is also more flexibility to describe unique scheme circumstances.
- Schemes will not be able to submit a statement of strategy until TPR's new digital service is launched in spring 2025.
- TPR has also published four new illustrative templates of the statement of strategy depending on whether a scheme is submitting a Fast Track or Bespoke valuation, and whether it is before or after its relevant date. The final appearance of the templates may change until the digital service is launched but the data requirements are not expected to materially change.

## Actions you can take

- **Identify** when you will first need to complete and submit a statement of strategy
- **Review** the illustrative template relevant to your scheme to identify what information will need to be completed, and where there are gaps compared to your previous valuation.
- **Understand** who you need assistance from to complete the statement of strategy which asks for information on actuarial, investment and covenant matters, and which is partly subject to agreement with the employer, and partly subject to consultation with the employer.
- **Look out for related guidance** still to come, including detailed covenant guidance and TPR's full response to the statement of strategy consultation.

## Key dates at a glance

| | |
|---|---|
| **22 September 2024** | DB pension schemes with a valuation effective date on or after 22 September 2024 must submit a statement of strategy to TPR as soon as is reasonably practicable after having prepared it. |
| **Winter 2024** | **TPR to publish a fuller response to the statement of strategy consultation.** This will include an outline of the responses received, TPR's comments on themes raised in the consultation and any final changes made to the content required to be provided within the statement of strategy. |
| **Spring 2025** | **TPR expects the new digital service to be launched.** In accordance with the regulations, TPR has determined that the statement of strategy must be submitted in digital form. Schemes are not required to submit a statement of strategy until this service is enabled. Any delay to the submission of the statement of strategy will not be treated as a breach in the period up until the new digital service is launched. |

# The finer detail: Changes to TPR's approach

| | |
|---|---|
| **Overview** | TPR has made changes after receiving 55 responses to the consultation. Key comments raised included; the suggestion that a reduction or simplification in the level of detail required might be appropriate in some cases; a suggestion that some of the information being requested went beyond legal requirements; and the suggestion that more flexibility to capture specific scheme circumstances would be useful.<br><br>Updates have also been made to allow for the final version of The Occupational Pension Schemes (Funding and Investment Strategy and Amendment) Regulations 2024 and the final draft DB funding code of practice. |
| **General changes** | The statement of strategy templates have been simplified to remove unnecessarily legal narrative and adjusted to be relevant to a wider range of schemes.<br><br>TPR has clarified the definition of a smaller scheme to be one with 200 members or fewer, excluding DC only members, fully insured members or those who are eligible for lump sum death benefit only.<br><br>A new category of "low-risk" schemes has been defined as those submitting under Fast Track and in surplus on a low dependency funding basis, those submitting under Fast Track where all member benefits have been secured with an insurer, or those submitting under bespoke having reached the relevant date and in surplus on a low dependency funding basis. |
| **Actuarial information** | The requirement to submit cashflow information has been removed for all Fast Track and small schemes, and reduced for all other schemes. Cashflows for future service will no longer be required. Instead, open schemes are asked to provide salary and contribution rate information.<br><br>The options available for discount rate methodologies have been expanded and space for additional commentary added for some other assumptions.<br><br>Inflation sensitivity questions have been added to the data requirements. |
| **Investment information** | Guidance has been provided to allow a pragmatic description of investment risk over the journey plan.<br><br>The requirement to submit information about currency hedging has been removed. |
| **Covenant information** | The requirement to submit detailed covenant information has been removed for schemes that meet the definition of low-risk.<br><br>A more pragmatic approach can be taken when calculating covenant metrics, which may now be stated as "equal to or at least" or "equal to or no more than".<br><br>For multi-employer schemes, trustees will be permitted to aggregate covenant data if they consider it appropriate for their scheme. Non-segregated, non-associated multi-employer schemes may be required to provide a summary of the trustees' assessment of supportable risk as opposed to the employer cashflow format used by other schemes. |

## Find out more

**For further information, please get in touch with Sarah Vanhouse or Pauline McConville or speak to your usual XPS Group contact.**



**Sarah Vanhouse**
Consultant
e sarah.vanhouse@xpsgroup.com



**Pauline McConville**
Senior Consultant
e pauline.mcconville@xpsgroup.com

xpsgroup
@xpsgroup

© XPS Group 2024. XPS Pensions Consulting Limited, Registered No. 2459442. XPS Investment Limited, Registered No. 6242672. XPS Pensions Limited, Registered No. 3842603. XPS Administration Limited, Registered No. 9428346. XPS Pensions (RL) Limited, Registered No. 5817049. XPS Pensions (Trigon) Limited, Registered No. 12085392. Penfida Limited, Registered No. 8020393. All registered at: Phoenix House, 1 Station Hill, Reading, RG1 1NB.

XPS Investment Limited is authorised and regulated by the Financial Conduct Authority for investment and general insurance business (FCA Register No. 528774).

This communication is based on our understanding of the position as at the date shown. It should not be relied upon for detailed advice or taken as an authoritative statement of the law.