

The Pensions Regulator (TPR) launches statement of strategy consultation



What you **need to know**

- On 5 March, The Pensions Regulator (TPR) launched a consultation on the form and content of the 'statement of strategy'. As introduced by the Pensions Schemes Act 2021, trustees and employers of defined benefit schemes are required to agree a long-term funding and investment strategy and record it in the statement of strategy, to be submitted to TPR. The consultation runs to 16 April 2024.
- Schemes with actuarial valuation dates on or after 22 September 2024 will have to complete and submit their statement of strategy within the usual 15-month deadline for submission of an actuarial valuation.
- The statement of strategy will have two parts. Part 1, which must be agreed with the employer, will document the agreed funding and investment strategy. Part 2 will set out supplementary matters including progress on the agreed strategy and key covenant, investment and funding risks inherent in the strategy, and associated mitigations. Part 2 requires employer consultation.
- TPR intends to provide templates for the statement of strategy, to be used depending on scheme circumstances. An example of a completed template was included in the consultation documents.
- It is proposed that reduced information will be required for smaller schemes.



Actions you can take

- **Identify** when you will first need to complete and submit a statement of strategy.
- **Complete** the relevant template for your scheme to identify the gaps that need to be filled, in preparation for the new funding regime.
- **Consider** responding to the consultation before the 16 April 2024 deadline.

TPR's proposed approach to the statement of strategy

Item	Description
Regulatory oversight	<p>TPR is looking to be proportionate in its approach. Evident in two areas; interaction with submitted valuation information and current DB scheme return and approach to small schemes.</p> <p>Given overlap with currently submitted actuarial valuation information, TPR suggests that this information will instead be included within the statement of strategy once it is in force. Recognising the potential burden and additional costs of compliance, TPR proposes to reduce the information required from smaller schemes. It also proposes to ask for different levels of information depending on whether a scheme is submitting a Bespoke or Fast Track valuation submission, the maturity of the scheme and whether a scheme is open to future accrual.</p> <p>TPR is consulting on whether the proposed approach is reasonable, in particular for smaller schemes.</p>
The proposed templates	<p>TPR proposes to provide four pre-defined templates for the statement of strategy so that proportionate and relevant information specific to a scheme's circumstances is requested. As part of the consultation, TPR have produced an example statement of strategy. TPR welcome feedback on whether the pre-defined templates are helpful, suitable and beneficial to all schemes and on whether the example template provided is clear and fit-for-purpose.</p>

The finer detail: The statement of strategy

The statement of strategy

The statement of strategy is intended to be a useful long-term planning and risk-management tool for trustees. It will have two parts, the funding and investment strategy and supplementary matters.

Part 1: Funding and investment strategy

Part 1 sets out the trustees' plan for how they will deliver benefits to members over the long term. It outlines the scheme's strategy and how the trustees intend to reach low dependency by the point the scheme is significantly mature. This will include the funding position, details of the journey plan to low dependency, and key assumptions in the funding basis.

Part 1 requires employer agreement.

Part 2: Supplementary matters

Part 2 will include the trustees' assessment of how successfully the funding and investment strategy is being implemented, along with related risks to the strategy, actuarial and investment information, and the trustees' assessment of the employer covenant with supporting evidence.

Part 2 requires employer consultation

The four proposed templates

There are four proposed templates to reflect the different information required from schemes depending on their circumstances. Specifically, whether a scheme is submitting a Fast Track or Bespoke valuation, and whether it is before or after its relevant date.

Relevant date

A scheme's relevant date is the actuary's estimate of the date when the scheme will (or did) reach significant maturity.

The statement of strategy templates for schemes that are pre and post relevant date are expected to be largely similar. Post relevant date templates are expected to ask for less information.

Bespoke approach

The Bespoke route offers trustees greater flexibility in their funding approach. Bespoke valuations will be required to provide more detailed information upfront in the statement of strategy outlining how the approach is compliant and how risks are managed.

Fast Track approach

TPR will use Fast Track as a filter for actuarial valuations submissions with those that meet the Fast Track parameters unlikely to receive further scrutiny. For schemes that meet Fast Track, Trustees can expect to provide less information in the statement of strategy, in particular regarding covenant.

Smaller schemes

For actuarial purposes, it is proposed that smaller schemes will be defined as those with fewer than 100 members.

For investment purposes, it is proposed that smaller schemes will be defined as those with less than £30m in section 179 liabilities (provided the scheme opts to be treated as 'Tier 1' for scheme return purposes).

TPR propose to reduce some of the information that trustees of smaller schemes will have to submit in their statement of strategy.

For further information, please get in touch with **Frasier Kings** or **Pauline McConville** or speak to your usual XPS Pensions contact.



0121 387 5994



frasier.kings@xpsgroup.com



0289 505 3149



pauline.mcconville@xpsgroup.com



@xpsgroup



xpensionsgroup