



Unite response to DWP consultation on Trust-based pension schemes: Trustees and governance, building a stronger future – 5th March 2026

Introduction

This response is submitted by Unite the Union, the UK and Ireland's largest trade union representing over one million members across all sectors of the economy including transport, manufacturing, financial services, food and agriculture, construction, energy and utilities, information technology, service industries, health, local government and the not-for-profit sector. Unite also organises in the community, enabling those who are not in employment to be part of our Union.

Unite has facilitated and negotiated pension benefit changes, agreed between members and employer, for many schemes. It is a key part of our role to balance the benefits provided, cost of that benefit provision and the risk that the scheme can afford to take, recognising the impact that this has on the funding level, investment strategy and affordability.

The most important consideration is pensions adequacy, which should drive decisions relating to pensions investment. The Government should enact policies to support the re-opening of Defined Benefit (DB) schemes (and the reinvigorating of DB provision) which in turn would affect their investment strategies. Workers must have at least equal representation to employers in the governance of all pension funds. Investment policies adopted by pension funds must have an explicit pro-worker approach, supporting unionisation at investee companies and assets.

Open DB schemes are required to have a Trustee Board that consists of at least 1/3rd of Member Nominated Trustees (MNTs). Historically in well organised trade unionised workplaces it wasn't uncommon to see Trustee Boards containing 50% of Member Nominated Trustees.

Typically, one of the first things that happens when DB schemes are closed to future accrual is the removal of all the Member Nominated Trustees because there is no legal requirement to have them. This is wrong and potentially dangerous. Sole Trustees should not be allowed to determine what happens with the future of a DB scheme on their own. Whether that be run on, buy out or return of surplus. These are vital decisions where Member Nominated Trustees should be playing their role. Return of surplus needs to have Member Nominated Trustees at the table because if there is going to be a return of surplus, it needs to be done safely first and foremost and beyond that, members deserve their share also. In addition, legislation should be put in place so trade unions should be consulted in any potential DB return of surplus situation, in the same way that they have to be consulted with regards to any potential DB closure to future accrual proposal currently.

Within the Defined Contribution (DC) world, DC scheme Master Trust employ professional trustees only to govern the running of their pension schemes. Again, this is wrong and potentially dangerous. It needs a member voice, and every DC Master Trust should be made to appoint Member Nominated Trustees on their Trustee Boards.

Private sector schemes require a 1/3rd of trustees to be member nominated and with full voting rights, so why does the Government think that the Local Government Pension Scheme (LGPS)

should be exempt from this and that members don't deserve a place at the table?

In the Government response, the position set out was that it would be for the owners of each Pool to determine the appropriate form of member involvement. In the draft guidance, this position is altered, by setting out a position that "it will not generally be appropriate for the scheme member or employer representatives to have a voting role in pool decision making". This is an inappropriate extension of guidance towards micro-management in an area where the Government's position is that this is a matter for local determination. It must be for Pool owners to decide in this area to deliver the policy set out by Government.

The guidance further sets out that "it is not essential for member or employer representatives to attend meetings themselves". Again, this is a matter that is properly for the owners of the Pools to determine. It is wrong for guidance to specify this when Government policy is that the form of member engagement is to be set locally.

At an absolute minimum, member representatives must at least have observer status in pool governance structures, and this should be elevated to full voting rights where partner funds agree.

Unite believes that Trustee Boards should have 50% Member Nominated Trustees on all pension schemes, be that DB open or closed or DC for both the private and public sector.

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1. What do you think works well in the current trusteeship and governance system?

Where present Member Nominated Trustees provide a unique input into pension schemes and have an unmatched affinity to the pensions scheme because they have 'skin in the game'.

Member Nominated Trustees don't always know the knowledge and understanding standards expected of them at the outset but that isn't a negative and it can bring a fresh way of looking at things to a Trustee Board.

In addition, trustees have up to six months to gain the relevant trustee knowledge and understanding you need to carry out the role including TPR Trustee Toolkit, which is about the right amount of time.

2. What are the barriers to good trusteeship?

Some of the main reasons would be high time commitment, fear of liability and complex regulation.

However, Unite would say a lack of Member Nominated Trustees.

Unite sees no justification for more onerous requirements for trustee knowledge and understanding than are currently required. It would be worrying if additional requirements, for instance on knowledge and understanding, disenfranchised lay members from becoming trustees. Unite believes that Member Nominated Trustees bring important and varied perspectives from outside the pensions industry, as well as contributing a knowledge of scheme members. This latter aspect is very important when schemes have to consider the communication of scheme aims and decisions.

Unite would like to see half of the trustee board made up of Member Nominated Trustees. If there are concerns that lay trustees lack sufficient knowledge, this should be addressed in

post-appointment training, not by installing a cadre of professional trustees with similar backgrounds and assumptions.

3. Looking ahead to 2030 and beyond, what further support will trustees need to ensure effective scheme governance?

Time is always a barrier to being a trustee. However, Unite doesn't accept that there is a trustee capability issue. Making sure that Member Nominated Trustees receive full paid release would help.

Trustee liability doesn't put Member Nominated Trustees off, it's more employers not making them welcome these days by putting management trustees in Member Nominated Trustees' positions.

4. Does effective scheme governance in a Megafund require additional support or any specific changes in regulatory approach?

As schemes consolidate, it is essential to preserve the voice of members. MNTs bring diverse perspectives, challenge, and a direct connection to beneficiaries, which is critical for good governance.

Unite is concerned that consolidation could prioritise cost-cutting over member outcomes. Unite proposes that for schemes using new powers to release surpluses (under the Pension Schemes Bill), the proportion of MNTs should be increased to at least 50%, to ensure MNTs can function effectively within these new, larger, and more professionalised structures. As already highlighted trade unions should be consulted in these situations.

5. Can you describe any potential or actual conflicts of interest that stem from the provision of further services within professional trustee firms and other third-party providers? How are these conflicts managed now? What is the scale of the residual risk in the market?

Unite believes there are obvious concerns with potential conflicts of interest if professional trustee firms also provide advisory services to the same "megafund", for instance.

Unite does not believe that schemes should be required to have any accredited trustees, never mind a certain proportion. Boards alongside their sponsoring employer should continue to determine what their requirements are, including whether that's to have or not have an accredited trustee.

A further step to a completely professional accredited trustee board is unwelcome and unnecessary. Again, it would be worrying if additional requirements, for instance on knowledge and understanding, disenfranchised lay members from becoming trustees. Unite believes that Member Nominated Trustees bring important and varied perspectives from outside the pensions industry, as well as contributing a knowledge of scheme members. This latter aspect is very important when schemes have to consider the communication of scheme aims and decisions.

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6. Are additional safeguards needed to effectively manage these risks, given the need to balance members' interests with effective scheme management?

Yes, additional safeguards are necessary to effectively manage risks in pension schemes while balancing member interests with effective management, particularly as the regulatory, economic, and cyber security landscape becomes increasingly complex. The shift towards more consolidated, trust-based, and digitally-enabled schemes demands enhanced governance and stronger controls to protect members and ensure scheme stability.

As schemes mature, balancing the need to secure liabilities with the desire for surplus release requires strong, ongoing monitoring of the employer covenant (the sponsor's ability to support the scheme). Legally enforceable contingency plans with specific trigger points are recommended to protect members if the sponsor's financial position weakens.

7. Should there be restrictions on individuals acting as professional trustees, such as the number of trustee appointments they can hold, to ensure individuals have the appropriate capacity to manage schemes?

Yes, there should be restrictions on individuals acting as professional trustees, such as the number of trustee appointments they can hold, to ensure individuals have the appropriate capacity to manage schemes

Proposed measures such as a trustee register and potentially limiting tenure and the volume of appointments are worth considering but where you set the parameters is the difficult bit because we don't want to reduce diversity, independence, and the need for adequate time to manage each scheme.

One thing we definitely don't want to make more difficult is allowing Member Nominated Trustees and trade union officers who are employed and elected to represent members interests on pension schemes both public and private from being restricted.

8. Are there situations where a PCST model is more or less appropriate and why? Should there be any restrictions or suitability guidelines on PCST appointments?

Situations where a PCST model is more appropriate:

- Schemes needing streamlined decision-making: PCSTs are valuable when quick or efficient decision-making is essential.
- DB schemes approaching buy-out: Suitable for Defined Benefit (DB) schemes in the final stages of winding up.
- DC schemes winding up: Appropriate for Defined Contribution (DC) schemes that are shutting down.
- Situations requiring specific skills: When a board needs to fill specialised knowledge gaps that individual, lay trustees may lack.

Situations where a PCST model is less appropriate:

- Where diversity of thought is critical: Because PCSTs reduce the number of decision-makers, they may not be suitable if a diverse range of perspectives is required for governance.
- Where strong checks and balances are needed: The concentration of power can create conflict risks if not properly managed.
- When there is a lack of independence from the sponsor: If the PCST cannot maintain independent judgement, the model is inappropriate.

Therefore, restrictions and suitability guidelines are necessary.

9. If the Government introduced an enhanced code of practice for sole trustees what specifically would you like to see included? Do you think existing codes of practice (Code of practice) already cover some or all of this?

An enhanced code of practice for sole trustees should mandate robust, independent decision-making frameworks, strict conflict of interest management, and explicit, documented procedures for adviser appointments. Key inclusions would cover, but not be limited to:

- Mandatory Independent Oversight: Documenting how decisions are made in the absence of a board to avoid bias.

- Conflict of Interest Management: Clear protocols for managing conflicts, particularly when a firm acts as both trustee and advisor.
- Transparency and Disclosure: Improved reporting to employers and members, including justifying fees and decisions.
- Diversity and Inclusion: Ensuring diverse perspectives in decision-making processes, despite having only one firm in place.
- Cybersecurity Protocols: Adherence to TPR's updated cyber guidance.

10. Given the future landscape for pensions, are any further controls or safeguards needed on the appointment of trustees to ensure that decisions are made in members' interests?

With fewer, larger schemes, the connection to members is weakening.

Open DB schemes are required to have a Trustee Board that consists of at least 1/3rd of Member Nominated Trustees. Historically, in well organised trade unionised workplaces it wasn't uncommon to see Trustee Boards containing 50% of Member Nominated Trustees.

Typically, one of the first things that happens when DB schemes are closed to future accrual is the removal of all the Member Nominated Trustees because there is no legal requirement to have them. This is wrong and potentially dangerous. Sole Trustees should not be allowed to determine what happens with the future of a DB scheme on their own. Whether that be run on, buy out or return of surplus. These are vital decisions where Member Nominated Trustees should be playing their role. Return of surplus needs to have Member Nominated Trustees at the table because if there is going to be a return of surplus, it needs to be done safely first and foremost and beyond that, members deserve their share also. In addition, legislation should be put in place so trade unions should be consulted in any potential DB return of surplus situation, in the same way that they have to be consulted with regards to any potential DB closure to future accrual proposal currently.

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Private sector schemes require a 1/3rd of trustees to be member nominated and with full voting rights, so why does the Government think that the Local Government Pension Scheme (LGPS) should be exempt from this and that members don't deserve a place at the table?

In the Government response, the position set out was that it would be for the owners of each Pool to determine the appropriate form of member involvement. In the draft guidance, this position is altered, by setting out a position that "it will not generally be appropriate for the scheme member or employer representatives to have a voting role in pool decision making". This is an inappropriate extension of guidance towards micro-management in an area where the Government's position is that this is a matter for local determination. It must be for Pool owners to decide in this area to deliver the policy set out by Government.

The guidance further sets out that "it is not essential for member or employer representatives to attend meetings themselves". Again, this is a matter that is properly for the owners of the Pools to determine. It is wrong for guidance to specify this when Government policy is that the form of member engagement is to be set locally.

At an absolute minimum, member representatives must at least have observer status in pool governance structures, and this should be elevated to full voting rights where partner funds agree.

Unite believes that Trustee Boards should have 50% Member Nominated Trustees on all

pension schemes, be that DB open or closed or DC for both the private and public sector.

11. What role can government and regulators play in helping schemes to attract a diverse and talented pool of individuals to trusteeship?

Government and regulators, particularly The Pensions Regulator (TPR), can drive diversity in trusteeship by mandating or encouraging Equality, Diversity, and Inclusion (EDI) policies, fostering mentorship like shadow/buddying schemes, and encouraging wider candidate searches beyond traditional senior management roles.

As already stated above, Unite believe this is best achieved by requiring 50% of Member Nominated Trustees across all pension schemes.

12. Should there be any limits on length of trustee appointment, or should they be limited in number of repeat appointments to the same trust?

While there is rarely a strict legal requirement for trustee term limits, best practices in governance suggest that both the length of appointment and the number of reappointments should be restricted to ensure effective, balanced, and fresh-thinking boards.

However, there should be exceptions because we definitely don't want to make it more difficult for Member Nominated Trustees and trade union officers who are employed and elected to represent members' interests on pension schemes both public and private from being restricted.

13. Would it be appropriate to introduce a new public trustee who could be appointed by the Pensions Regulator? If so, in what circumstances would a public trustee appointment be preferable to a professional trustee from TPR's independent trustee register? And why?

No. Unite believes that having a better balance between professional trustees and Member Nominated Trustees is the most desired position.

14. Are there any reasons why TPR's powers of intervention regarding trustees should be modified and if so in what way should they be modified?

Yes. TPR operates too much in a silo and should be able to work directly with trade unions when concerns have been raised by union members about their employer's pension scheme.

15. How can TPR ensure it has the information it needs for the directory without creating greater administrative requirements for schemes?

If it's a self-register requirement then it runs the risk of not being done properly. Could it not be a requirement that is housed in a DB valuation or DC annual report? Whatever is decided, TPR should keep the requirement to a minimum.

16. 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?

- Commitment: Regular attendance and in-depth preparation for meetings.
- Curiosity and Challenge: A willingness to ask questions and challenge advisers.

- Continuous Learning: Maintaining up-to-date knowledge via the TPR Trustee Toolkit and regular training.

17. Would it be appropriate for TPR to set statutory higher standards for professional trustees? What should these standards look like?

Yes, Unite thinks it is appropriate for TPR to set statutory higher standards for professional trustees.

However, this then shouldn't be used to create a barrier to entry for Member Nominated Trustees taking and playing their role on pension scheme boards.

18. 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?

Member Nominated Trustees should be present.

Open DB schemes are required to have a Trustee Board that consists of at least 1/3rd of Member Nominated Trustees. Historically in well organised trade unionised workplaces it wasn't uncommon to see Trustee Boards containing 50% of Member Nominated Trustees.

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governance structures, and this should be elevated to full voting rights where partner funds agree.

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19. 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 would pay for it including time as well as any L&D costs?

Unite believes that time is always a barrier to being a trustee. However, Unite doesn't accept that there is a trustee capability issue.

Making sure that Member Nominated Trustees receive full paid release would help.

Again, trustee liability doesn't put Member Nominated Trustees off, it's more employers not making them welcome these days by putting management trustees in Member Nominated Trustees positions.

Pension Toolkit is sufficient.

20. How can we ensure trustee boards take into account the perspectives of members in their decision making?

Have Member Nominated Trustees on the board.

Unite believes that sometimes members' (pension savers') ESG beliefs may discourage investment in certain asset classes such as private equity for example, where there may be a belief that a particular investment may lead to short term asset stripping and undermine labour standards, or a belief that investment in a certain country, perhaps for its poor human rights record shouldn't happen.

This shouldn't be deemed as a negative or a wrong use of fiduciary duty but quite the opposite. Trustees are capable of finding ways when necessary to invest in line with members' beliefs and with no loss of return. This may be from engagement or divestment. Either way, trustees are not being prevented or restricted.

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

Any scheme that has 50% Member Nominated Trustees on its board firstly is a good start.

In the private sector, the Railways Pension Scheme.

22. 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?

Potential benefits:

- Improved Member Outcomes: Standardised, high-quality administration reduces errors, leading to better financial outcomes and smoother experiences for savers.
- Enhanced Data and Transparency: Mandatory standards would likely force improvements in data quality, which is critical for upcoming initiatives like pensions dashboards.

- Increased Confidence: Setting a minimum bar boosts trust in the pension industry, protecting against poor service and potential maladministration claims.
- Stronger Regulatory Oversight: It would allow bodies like The Pensions Regulator (TPR) to act more effectively and proactively.

Potential challenges

- Increased Costs and Burden: Implementing strict standards could lead to higher administrative costs for schemes, potentially impacting smaller providers disproportionately.
- Reduced Innovation: Excessive regulation may inhibit flexibility, discouraging new, faster, and more efficient technologies.
- Defensive Administration: A focus on compliance over service might create "defensive" behaviour, diverting attention from proactive member support.
- Implementation Complexity: Defining appropriate, consistent standards across diverse administration types (e.g., in-house vs. outsourced) poses significant challenges.
- For maximum benefit, such standards must be balanced, focusing on outcomes rather than just procedural speed.

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

TPR taking a more hands-on approach to working more closely with administrators to improve standards is desired but there is no need to give TPR the same levels of regulatory oversight as the Financial Conduct Authority (FCA) regarding administrators and/or wider administration services.

24. 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)

Unite believes that the HMRC registration and the need to pass a "fit and proper person" test is sufficient and Trustees should continue to be empowered to manage the relationship from there.

However, although there are not many disorderly exits by administrators and most bigger schemes can deal with this themselves, smaller schemes that don't have the resources to chase and bring administrators to account could do with some assistance other than the Financial Ombudsman.

25. 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?

Increased consolidation in the DC sector poses significant risks to administration service providers, including extreme operational strain due to volume, severe data migration errors,

and potential system failures, while also threatening to make smaller, specialised providers obsolete.

Look what has happened in the Civil Service Pension Scheme recently.

Again, Member Nominated Trustees being present can help with this.

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

Whistle blowing option for trade union members must not just stop there, TPR case officers should engage with trade union officials to share and act on information together in a similar way to what happened with HMRC when the National Minimum Wage (NMW) is not paid.

27. 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:

Unite the Union is the UK and Ireland’s largest trade union representing over one million members across all sectors of the economy including transport, manufacturing, financial services, food and agriculture, construction, energy and utilities, information technology, service industries, health, local government and the not for profit sector. Unite also organises in the community, enabling those who are not in employment to be part of our Union.

Unite has facilitated and negotiated pension benefit changes, agreed between members and employer, for many schemes. It is a key part of our role to balance the benefits provided, cost of that benefit provision and the risk that the scheme can afford to take, recognising the impact that this has on the funding level, investment strategy and affordability.

Unite represents its members’ pension interests across the public and private sector and formally represents our members interests in Defined Benefit (DB) and Defined Contribution (DC) schemes across all scheme types.

Unite is responding in this capacity on behalf of our members but in addition as a sponsoring employer that provides a DB pension to our employees.

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John Neal – National Pensions Officer, Unite the Union