Dear Mr. Field

Thank you for your letter dated 21 August asking about the potentially high level of costs paid to trustees appointed by The Pensions Regulator (TPR). Before responding to your specific questions, I will set out our approach to appointing independent trustees.

I understand that in situations where an independent trustee is appointed, especially in the case of a scam, it can be worrying and stressful for savers. These situations are often complex and take time to resolve, I would like to assure you that TPR is committed to ensuring the best outcome for savers in all circumstances where we have to appoint an independent trustee.

We use our powers to make trustee appointments in a wide range of circumstances: to ‘orphan’ schemes with no trustees, to schemes with too few trustees, schemes with poor governance, and, in situations where we suspect members savings are at risk, for example from scam activity. In more complex situations, we make a recommendation to the Determinations Panel, which would appoint the trustee.

Before making any appointment, we consider the unique circumstances and needs of the scheme and then select suitable candidates to tender for the work. TPR maintains a register of trustees, which we use to make appointments to schemes. Trustees on our register meet several conditions, for example, fit and proper person tests and having sufficient relevant experience.

Turning to your individual questions:

**When appointing trustees to manage the assets of such a scheme does TPR consider cost factors or investment strategies?**

We run a competitive tender process to select the trustees that can provide the best value for money. We match the experience of trustees on our register with the circumstances of the proposed appointment. We then invite trustees to submit tenders, which includes their plan for the appointment, the expected timescales, and an estimate of costs. Where investment strategies are key to the appointment, we require trustees to provide details of the approach which they would take.

If we suspect scam activity, the work to untangle the investment position can be time consuming and complex. Independent trustees work to recover as much of the money as possible for the savers without incurring a disproportionate cost. This may involve tracing and pursuing money across multiple countries and jurisdictions in circumstances where the paperwork is incomplete. In many cases, not all funds can be recovered and, due to the time-consuming nature of the work,
savers may not be able to access their investment for some time. On a case by case basis, in our criminal prosecutions we seek to restrain suspects' assets prior to trial and then seek compensation for the scheme if the scammers are found guilty.

What action does TPR take to ensure fees taken by independent trustees appointed by TPR are not excessive?

Typically, we receive three tenders. The exact number of trustee firms short-listed for appointments based on their experience and suitability varies. We appoint the trustee who has best demonstrated that they will do a good job.

Our main priority is the suitability of the appointment to mitigate the risks of the situation. Secondly, we look to minimise the costs to members.

Is it possible that members of these schemes may have incurred lower costs, through tax and charges, had TPR not intervened?

Victims of scams risk losing all their pension savings and incurring significant tax charges from HMRC. In situations where we have had evidence of scam activity and we have intervened to appoint a trustee, we believe that it is highly unlikely that the members would have been better off had TPR not intervened as their money would have been left in the hands of scammers.

What evidence does TPR collect on the value for money of TPR appointed trustees for scheme members?

Trustees on our register agree to have their costs and fees scrutinised by an independent adjudicator and to be bound by that adjudicator as to fees and costs\(^1\). Once appointed, trustees update us regularly on their progress, including how long it is taking to complete the work, and the costs and fees which they have incurred. This information is considered and compared to the trustee's tender for the work. Any significant variance will be open to challenge from TPR.

If scheme members are not satisfied with the performance of TPR appointed trustees what options are open to them?

Scheme members should raise their concerns directly with the trustees. If this does not resolve their concern, members should use the scheme's internal dispute resolution process. If they remain unsatisfied, they may want to seek advice from their own legal advisor or The Pensions Advisory Service. These organisations would be able to help the member establish whether they have a complaint that could be referred to The Pensions Ombudsman for further investigation or the courts. If people believe their scheme isn't being run properly, they can, of course, raise their concerns directly with us\(^2\).

Yours sincerely

Charles Counsell
Chief Executive


Website: [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)