

## Joint consultation on detailed rules for new VFM Framework



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### Introduction

Intended to “support a significant shift in the way the workplace pensions industry operates and competes”, on 8 January 2026 the [FCA](#), the DWP and [TPR](#) published a joint [consultation](#) on detailed proposals for the new value for money (“VFM”) framework for DC schemes (the “Framework”).

### Key points

- This “fairly technical” consultation is the latest step in joint work by the FCA, the DWP and TPR towards the new market-wide Framework. Once implemented, all schemes in scope will be required to report on a range of metrics and to use this data to assess the value of their offering against comparators. If a scheme offers poor value, firms and trustees must drive improvements or transfer members to “a value rated arrangement”.
- The consultation sets out the proposed rules and guidance that will apply to default and “quasi-default” arrangements of FCA-regulated workplace DC schemes, but with metrics and concepts intended to be suitable for application across the whole DC pensions space. It builds on the FCA’s [2024 consultation](#), with some changes made to the proposed rules as a result of feedback received as well as market and policy developments.
- Key changes include an expanded four-part colour rating to show the outcome of VFM assessments, and an online central database to disclose VFM data.
- The [Pension Schemes Bill](#), currently progressing through Parliament, includes the legislative powers to mandate the Framework for trust-based schemes. FCA rules will introduce the Framework for contract-based schemes. DWP and TPR consultations on draft regulations and supporting guidance will follow, with further FCA consultation likely before the rules are finalised. Input on the current consultation is invited from stakeholders in the trust-based pensions industry to help shape the DWP regulations.
- The first VFM assessments are expected in 2028, depending on the timing of the Pension Schemes Bill receiving Royal Assent.

### Background

Work has been underway for several years to establish a common assessment framework for VFM. The Framework is intended to shift focus from cost towards value amongst employers, trustees and managers of

workplace pension schemes, and to “improve outcomes for members ... by promoting competition, increasing transparency, and standardising assessments of value”.

The FCA, the DWP and TPR jointly [consulted](#) in January 2023 on policy proposals to require trustees and IGCs to disclose, assess and compare the VFM of their schemes, with the [consultation response](#) published as part of the July 2023 Mansion House proposals confirming the parties’ intentions to press ahead with those changes.

Taking those proposals forward, in August 2024 the FCA published a [consultation](#) on detailed rules and guidance for default arrangements of FCA-regulated workplace DC schemes, with views invited on how the rules would translate to trust-based pensions.

The Framework consists of four main elements:

- consistent measurement and disclosure – trustees and firms must measure and publicly disclose investment performance, costs, and service quality using metrics designed to assess VFM effectively
- objective comparison – those responsible for oversight (trustees for trust-based schemes, and IGCs and governance advisory arrangements for contract-based schemes) can assess performance against the market on a consistent, objective basis
- transparency of outcomes – assessment results must be publicly disclosed, and
- action on poor value – trustees and firms must take specified actions where an arrangement is assessed as not delivering VFM.

## Joint consultation

This latest publication develops the detailed rules and guidance for contract-based schemes contained in the FCA’s August 2024 consultation. It also contains the FCA’s consultation response. Input is invited from stakeholders in the trust-based pensions industry to help shape the DWP regulations that will implement the Framework for trust-based schemes.

Some important changes are proposed to the Framework:

- **a four-point colour-coded rating system:** the previously proposed “traffic light” ratings have been expanded to allow identification of the top performers. Dark green will be used for strong performance, where no or few improvements could be made, with light green for arrangements whose value could be improved, amber for arrangements which are not offering value but could be improved to reach value, and red for those whose poor value cannot be improved
- **disclosure requirements:** following feedback, the FCA has replaced proposals for VFM data to be published on individual scheme websites with the suggestion of a central VFM database for calculation of data for comparison and potentially publication. This is intended to allow for easier access to VFM data and enable wider comparisons
- **comparing value:** the comparison will be carried out against a much wider commercial comparator group, rather than three other arrangements. This would be enabled by the central VFM database
- **the introduction of forward-looking metrics (“FLMs”):** these will be considered alongside backward-looking metrics in assessments, aimed at encouraging “a holistic approach to investment to deliver the best possible long-term outcomes”. “Guardrails” are proposed to help manage risks such as investment herding and FLMs being used to “game” the assessment

- **a more limited approach to service quality metrics:** administrative metrics, eg members' confidence that transactions are secure, prompt and accurate, and members being satisfied with the service they receive, are retained. Metrics on how members engage with their pensions have proved "more challenging" to develop so will not initially be included in the Framework. The FCA has decided to develop these over the medium term, in consultation with the industry and taking account of upcoming changes such as guided retirement and the targeted support regime, and
- **action for poor performing schemes:** firms rated "red", ie "not value" and cannot be improved to reach value, must transfer out members where it is in the members' best interests. This is stronger than the originally proposed requirement to "consider a transfer", due to the expected introduction by the Pension Schemes Bill of contractual overrides which will enable bulk transfers for contract-based arrangements without members' consent. In cases where a transfer would not be in members' best interests, eg where safeguarded benefits cannot be replicated, firms and trustees would continue to seek to improve value and put in place mitigations to protect members from foreseeable harm.

## Scope

To target arrangements where members "are most likely to be disengaged and therefore at greater risk of receiving poor value", the consultation proposes that the Framework will initially apply to workplace pension members invested in default and "quasi-default" arrangements in accumulation.

An arrangement with assets in accumulation which has been operating for at least one calendar year would be in scope where:

- it is a default (ie where contributions to an automatic enrolment scheme are invested without the employee having made an active choice), or a "quasi-default" (where a pre-automatic enrolment arrangement is treated as akin to an automatic enrolment default), and
- it has:
  - at least 1,000 members, or
  - fewer than 1,000 members but is either the sole or largest default or quasi-default arrangement provided by a scheme.

Executive Pension Plans and SIPPs will be excluded, as will certain schemes that are in the process of transferring out all members or winding up. For trust-based schemes, this proposal is expected to capture the majority of single employer DC schemes, regardless of size. However, this is yet to be finalised and feedback is welcomed.

## Next steps

The consultation closes on 8 March 2026. The DWP intends to consult on draft regulations to implement the Framework for trust-based schemes. TPR will also consult, as appropriate, on any necessary codes of practice and/or guidance. The FCA is likely to undertake a further consultation alongside those of the DWP and TPR.

Roundtables and stakeholder events to discuss practical aspects are expected as the Framework develops. The intention is that requirements for both contract-based and trust-based arrangements will come into force at the same time, with the first VFM assessments expected in 2028.

Sacker & Partners LLP  
20 Gresham Street  
London EC2V 7JE  
T +44 (0)20 7329 6699  
E [enquiries@sackers.com](mailto:enquiries@sackers.com)  
[www.sackers.com](http://www.sackers.com)

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