Navigating uncertainty: Top challenges for trustees in 2025

With insights from industry leaders and experts, *Pensions Age* explores the key challenges trustees face in 2025

Summary
• Regulatory changes such as the DB Funding Code, pensions dashboards and the Pension Schemes Bill will make endgame planning more complex in 2025.
• As member expectations evolve, trustees are under pressure to find new ways to improve engagement whilst simultaneously integrating broader societal goals into their strategies.
• Prioritisation, diverse expertise and long-term planning are expected to be crucial to the success of trustees in 2025.

For UK pension trustees, 2025 is shaping up to be a testing year, with a series of profound changes in store. As stewards of members' financial futures, trustees navigate a complex pension landscape marked by regulatory shifts, economic volatility and growing demands for sustainable investing.

The introduction of the landmark Pensions Dashboards Programme, which is expected to begin connection from April, the updated DB Funding Code and other regulatory changes will also present opportunities and challenges for trustees to contend with over the next 12 months.

To run-on or buyout?

A common conundrum that trustees will continue to face in 2025 is endgame strategy. For both DB and DC schemes, trustees must make crucial decisions to secure long-term sustainability while grappling with resource constraints and administrative complexities. Hymans Robertson head of DB scheme actuary services, Laura McLaren, says: "Improved scheme funding and an expanding range of options mean long-term strategic planning should be at the top of the list for 2025. Trustees must proactively consider all their options."

Pensions and Lifetime Savings Association director of policy and advocacy, Zoe Alexander, suggests that improved funding means trustees are now "increasingly focused" on the complexities of endgame strategies: "With many schemes now in surplus, decisions around buyout, consolidation or self-sufficiency are at the forefront."

Insight Investment head of solution design, Jos Vermeulen, also warns schemes against rushing into buyouts without considering the benefits of running on: "There is a myth that insurance buyout as soon as possible is the only prudent option. Surpluses retained within schemes could unlock significant benefits for members, sponsors, and even the wider UK economy."

Indeed, alongside the economic uncertainties related to surplus management, are opportunities, as strong funding levels and low-risk investment strategies present a chance to reinvest in schemes or unlock value for members and sponsors.

Given this, Vermeulen argues for policies that allow surpluses to be used creatively: "Surpluses retained within schemes could improve pension benefits, spread intergenerational wealth to DC members, and invest in productive projects."

However, regulatory delays are causing frustration, Vermeulen suggests.

"With a new Pensions Bill *[waiting]* to come into force, there is still uncertainty around whether it will include the changes needed to make run-on an option for most schemes," he says. "Trustees are left with a dilemma about what to do. If they buyout and the government make those changes, they could be left with 'regret risk.'"

Whilst some aspects of the upcoming bill have already been revealed, industry experts have been unsure what exactly the bill will contain, particularly after reports revealed that the second phase of the government's Pension Review could be delayed.

Broader regulatory updates are on the horizon though, as the government recently confirmed that it would be sharing an update on DB policy in the new year.

Regulatory changes

This is not the only evolving regulatory challenge trustees should be mindful of in the new year, however, as the recent DB Funding Code and upcoming pensions dashboards deadlines are creating a complex governance landscape.

Capital Cranfield professional trustee, Michele Hirons-Wood, describes the challenges posed by the new DB funding regime: "This regulatory change demands increased planning and coordination between trustees and employers. For some, it will just be a documentation exercise; for others, it will prompt difficult conversations."

Pensions dashboards, set to roll out from April 2025, will also create new hurdles for trustees, according to Sackers senior partner, David Saunders, who points out that pension schemes must ensure accurate, real-time data is available while navigating new data protection requirements.

"The dawn of dashboards is upon us," he says. "Trustees' data protection processes will be scrutinised, extending their scope beyond current limits to members of the public using dashboards, which will give rise to new and onerous challenges."

Saunders adds that an "ever-increasing" legislative and regulatory burden will make trustees' daily obligations "more arduous and complex" in the coming year.

Operational and administrative pressures

In the face of increasing regulatory challenges, experts suggest that the administrative capacity of trustees will face significant strain as schemes tackle multiple overlapping projects. From preparing for dashboards to executing guaranteed minimum pension (GMP) equalisation, trustees must ensure their plans are deliverable, even though resources are limited.

Spence & Partners head of corporate advice, Alistair Russell-Smith, emphasises the importance of prioritising data projects: "The biggest challenge for trustees in 2025 is planning the right sequencing of projects over the next few years. Prioritising data projects will enable dashboard connection and put schemes in a strong position for endgame strategies."

"This also cleans the scheme," he adds, "putting it in a strong position to implement an endgame strategy as the broader range of options and providers become available in the market."

Across the board, integrating advanced technologies like artificial intelligence (AI), mitigating cybersecurity risks and managing operational risks, such as compliance with dashboard timelines, remain critical priorities for trustees.

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"Another challenge for trustees is to ensure they are taking advantage of new technologies, like AI, and becoming cyber aware of new risks," says Mercer UK wealth strategy leader, Tess Page.

"They also need to progress in preparing for pensions dashboards, the GMP equalisation project and carrying out their risk assessments," she adds.

According to McLaren, the consequences of missing the government's timetable for connection to the pension dashboard would be "serious" for trustees.

"Trustees cannot afford to sit back and wait complacently for their instructions to be carried out," she warns. "They will need to ensure that projects are being actively managed and those managing are fully engaged with the timetable."

ESG priorities

For 2025, trustees will continue to face pressure to incorporate environmental, social and governance (ESG) factors into their strategies.

The Pensions Regulator has previously urged trustees to go beyond minimum compliance with ESG duties after their research found that, while the vast majority of trustees meet their ESG duties, many schemes only achieve minimum competence.

Standard Life bulk purchase annuity transaction manager, Alex Oakley, notes that ESG is also increasingly influencing endgame decisions: "ESG is a key factor, with research showing that this is important for almost half of trustees considering a buyout deal."

Workforce and expertise challenges

A growing concern across the industry is the difficulty of attracting and retaining skilled professionals to support schemes' administrative and strategic needs.

McLaren paints a challenging picture: "Administrators are struggling to attract bright, capable people. Trustees must ensure that projects are actively managed to avoid operational breakdowns. When trustees issue instructions too often, the machinery of administration starts to sputter and groan under the strain."

It's a view echoed by Page, who highlights the importance of diversity and expertise: "Trustees should ensure they have access to the right expertise and a diverse range of skills and styles to navigate 2025's challenges."

Rising to the challenge

The challenges facing pension scheme trustees in 2025 are vast, ranging from strategic decision making and regulatory compliance, to operational efficiency and ESG considerations. Workforce constraints and economic uncertainties compound these challenges.

"2025 feels like it is going to be yet another busy year. Trustees must balance competing priorities while preparing for the future," says Hirons-Wood.

Written by Callum Conway