


This quarterly bulletin sets out current and future developments affecting master trusts, so you can check what should be on your agenda.

Current issues

Actions


Pension Schemes Bill (new)

- The [King's Speech](#) on 17 July 2024 set out the new Government's legislative agenda including a new Pension Schemes Bill ("the Bill") intended to encourage consolidation and focus on value and outcomes for members.
- Continuing some of the "[Mansion House](#)" policy proposals of the previous Government, the Bill is expected to include measures to introduce:
 - automatic consolidation of deferred small DC pension pots
 - a new VFM framework for trust-based DC schemes to demonstrate they deliver value. This is expected to apply consistently across the whole pensions market, with the FCA introducing rules for contract-based schemes (see further on this below), and
 - new duties for trustees to offer a retirement income solution or range of solutions, including default investment options.
- No timing is given for the measures to come into force.

 Master trust trustees should keep a watching brief on the development of the Bill which will likely have implications for the master trust industry. The content of the Bill does not contain any "surprises" in terms of new proposals but reflects and continues the proposed policy themes outlined in consultations/calls for evidence under the previous government.


VFM (updated)

- On 8 August 2024, the FCA [published](#) a consultation on detailed rules and guidance for a new VFM framework. This builds on its previous work with the DWP and TPR towards a new market-wide VFM framework for DC schemes, including their joint 2023 [consultation](#).
- The consultation sets out the proposed rules and guidance that will apply to 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. This includes a new traffic light ratings system. Possible future developments are also explored, such as incorporating some VFM information into pensions dashboards. The consultation closes on 17 October 2024 and the FCA plans to publish a final policy statement, rules and guidance "in due course". Timings for implementation will be considered "following stakeholder feedback" and in discussion with the DWP, HMT and TPR.
- The proposed VFM framework is not materially different from that consulted on previously by the FCA/TPR. The granular detail broadly reflects the approach outlined by the FCA in the numerous round tables it has held for key industry stakeholders since the joint 2023 consultation.
- The Bill (see above) is expected to include measures to introduce the new VFM framework for trust-based DC schemes.
- On 10 July 2024, TPR published a speech on helping master trusts "deliver real value for pension savers" and set out TPR's "need" to have a "laser-like focus on value", which "means three things" for master trusts:
 - a focus on investments – TPR will challenge master trusts to make sure they have the skills and experience to consider a range of diverse assets and make sure that their consideration of ESG issues is "not just tick-box compliance"
 - a focus on data quality and standards – TPR will encourage master trusts to embrace transparency through open standards, open data and common protocols to exchange data and enable flow, and
 - a focus on innovative solutions at retirement – TPR will work in partnership with master trusts to build consensus on what "good" looks like for products that support savers into and through retirement.

 Feedback on the consultation is welcomed across the industry and TPR is urging trustees to respond to the "technical detail of the consultation, with a view to ensuring the final framework can be applied effectively to trust-based schemes", given that the metrics and concepts being consulted on are intended to apply to trust-based schemes too. Master trust trustees should therefore review the proposed new VFM framework with their providers to ensure that the proposed data points can be collected, published and assessed, noting that the proposed approach is quite different from the current VFM requirements for trust-based schemes.


Government launches pensions review (new)

- The Government has [launched](#) a review to “boost investment, increase pension pots and tackle waste in the pensions system” and, on 16 August 2024, published [terms of reference](#) for the first phase.
- The first phase will focus on actions to support greater productive investment and better retirement outcomes, including through consolidation and “encouraging at-scale schemes to increase returns through broader investment strategies”. This phase is expected to be reported on “in the next few months” and will consider further measures to support the Bill.
- The next phase, expected later in 2024, will look at “further steps to improve pension outcomes and increase investment in UK markets, including assessing retirement adequacy”.

-  Master trust trustees should keep a watching brief on the development of this pensions review, in particular in relation to the Government’s intentions for pension schemes’ investment strategies.



PASA updates guidance on master trust transfers (new)

- On 20 June 2024, PASA published [updated guidance on master trust transfers](#), to reflect developments in master trusts since the guidance was originally published in November 2019.
- The guidance focuses on transfers of members between master trusts, and from a single employer trust to a master trust. It includes model project plans and is designed to support trustees, employers and administrators in completing an “accurate and timely project”.

-  Master trust trustees should familiarise themselves with the updated guidance and liaise with their providers/administrators to ensure processes are revised as required.



Removal of the LTA (updated)

- The [Finance Act 2024](#) came into force on 6 April 2024 (“LTA-Day”), marking the end of the LTA. In its place, there are now two new personal tax-free lump sum allowances which apply across all registered pension schemes: the LSA and the LSDBA.
- Some “technical” errors and other remaining issues are due to be addressed in a further set of regulations which will amend the legislation retrospectively, from LTA-Day.
- HMRC has [suggested](#) that affected members (or personal representatives) may wish to delay taking benefits or transferring to a new arrangement until the legislation is amended.

-  As we are expecting further amendments to the legislation to correct certain technical errors, master trust trustees should consider delaying any rule amendments until these points are clarified.
-  Given the lapse of time since LTA-Day, trustees should take legal advice on making payments pending the regulations coming into force.

Advice / guidance boundary review

- The FCA has [consulted](#) on proposals for addressing the advice gap. Our response can be viewed [here](#).
- The policy paper specifically asked for feedback about how the support trust-based master trusts provide is affected by the advice boundary for non-authorized persons and notes that the FCA is looking to understand how the proposals may affect FCA-authorized firms sponsoring a master trust, including at an operational level.
- We hope that, in response to this consultation, the FCA and the DWP/TPR will provide further clarity on when trustees could be straying into FCA regulated activity/financial promotion territory, particularly in the context of master trusts sponsored by FCA authorised firms.

-  The topic of advice and guidance is particularly relevant in the context of master trusts offering decumulation solutions and advice and guidance tools or services both to existing members and via a partnering arrangement, and in light of the DWPs proposal for there to be a legal duty for trustees to offer decumulation solutions, including a default investment option (see further below).
-  Master trust trustees should ensure they seek legal input on any proposals from the sponsor in these areas, particularly where the sponsor is an FCA regulated firm and offers a wider portfolio of other regulated products and services.

Supporting individuals in decumulation (updated)

- The Bill is expected to include measures to introduce new duties for trustees to offer a retirement income solution or range of solutions, including default investment options.
- The previous Government was [intending](#) to legislate “at the earliest opportunity” to place a legal duty on trustees to offer a range of decumulation services and products to members at an appropriate quality and price, either in house or via a partnership with a third party.
- Pending legislation, we were expecting interim guidance from TPR on DC decumulation this year.

- Many master trusts already offer a full range of decumulation options and are looking to develop their propositions in this area further, and as such, are likely to be well placed when future guidance and legislation comes into effect in this space. However, adaptations may well be needed to meet the new legal framework.

Extending opportunities for CDC schemes (updated)

- Within the current legislative framework only single or connected employers, ie employers within the same corporate group, can establish a CDC scheme, and the only authorised CDC scheme so far is the Royal Mail Collective Pension Plan which is due to launch on 7 October 2024.
- A consultation on draft regulations to enable whole-of life unconnected multi-employer CDC schemes has been expected since last “autumn” but there was no mention of this in the [King's Speech](#) and it is not clear whether this is a priority for the new government.

- As master trusts act as an increasingly key decumulation vehicle for DC pension savers, and particularly given CDC is likely to form a key part of future decumulation solutions, master trust trustees should have a view to this when considering decumulation solutions.
- We are aware that some providers are looking to explore CDC as part of their wider retirement solution proposition. Master trust trustees will need to understand their own provider's proposition developments in this space.

Deferred small pots (updated)

- The Bill is expected to include measures to introduce automatic consolidation of deferred small DC pension pots.
- It remains to be seen whether the new Government will continue looking into a “lifetime provider model” in place of the existing workplace pension framework, so as to reduce the number of individuals creating multiple new DC pots. However, several commentators have deemed this unlikely.

- As these measures will significantly impact the master trust market, master trust trustees should closely monitor developments.

TPR's priorities and evolving master trust supervision (updated)

- On 3 May 2024 TPR published its [Corporate Plan 2024 to 2027](#), setting out its priorities for the next three years. Its ultimate “vision” is for there to be fewer, well-run schemes, delivering good outcomes for members, from joining a pension scheme through to retirement. To help achieve this, TPR is planning to:
 - evolve its supervisory approach to master trusts, developing the FCA and TPR VFM framework
 - engage with the market to ensure good quality consolidation vehicles, such as the emergent CDC market
 - in the case of trusteeship, ensure high standards through increased focus on “new and increasingly significant professional trustee entities” and “closer engagement with the professional trustee industry”, and the wider promotion of the general code.
- On 8 July 2024, TPR [announced](#) it is “evolving” its supervision of master trusts to focus on investments, data quality and standards, and innovation at retirement. As part of the new approach, TPR expects to:
 - probe and challenge more on how a master trust's approach to investments delivers for savers
 - investigate how a master trust is seeking the best possible long-term risk-adjusted returns
 - look more broadly at master trust investment governance practice and investment decision making, and request “deep dives” into the systems and processes of master trusts.
- In a related [speech](#), TPR encouraged master trusts to approach it with “emerging propositions” on what good looks like both in terms of retirement products and services, and “guided decision-making and communications” so that savers make the best retirement choices.

- Master trust trustees should be prepared for TPR to engage with them more proactively and consider approaching TPR with any propositions for retirement products and services.

Automatic enrolment (updated)

- The Pensions (Extension of Automatic Enrolment) Act 2023 contains regulation-making powers to abolish the lower earnings limit for contributions and to reduce the age for automatic enrolment.
- We were expecting a consultation on implementing those changes but, as this was not mentioned in the King's Speech, it is not clear when or if we will see them.



Master trust trustees should keep an eye on these changes as, if they are introduced, they will impact significantly on the master trust market.

Stewardship (updated)

- On 22 July 2024, the FRC [announced](#) "significant revisions" to the UK Stewardship Code ("the Code") application process, and gave an update on its ongoing review of the Code.
- Some "immediate changes" are intended to reduce the burden on signatories, for example by enabling cross-references to previous reports to reduce the volume of reporting.
- The FRC expects to launch a public consultation on the revised Code later this year.



The changes to reporting will apply for the Code's next application window (31 October 2024) and the FRC will be writing to signatories individually to inform them of how these changes impact them.