Master trust agenda
Q1 2025

Sackers

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
DC and master trust supervision (new) • TPR has announced that, as part of its move to a more "prudential" style of regulation, master trusts will be supervised differently with the aim of identifying market and saver risks sooner and enhancing the pensions system. It intends master trusts to become "the gold standard in pension provision". • The shift in approach (details of which are set out in this report) will see schemes split into four segments of supervision: – monoline master trusts (larger schemes that carry a higher risk to the market) – commercial master trusts, including those that form part of an insurance offering – non-commercial (or industry-wide) master trusts and CDC schemes, and – single and connected employer DC schemes. • Each segment will have tiers of engagement based on the specific risks they present to market and saver outcomes and every scheme in the monoline, and commercial segments will be allocated a dedicated multi-disciplinary team of named individuals with expertise in financial analysis, business strategy, investment and governance. • Sam Grutchfield, TPR's Direction of DC and Master Trust Supervision, explained that this more strategic approach would enable TPR to "make effective, scheme-specific interactions using real-time data to spot scheme-level and wider risks sooner", while "fewer, but more targeted data requests, and more focused, expert-to-expert meetings [will allow TPR] to influence key decision-making in real time improving regulatory compliance and saver outcomes".	TPR explains that it will "expect greater transparency and flexibility" from schemes so that all its "interactions are fruitful, targeted and responsive to risk". Master trust trustees should ensure they are ready for this change in approach and should consider liaising with advisers on how best to manage future interactions with TPR, including for example data and meeting requests.
Pensions "megafunds" (updated) • In November 2024, the Government published an interim report setting out the initial findings of its Pensions Investment Review. • The report was accompanied by a consultation on two key measures which are designed to accelerate and help enable scale and consolidation in the DC market: – introducing minimum size requirements for DC default arrangements in multi-employer DC schemes used for automatic enrolment (i.e DC master trusts), and/or limits on the number of default arrangements in these schemes, and – enabling the bulk transfer of assets from contract-based schemes without individual savers' consent. Our response can be viewed here. • A final report on phase one of the pensions review is due in the spring. It will further consider investment by pensions funds in the UK. Phase two (which was expected to consider pensions outcomes and adequacy) has been put on hold.	Master trust trustees should keep a watching brief on the development of this consultation (which closed on 16 January 2025) and the impact this could have on DC investment and master trust consolidation. Many of the proposals "could lead to fundamental changes which will require primary legislation", and a decision on whether to include these measures in this year's Pension Schemes Bill will be made in light of the consultation outcome. See our Alert for more detail. Employers who have relationships with master trusts may also have questions about the impact of the policy changes on their arrangements. Likewise, trustees and employers who are in the process of moving to, or considering a move to, a master trust are also likely to have questions about the impact of the proposals on the master trust. Master trust trustees should consider with their providers and scheme strategists the future strategy of the master trust and how to respond to a likely increase in questions about this.

Current issues cont.

Advice / guidance boundary review (updated)

- The FCA has consulted on proposals for "targeted support" in pensions, as part of the wider Advice Guidance Boundary Review being undertaken by the FCA and the Government (our response can be viewed here).
- Targeted support is aimed at the gap between existing guidance-based services and more bespoke advice. It would allow FCA regulated firms to provide individuals with suggestions that have been developed for a group of consumers who share similar characteristics.
- These proposals will not apply directly to trustees of occupational pension schemes, but we understand that the FCA is working closely with the DWP and TPR on how targeted support, or something similar, could be offered in the trust space. For example, further consideration and clarity will be needed on how such support interacts with trustees' current fiduciary duties and the proposed new duty on trustees to provide a default decumulation solution.
- The FCA is aiming to consult on detailed requirements with draft rules and guidance in the first half of 2025.
- Through a separate discussion paper, the FCA also sought views on whether further changes might be needed to the regulatory framework to better support consumers, such as the use of digital tools, consolidation of pension pots and the rules around SIPPs.

Actions

Master trust trustees should monitor the development of these proposals. In particular, trustees of master trusts with FCA-regulated providers will need to manage the interaction between their duties and those of their provider in terms of the provision of support to master trust members.

IHT proposals (new)

- The Government has consulted on proposals to bring "most unused pension funds and death benefits" within scope of IHT from April 2027 (our response can be viewed here). This seeks to ensure that "tax reliefs on pensions are being used for their intended purpose – to encourage saving for retirement and later life" by removing "the opportunity for individuals to use pensions as a vehicle" for IHT planning. The changes are also intended to address a "distortion" in tax treatment between discretionary and non-discretionary death benefits (ie only the latter currently attract IHT).
- HMRC plans to publish a formal response to the consultation, along with draft legislation, later in the year.

Master trust trustees should keep a watching brief on developments and contact their administrators to discuss potential implications.

Dashboards (updated)

- The PDP has confirmed it is on course for connection with wider industry in 2025, and that schemes need to keep going with their preparations.
- On 13 March 2025, the Secretary of State for Work and Pensions approved PDP's technical standards, data standards, reporting standards and code of connection requirements.
- Schemes are expected to connect in line with the DWP's connection guidance, which sets out a staged timetable to connect to the dashboards ecosystem, starting from 30 April 2025 for master trusts with 20,000 or more members.
- TPR has updated its dashboards guidance, to provide more help on the connection process, including more detail on the registration process, technical connection and connecting where a scheme has multiple sections (or separate AVC providers).
- The PDP has said that it "remains too early" to confirm when dashboards will become available to the public, but the DWP is expected to provide sufficient notice to allow the industry to prepare.

With the connection date for most master trusts nearly upon us, master trust trustees should be obtaining regular progress updates from their administration teams, to be assured that their scheme will meet its connection date, and to allow any potential issues to be identified and resolved.

Current issues cont.

CDC schemes (updated)

- The DWP has consulted on extending the CDC framework beyond single or connected employer schemes to accommodate multi-employer schemes including master trusts. The Government hopes that this could "modernise" the pensions market, "deliver better outcomes" for members, and "allow for larger investment in the UK". Our response can be viewed here.
- The DWP plans to lay the regulations in 2025 and, subject to parliamentary approval, bring that legislation and an updated TPR Code into force "as soon as practicable after that". Unconnected multi-employer CDC schemes would then be able to apply to TPR for authorisation to operate.
- Separately, the DWP is continuing to explore what would be needed to provide trust-based decumulation-only CDC options.

VFM (updated)

- The FCA has consulted on detailed rules and guidance for a new VFM framework. Our response can be viewed here.
- Building on its previous work with the DWP and TPR towards a new market-wide VFM framework for DC schemes, including their joint 2023 consultation, this consultation sets out proposed rules and guidance for 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 FCA plans to publish a final policy statement, rules and guidance "in due course"; requirements for trust-based schemes will be included in the new Pension Schemes Bill (see below).
- Timings for implementation will be considered "following stakeholder feedback" and in discussion with the DWP, HMT and TPR.
- On 17 February 2025, TPR published a blog outlining its aims in 2025 which include progressing the joint VFM framework.

Pension Schemes Bill

- The Pension Schemes Bill ("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.
  - new duties for trustees to offer a retirement income solution or range of solutions, including default investment options
  - measures designed to accelerate and help enable scale and consolidation in the DC market (subject to the outcome of the consultation on unlocking the UK pensions market for growth - see above).
- We understand the Bill is likely to be published early in Q2 this year, but there is no indication yet of when these measures will be brought into force.

Actions

CDC schemes

- Master trust trustees should keep a watching brief on these developments as master trusts are expected to play a key role in establishing a CDC market. Consideration should be given to the proposed authorisation criteria if a master trust is considering becoming a whole-of life CDC scheme. See our Hot topic for an overview of CDC schemes.
- This is another area that master trust trustees may wish to raise with the scheme strategist and provider, in terms of understanding the future of their master trust.

VFM

- Master trust trustees should keep a watching brief on the development of a new VFM framework and consider what changes are likely to be needed to their existing VFM assessment processes, particularly in relation to data gathering and publication and comparison against other arrangements.

Pension Schemes Bill

- Master trust trustees should keep a watching brief on the development of the Bill. Early planning will be essential to adapt to the new requirements when they take effect.