

DC hot topic

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Master trusts: preparing for the Pension Schemes Bill



Master trusts offer a solution for employers who want the benefits of a trust-based scheme without the cost and time of setting up and running their own arrangement. Whilst there are clear advantages to providing DC on a larger scale, there are concerns that some members may be at risk from poor quality master trusts which are not financially sustainable.

The Pension Schemes Bill will introduce a new regulatory regime for master trusts which is intended to address these concerns. Once it comes into force, master trusts will only be able to continue if they have been authorised by TPR. The current timetable envisages the Bill becoming an Act by April 2017, with regulations following later in 2017 and into 2018.

TPR will have new powers to intervene if master trusts are at risk of failing and will supervise master trusts more closely on an ongoing basis. There is also a new duty to notify TPR of “trigger events” which raise questions about the continuation of the master trust (e.g. the insolvency of a scheme funder). This duty applies retrospectively from 20 October 2016 so master trusts already need to have this in mind.

Much of the detail as to how the new requirements will apply will be set out in the regulations which are not yet available. However, master trust providers, trustees and employers should start thinking about how the changes might affect them.

Providers

Master trust providers should be looking at how the changes affect their trust and how likely it is that they would be able to get authorisation. They then need to decide whether they want to apply for authorisation or explore options for withdrawal from the market.

If they intend to continue, they should consider:

- what action can we take now to get ready for the changes?
- what advice/support will we need?
- how will the costs of applying for authorisation and complying with the new regime be met?
- how and when should we engage with the trustees and/or contact employers and members?

Master trusts: preparing for the Pension Schemes Bill cont.

Trustees

Master trust trustees are likely to need to work alongside providers in preparing for the new regime. They should consider:

- when should we engage with our provider regarding its plans for the future of the master trust?
- what will our role be in relation to
 - any changes which need to be made to the master trust?
 - the authorisation process?
 - ongoing compliance with the new requirements?
- what advice or support will we need at the outset and on an ongoing basis?
- how will we respond to queries from employers or members about the future of the master trust?

Employers

Employers using master trusts should think about how the changes will affect them and contact their provider to ask:

- how do the new requirements affect our master trust?
- what changes are likely to be made to the master trust in order to meet the new requirements?
- how will this affect the charges paid by us and our employees?

If their master trust is going to continue, employers will need to consider:

- does the master trust continue to meet our needs and those of our employees?
- do we want to review the market and look at changing provider at this stage?

If their master trust provider is going to be withdrawing from the market, they will need to consider:

- how will the withdrawal process be managed?
- what alternative pension arrangements should we put in place?

For employers in the process of signing up to a new master trust, the uncertainty surrounding the implications of the Bill does not necessarily mean such plans need to be put on hold. However they should speak to their advisers about whether there are any additional questions to ask, or steps they should take, before signing up and/or transferring funds from a previous pension arrangement.

In most cases, employers should be able to find an appropriate way forward, especially if there is a pressing need to get the master trust arrangement in place. But, if employers are not comfortable with the long term outlook, or if discussions are still at an early stage, they may prefer to wait until the position is clearer.



For further information, training and assistance with meeting your legal requirements, please speak to *Helen Ball, Claire van Rees, Jacqui Reid, Naomi Brown* or your usual Sackers contact. You can also visit www.sackers.com/dc-schemes.