

Welcome to our new quarterly bulletin about current and future developments affecting master trusts, setting out key items to consider for inclusion on your trustee agenda.

| Current issues | Action / Comment |
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| <p>Climate risk</p> <p>The DWP has published its response to its August 2020 consultation on taking action on climate risk, together with a consultation on draft regulations and statutory guidance which are intended to implement its revised proposals. Final regulations are due in the summer.</p> <p>Trustees will be required to:</p> <ul style="list-style-type: none"> • meet climate change governance requirements which underpin the Taskforce on Climate-related Financial Disclosures recommendations and to produce and publish (on a publicly available website) a report on how they have done so (“the Report”) • inform members via their annual benefit statement that the Report has been published and where it can be located and provide TPR, via the scheme return, with the website address(es) for their most recent Report, their SIP, implementation statement and relevant excerpts of the Chair’s annual statement. | <p>“ Comment: authorised master trusts will be required to comply with the governance requirements from 1 October 2021 and to produce their Report within 7 months of their scheme year end</p> <p>⚠ Action: identify which default arrangements are in scope as popular defaults for scenario analysis and metrics (there may be a number of these if your master trust offers bespoke employer default arrangements)</p> <p>⚠ Action: liaise with your provider in relation to selecting appropriate metrics and targets for popular defaults</p> <p>⚠ Action: your provider might have its own ambitions for emissions-based targets in respect of its portfolios. Consider liaising with your provider with regard to (i) where your own targets fit into these ambitions and (ii) potential alignment on relevant commitments</p> |
| <p>Implementation statements</p> <ul style="list-style-type: none"> • Since 1 October 2020 trustees of master trusts have been required to produce an implementation statement (as part of their annual report) which explains how the principles set out in the SIP have been followed during the preceding scheme year. The statement must be made publicly available, free of charge, on a website. • Transitional provisions require the first year’s information in relation to voting behaviour/proxy votes and the extended definitions of “relevant persons” and “relevant matters” to be published online by 1 October 2021. (See our FIG briefing.) | <p>⚠ Action: write the SIP with a view to producing the implementation statement</p> <p>⚠ Action: engage with your master trust provider, asset managers and investment consultants early to agree parameters for the information to go into the implementation statement and to ensure it will be available in good time</p> |
| <p>Supervision</p> <p>The first supervisory returns (which were modified by TPR last summer) are due from master trusts this year. They must be submitted to TPR within three months of the scheme year end.</p> | <p>⚠ Action: ensure that, so far as possible, your governance framework enables the necessary information for the return to be identified by your provider and reviewed and signed off by the trustee in good time for the submission date. Consider and agree with your provider the level of detail needed for each question and liaise with your one-to-one supervisor at TPR, if appropriate</p> <p>⚠ Action: given TPR’s stated focus on investment governance at a recent master trust event, consider how well your investment governance processes would stand up to regulatory scrutiny, particularly if you have bespoke employer investment solutions in place</p> |
| <p>Solutions for small pots</p> <p>The PLSA and ABI have formed the Small Pots Co-ordination Group to take forward the recommendations of the DWP chaired Small Pension Pots Working Group.</p> <p>(See our Hot topic for details.)</p> | <p>⚠ Action: consider exploring potential approaches with your master trust provider. You will want to ensure that the industry-proposed mechanisms which are being developed by providers through the small pots groups for transfer work from a trustee perspective</p> <p>⚠ Action: consider any “easy” wins (for example showing a single set of data where members have pots in more than one section) and how these might be implemented early on</p> |

Ongoing issues

Action / Comment


Stewardship


- The [DWP](#), the [Investment Association and the PLSA](#) are all working to improve trustees' stewardship.
- Becoming a signatory to the [UK Stewardship Code 2020](#) ("the Code") is a useful demonstration of a scheme's commitment to responsible investment. (See our [FIG briefing](#) for details.)

“ Comment: consider whether to sign up to the Code

Managing the closure (gating) of investment funds

Without careful management, default arrangements could be created, and member complaints could arise. (See our [DC briefing](#) for details.)

 Action: take legal advice prior to redirecting contributions/funds

 Action: consider whether any associated change to the SIP requires reporting to TPR as a "significant event"


Data protection

The EU-UK [Trade and Co-operation Agreement](#) provides for transfers of personal data between the UK and the EU to continue for a further transitional period (of up to six months) while an adequacy decision is agreed.

 Action: continue to liaise with providers to understand data flows to / from the EU and the protections that are in place

Chair's Statement

The DWP has reported the [outcome](#) of its Chair's Statement review. It concludes that further work is required to address the concerns which were raised, including in relation to the statement's audience and content.

 Action: consider how you might contribute to the debate

Longer term issues

Action / Comment

Proposed new value assessment


Subject to certain exceptions, trustees of DC / hybrid schemes with less than £100 million in total assets will be required to undertake a "more holistic" annual value assessment and report on it in their chair's statement and scheme return.

Unless improvements can be made rapidly and cost-effectively, the Government will expect those schemes which do not demonstrate value for members to be wound up and consolidated. The regulations are intended to come into force on 5 October 2021. (See our [Alert](#) for details.)

“ Comment: as intended, this measure should accelerate consolidation of the DC market and more transfers of smaller schemes to master trusts

TPR master trust supervision webinar (9 March 2021)

- Much of the draft single code of practice (on which TPR is consulting) applies to master trusts. However, the master trust code has yet to be transposed.
- TPR expressed concern that master trusts were not necessarily managing the potential conflicts of interest in their investment governance frameworks as well as it would like. For example, trustees should subject employer-specific default funds to the same level of scrutiny as the core default.
- On cyber risks, TPR recognises that trustees aren't expected to be experts, but encouraged them to avoid being over-reliant on provider assurances and expects active monitoring, including of in-house and external administrators, with regular reviews of incident response plans.

 Action: liaise with your advisers to understand how the draft single code will affect your current scheme governance and to address any issues

Default fund charge cap

- Following its [review of the default fund charge cap](#) and the [Pension Charges Survey](#), the DWP has decided to introduce a de minimis pot size, initially set at £100, below which flat fees cannot be charged in default funds.
- The DWP is [consulting](#) on draft regulations which are intended to enable the diversification of DC investment portfolios by allowing performance fees to be smoothed within the charge cap. (See our [Alert](#) for details.)

“ Comment: no date has been given for the introduction of the flat fee

“ Comment: regulations on performance fees are due into force in October 2021

Transfers / Scams

- The Pension Scams Industry Group has published a revised version of its [code of good practice on combating pension scams](#).
- The Pension Schemes Act 2021 introduces a framework for restrictions on the statutory right to transfer. Regulations are due to be published for consultation in summer and intended to come into force in autumn 2021.
- TPR is [urging](#) the pensions industry to publicly pledge to combat pension scams.

⚠ Action: explore the way in which your provider has approached the pledge and consider whether you should take further action

Pensions dashboards

The Pensions Dashboards Programme has published its [key data standards](#) and is on track for delivery in 2023.

⚠ Action: consider exploring with your provider what specific steps are being taken to get the master trust data in order and the extent to which the master trust data will be prioritised

Pensions tax

We are awaiting HMT's response to a [call for evidence](#) on the operation of the main methods of administering pensions tax relief (net pay and relief at source).

⚠ Action: some employers would prefer providers to be able to offer both types of tax relief. Explore whether offering this in the future would be of interest to your provider and, if so, consider the potential administrative implications