Master trust agenda
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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
Pensions dashboards (updated) • The Pensions Dashboards Regulations 2022, which set out trustees' obligations in respect of pensions dashboards, will come into force on 12 December 2022. • The PDP has published an updated suite of standards. These outline the mandatory requirements for dashboard and pension providers and set out how they must meet their legislative duties. Once the regulations are in force, the standards can be formally approved. • TPR has issued a consultation on its new dashboards compliance and enforcement policy. It closes on 24 February 2023. The final policy is scheduled for spring 2023. • On 1 December 2022, the PDP issued a consultation on the mandatory design standards for how dashboards present pensions information. It closes on 16 February 2023.	• Consider whether to respond to TPR's consultation. • Now that we have the final dashboards regulations and standards (with the exception of the design standards), press on in earnest with your preparatory work and keep a close eye on developments including industry guidance.
Consultation – broadening the investment opportunities of DC schemes (new) • The DWP has consulted on draft regulations and statutory guidance, which are intended to remove performance-based fees from the DC charge cap and implement certain changes to DC investment disclosure. • The proposals include: – amending the default SIP requirements to require trustees to disclose and explain their policies on illiquid investments. – requiring trustees to publicly disclose and explain their default asset class allocation in their annual chair's statement. – excluding "well-designed" performance-based fees from the DC default charge cap and, subject to transitional provisions, removing the current ability to smooth the incurrence of performance fees over a five year moving average. • The consultation closed on 10 November 2022. The regulations are currently expected to come into force on 6 April 2023.	• As currently drafted, a policy on illiquids will have to be included in your default SIP on the first occasion it is revised after 1 October 2023, or by 1 October 2024 at the latest. Asset allocation information will have to be included in your chair's statement for the first scheme year ending after 1 October 2023.
Single code (updated) • TPR is in the process of transposing all of its codes of practice into one single code. • The proposed single code contains greater detail on several topics, such as cyber security, and new modules on matters including stewardship and climate change, as well as detail of how trustees should establish and operate "an effective system of governance, including internal controls" (an "ESOG") and carry out and document an "own risk assessment" ("ORA"). • While authorised master trusts are exempt from the requirement for an ESOG (and therefore an ORA), it is expected that some of the draft code will apply to master trusts in practice. For example, aspects relating to legal requirements for DC schemes and best practice governance. • The final version is now expected to be published towards the end of 2022 or at the beginning of 2023.	• Although the new requirements on ESOGs and ORAs do not technically apply to master trusts, we nonetheless recommend that you carry out a brief cross check against the ESOG/ORA requirements in the code to make sure there are no glaring omissions in your current practices. (In our view, master trusts are only exempt because they should already be carrying out equivalent activities through the master trust authorisation/ supervision regime and so TPR will therefore still expect these requirements to be in place.) • Cross-check your current systems and processes generally against the other sections of the draft code (where relevant to DC) once the code is in final form and consider whether and how to address any gaps or discrepancies.

On the horizon	Comments
TCFD reports (new) • TPR has assessed TCFD disclosures from the largest occupational pension schemes and master trusts and intends to provide feedback on what it has seen to assist the next wave of schemes required to produce TCFD reports.	Once the feedback is available, ensure this is taken into account when preparing your next TCFD report.
Joint FCA/TPR statement on value for money (updated) • Following their September 2021 discussion paper, on 24 May 2022, the FCA and TPR issued a joint statement which confirms that they intend to develop common measurements for value for money (“VfM”) which will span trust and contract arrangements and require trustees and providers to disclose data on investment performance and service, as well as on costs and charges, in a consistent and standardised format. • TPR expects to publish its consultation on a VfM framework in January 2023.	Start to liaise with your provider / administrator / VfM adviser to consider how your VfM assessment in the future might encompass both trust and contract-based pension provision. Keep a watching brief on what data might need to be disclosed by your master trust. Although final legislation on this is still some way off, holistic assessments of VfM across a range of factors are a clear direction of travel for both regulators and it is likely that master trusts will need to be early adopters. Early planning is essential as comparing qualitative and quantitative factors in a meaningful way is complex.
Helping savers understand their pension choices • The DWP has carried out a call for evidence which explored what support members of pension schemes need to help them make informed decisions about how to use their savings. • Separately, the DWP is considering whether CDC schemes could help it to achieve its goals. The DWP is engaging with a range of interested parties on how CDC might be extended beyond single or connected employer schemes and is also exploring how decumulation-only CDC models might work.	As master trusts act as a key decumulation vehicle for DC pension savers, the outcome of this call for evidence and any subsequent consultations could be of vital importance to the shape of decumulation in master trusts going forward. The DWP intends to undertake targeted discussions with interested parties. Consider whether you would be open to engaging with the DWP on this issue if you are not already involved in these discussions.
FCA policy statement on new consumer duty • The FCA has published a policy statement which sets out the final rules and guidance for a new Consumer Duty (‘the Duty’) that will set higher expectations for the standard of care firms give consumers. • The Duty will apply from 31 July 2023 to all new products and services, and all existing products and services that remain on sale or open for renewal. It will apply to all closed products and services from 31 July 2024. • Occupational pension schemes regulated by TPR are not in scope. However, FCA authorised firms creating a product and operating pension schemes for occupational pension scheme trustees would need to comply with the Duty if they can determine or materially influence retail customer outcomes.	Whilst master trusts are not directly in scope, master trust trustees should keep abreast of these developments as it may impact on how providers (who are subject to the duty) will interact with the scheme.
Draft pensions tax legislation • The Government published draft legislation and policy papers in connection with several pensions tax measures, including a new system to make top-up payments to low earners contributing to “net pay” pension arrangements who do not receive the 20% tax relief which is automatically applied in “Relief at Source” pension arrangements. • This policy was promised in the Autumn Budget 2021 and will take effect in the 2025-26 tax year in relation to contributions made from 2024-25 onwards.	As payments will be made to individuals directly this should not necessitate changes to master trust administration.

On the horizon cont.

Solutions for small pots

- The Small Pots Cross-Industry Co-Ordination Group has published a report exploring solutions to tackle the issue of small deferred pension pots in the AE workplace pension market.
- The group recommends that the following consolidation models should be considered in the future as potential solutions:
  - a "pot follows member" model, which could be used where an employee moves jobs
  - a multiple "Default Consolidators" model, where certain pots could automatically be transferred
  - a "Member Exchange" model which would merge small deferred pots into a member's active pot.

Comments

Consider working with your provider to determine the extent to which member data can be matched and disclosed to members in a single format and the extent to which automated transfers could be facilitated from a practical perspective.