Master trust agenda
Q1 2023

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
Pensions dashboards (updated) • The DWP has announced plans for a “reset” of the dashboards programme and is intending to legislate to provide new connection deadlines. A further update is expected before the summer recess. • TPR expects to update its dashboards guidance “shortly” to reflect the DWP’s announcement. • PASA has published guidance on dashboards, specifically aimed at master trusts. It covers three practical areas that schemes should consider as part of their dashboard preparations: data; technical considerations when connecting to the dashboards ecosystem; and legal requirements and compliance. • The Pensions Dashboards Regulations 2022 came 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. • TPR has consulted on a new dashboards compliance and enforcement policy. The final policy is scheduled for spring 2023. • The PDP has consulted on the mandatory design standards for how dashboards present pensions information.	Despite the surprising (but not unwelcome) delay to deadlines, we recommend you press on with your preparatory work and keep a close eye on developments.
Consultation response: broadening the investment opportunities of DC schemes (new) • Following consultation, the DWP is going ahead with changes to investment disclosure requirements and the charge cap. • Trustees will be required to: – disclose and explain their policies on illiquid investments in the default SIP (or the main SIP for CDC schemes) the first time that it is revised after 1 October 2023 (or by 1 October 2024 at the latest) – publicly disclose and explain the percentage of assets in the default fund(s) (or scheme as a whole for CDC schemes) that are allocated to certain asset classes in their annual chair’s statement, starting with the statement for the first scheme year which ends after 1 October 2023. • “Well-designed” performance-based fees will be excluded from the DC default charge cap and, subject to transitional provisions, the current ability to smooth the incurrence of performance fees over a five year moving average will be removed. • The regulations introducing these changes are due to come into force on 6 April 2023.	Make sure you will be prepared to address these changes when they apply to your scheme, including liaising with investment advisers and platform providers in advance to ensure they can provide any necessary data.

Current issues cont.

Actions

Consultation: value for money ("VFM") – a framework on metrics, standards and disclosures (new)

- The DWP, TPR and the FCA are seeking views on proposals to require trustees and managers of DC occupational pension schemes, as well as the providers and IGCs of workplace personal pension schemes, to disclose, assess and compare the VFM of their schemes.
- The new framework, which will look across the key elements of investment performance, costs and charges, and quality of services, is intended to:
  - encourage greater transparency and standardisation of reporting across the DC pensions market, allowing trustees to make more informed investment and governance decisions and employers to better compare the value and performance between DC schemes when deciding where to automatically enrol their employees
  - drive and support the further consolidation of schemes, where this is in savers' best interests.
- The changes would be implemented in phases, applying initially to default arrangements in active and legacy DC schemes.
- While the proposals are already fairly detailed and, for example, set out deadlines for publication and obtaining data, both the FCA and the DWP expect to conduct further consultations with proposed changes to FCA rules / regulations in due course.
- The consultation closes on 27 March 2023.

Actions:

- This consultation is a significant step towards the desired market-wide framework for VFM and you should consider submitting a response.
- Start to liaise with your provider / administrator / VFM adviser to consider how you might address the proposals, in particular the specified framework data, in your VFM assessment.
- Although final legislation on this is still some way off 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.

TPR increases its focus on climate and ESG non-compliance (new)

- TPR is launching a new campaign to make sure trustees are meeting their ESG and climate change reporting duties.
- Emails are being sent to schemes to make clear that TPR is analysing scheme return data to monitor compliance. In particular, TPR will check whether schemes have published their SIP and implementation statement ("IS").
- A review of a cross-section of SIPs and ISs will follow in the summer. The outcome of this review will be shared with industry to highlight good practice.
- TPR will be issuing a statement on TCFD reports in the spring.

Actions:

- Initial analysis has highlighted a number of schemes did not provide valid website addresses for their SIPs and ISs. You should ensure your master trust is compliant with its investment disclosure duties and that correct information is provided in scheme returns.
- You should take into account any future guidance on best practice when it is issued.

Consultation: extending opportunities for CDC schemes (new)

- This consultation, which closes on 27 March 2023, seeks views on:
  - proposals for broadening CDC beyond single or connected employer schemes to accommodate multi-employer schemes
  - the potential for CDC decumulation only products.
- It focuses specifically on how the existing CDC authorisation and supervision regime might be harnessed to accommodate these new designs, the challenges involved, and legislative changes that might be required.

Actions:

- As master trusts act as a key decumulation vehicle for DC pension savers, the outcome of this consultation will be of vital importance to the future shape of decumulation in master trusts. You should consider responding to this consultation to help inform the debate.

Supporting DC savers in the current economic climate (new)

- TPR has published a guidance statement outlining its expectations of DC scheme trustees in light of the current market conditions when they are:
  - communicating with and supporting members, and
  - reviewing governance and investment arrangements.
- In particular, TPR expects trustees to target their efforts towards members most "in need of help".

Actions:

- The statement contains a checklist to help trustees develop an action plan to review their scheme's governance and investment arrangements. You should document your consideration of these recommendations and implement any which are appropriate for your scheme.

Current issues cont.	Actions
Call for evidence: addressing the challenge of deferred small pots (new) • The DWP has issued a call for evidence to inform the development of policy options for large-scale automated consolidation solutions to address the growth of deferred small pots in the automatic enrolment workplace pensions market. • Its focus is on: – a default consolidator model – where members would either elect to or be defaulted into a consolidator scheme after a period of deferral and – pot follows member – where an individual's pension benefits are automatically transferred to their new employer's scheme when they change jobs although other actions such as member exchange (where schemes agree to transfer their deferred pots to the member's current scheme) and enabling more member engagement are still on the table. Member exchange has already undergone limited testing. • The call for evidence closes on 27 March 2023.	You should consider responding to this consultation as it will shape the DWP's ultimate proposals for managing small pots. Whatever solution(s) are implemented are likely to significantly impact the master trust market given the number and value of small pots in master trusts as a result of automatic enrolment and consolidation.
Updated transfers guidance (new) • TPR has updated its guidance on dealing with transfer requests in relation to directing members to mandatory guidance from MoneyHelper when an amber flag is raised regarding a statutory transfer (see our Alert on the transfer regime). • The update clarifies how a MoneyHelper appointment should be booked to ensure the member receives the correct "pensions safeguarding guidance appointment".	You should ensure your transfer processes are in line with TPR's guidance so that members receive the correct type of appointment with MoneyHelper.
Single code • 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 expected to be published shortly.	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 TPR will expect these requirements to be in place.) Cross-check your current systems and processes generally against the other sections of the code (where relevant to DC) once the final code has been published and consider whether and how to address any gaps or discrepancies.

On the horizon	Comments
Advice vs guidance (new) • In its response to the WPC's report on "saving for later life", the FCA gave an update on work to clarify the boundary between advice and guidance. • The FCA is "working with industry to determine how the regime currently works" and to address any issues that can be resolved without any changes to the current boundary. A further update is expected by the end of March 2023.	One to keep an eye on. Changes could impact member communications.
The FCA's 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 and their pension product development.
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.