

This quarterly bulletin sets out current and future developments affecting master trusts, so you can check what should be on your agenda.

Current issues

Government proposes pensions “megafunds” and publishes interim report on phase one of its pensions review (new)

- The Chancellor, Rachel Reeves, delivered her first [Mansion House speech](#) on 14 November 2024. Following the [pensions reforms](#) announced by the former Chancellor in 2023, this year's speech confirmed plans to “go further” and create pension “megafunds” to “power growth in our economy”.
- Following the speech, the Government published an [interim report](#) setting out the initial findings of phase one of its [pensions review](#) which focused on pensions investment. This interim report follows the September 2024 [call for evidence](#) (our response can be viewed [here](#)).
- Following the review, the Government is [consulting](#) 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, as well as 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.
- 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. The scope of phase two “will be published in due course”, but it is expected to consider additional steps to improve pension outcomes, including assessing retirement adequacy.
- With the acceleration of growth and scale in the master trust market, on 27 November 2024, [TPR set out](#) how it is evolving its approach, “shifting to a more prudential-style of regulation, addressing risks not just at an individual scheme level, but also those risks which impact the wider financial ecosystem”.

Advice / guidance boundary review (updated)

- The FCA has published an [update](#) on its [advice guidance boundary review](#). The review looked at proposals to improve the way financial advice and support are delivered to consumers, including considering the support that can be provided by trust-based schemes.
- The FCA will focus first on pensions, with further consultations on:
 - high-level proposals for targeted support for pension savers, expected in December 2024, and
 - rules for better support for consumers in retail investment and pensions, planned for the first half of 2025.
- In the meantime, a [joint statement](#) from the FCA, TPR and the ICO is intended to give trustees and pension providers greater clarity on communications they can make to support members' decision-making that do not constitute “direct marketing”, in line with data protection laws, the FCA's consumer duty and TPR's expectations. It clarifies that trustees and providers can provide “neutral, factual information” to members and sets out examples of communications that are unlikely to constitute prohibited direct marketing.

Actions

- ⚙ Master trust trustees should keep a watching brief on the development of this consultation (which closes on 16 January 2025) and the impact this could have on 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 next year's Pension Schemes Bill will be made in light of the consultation outcome. See our [Alert](#) for more detail.
- ⚙ We anticipate that scheme strategists will be busy analysing the Mansion House speech, papers, and changes to TPR's approach to supervising master trusts. Master trust trustees may wish to be proactive and seek early dialogue with the scheme strategists to understand what changes this could mean for their own particular arrangements.
- ⚙ Employers who have relationships with master trusts may also have questions about the impact of the policy changes on their arrangements. A review of communication strategy with the provider may therefore be helpful.

- ⚙ The joint statement is likely to be particularly relevant in the context of the provision of information by master trust providers and trustees to master trust members about options and services available within the master trust and wider products and services offered by the provider (by post email or on an app).
- ⚙ Master trust trustees should ensure they seek legal input on any proposals from the sponsor in these areas, particularly where the sponsor is an FCA regulated firm and offers a wider portfolio of other regulated products and services.

The Autumn Budget (new)

- The Chancellor, Rachel Reeves, delivered the [Autumn Budget](#) on 30 October 2024. Rumours of subjecting employer pension contributions to NI proved unfounded, with pension changes focusing on introducing inheritance tax (“IHT”) on “unused” pension pots from April 2027. Most authorised death benefits, including DC benefits paid as income to a dependant through an annuity or drawdown will be in scope but current detail of the proposals is limited.
- A [technical consultation](#), which closes on 22 January 2025, seeks views on the processes proposed for reporting and paying any IHT due to HMRC, including ensuring that relevant information is exchanged between HMRC, pension schemes, legal personal representatives and beneficiaries. The Government intends to publish a response and carry out a technical consultation on draft legislation for these changes in 2025.

- ⚙ Master trust trustees should consider the impact of these changes on their decumulation options and solutions, as there is likely to be less incentive for pension savers to use part of their retirement savings for IHT purposes going forward.
- ⚙ There will also be practical administration issues to consider, for example, in terms of member communications and resourcing, and the effect on systems and processes. These should be discussed with the scheme’s administration services provider.

Dashboards (updated)

- The Pensions Minister, Emma Reynolds, has confirmed the Government is “committed” to the current connection timetable, with staging dates beginning in April 2025 and subject to an overall statutory connection deadline of 31 October 2026. The phased scheme connection date for master trusts with 20,000 or more members is 30 April 2025. Recent updates include:
 - TPR’s [compliance and enforcement policy](#) gives more detail of its expectations of trustees and the enforcement action TPR can take in the event of breaches. TPR expects to “focus strongly on connection compliance”, including schemes not connecting by the statutory connection deadline of 31 October 2026, and trustees not being able to demonstrate they have had regard to the [DWP’s guidance on connection](#)
 - PDP has published updates to its [draft code of connection](#), [draft technical standards](#) and [draft reporting standards](#). Updated design standards, which will set out requirements of the design of dashboards and how pensions data is presented, “will be published once they have also been tested”.
- While all standards are subject to final approval by the Secretary of State for Work and Pensions, the standards are mandatory and PDP expects schemes and dashboards providers to use the updated draft versions to prepare for connection.

- ⚙ With under 6 months to go until the connection date for most master trusts, all master trust trustees should be preparing to connect and keeping a watching brief on developments.
- ⚙ Master trust trustees should be seeking regular updates on progress from their administration teams, to be assured that the scheme will meet its connection date, and to make sure that any potential issues can be identified and resolved.


CDC schemes (updated)

- On 8 October 2024, building on “significant appetite from industry”, the DWP published a [consultation](#) 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”. The consultation closed on 19 November 2024. Our response can be viewed [here](#).
- On 13 November 2024, TPR published its [compliance and enforcement policy for CDC schemes](#), setting out its regulatory approach and how it will supervise such schemes.
- 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.
- The PPI has issued a new briefing note on “[Quantifying multi-employer and single employer CDC outcomes](#)”, which is the second in a [series](#) which explores CDC schemes and how they might operate in the UK. The latest note examines the performance of single and multi-employer CDC schemes compared to other products, to see if they offer advantages over other pension products or each other, and explores the implications of having multiple employers in the same scheme.

- ⚙ 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 new [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 (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.

 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.


Removal of the LTA (updated)

- Just before the LTA's removal on 6 April 2024, HMRC [warned](#) that certain members may wish to delay transferring or taking benefits pending regulations to fix issues in the tax legislation. Following HMRC's informal consultation over the summer, those regulations came into force on 18 November 2024 but, subject to some specific transitional provisions, take effect retrospectively from the beginning of this tax year.
- A summary of the changes made by the new regulations is included in HMRC's [latest pension schemes newsletter](#), published on 24 October 2024. While they correct certain known errors, there are some areas where further changes may be needed.

 Master trust trustees and their administrators should check with their legal advisers which issues have been resolved and ensure their processes, including any relevant member communications, are updated accordingly.

Pension Schemes Bill (updated)

- 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 current consultation on unlocking the UK pensions market for growth – see above).
- The Bill is expected during this Parliamentary session, but there is no indication yet on when these measures will be brought into force.

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