Master trust agenda

Q2 2025

Sackers

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

New

Pension Schemes Bill

The Bill was published on 5 June 2025. It includes measures to introduce:

- DC "Megafunds"
- automatic consolidation of deferred small DC pension pots worth up to £1,000, although there will be no minimum pot size
- a new VFM framework for trust-based DC schemes to demonstrate they deliver value
- duties for trustees to offer a retirement income solution(s)
- a contractual override to allow FCA-regulated pension schemes to transfer pension pots to another scheme without the relevant member's consent, subject to appropriate protections

and provides for new penalties for non-compliance of up to £100k per matter.

Alongside the Bill, the Government issued a "roadmap" setting out its timetable for reform. The Bill is expected to receive Royal Assent in 2026.

Asset allocation

Under the Mansion House Accord, 17 of the largest DC pension providers have voluntarily committed to invest 10% of their main default funds in private markets, including 5% specifically in the UK.

In the Pensions investment review: final report, the Government explained that it does not currently consider it necessary to mandate baseline targets for pension schemes to invest in a broader range of private assets, including in the UK. However, it has included a reserve power to do so in respect of DC master trusts and GPPs in the Bill.

Although the Government says that any requirements under this reserve power would be consistent with trustees' fiduciary duties and that it does not anticipate exercising this power unless the industry does not achieve the desired change on its own, this is a significant intervention.

In the meantime, later this year, TPR and the FCA will launch a joint market-wide data collection exercise which will include asset allocation information in workplace DC schemes. The exercise, which will request information from major DC providers, is envisaged to run annually until the VFM disclosure data becomes available. The first reporting will be available in early 2026.

Action

Liaise with your provider and advisers to understand the current scope of the power and its application to your master trust. Our blog is a good starting point for discussions.

Achieving scale

Delivering on the Government's response to the consultation on unlocking the UK pensions market for growth ("the Response"), measures under the Bill will:

- require DC GPPs and master trusts to have £25bn in assets under management ("AUM") in at least one large "Megafund" default arrangement by 2030. Assets in the Megafund must be managed under a "common investment strategy"
- restrict creation of new default arrangements (the scope of this is currently unclear)
- allow certain providers / master trusts additional time to reach scale. To be eligible, they will have to demonstrate that they will have at least £10bn in AUM in an arrangement by 2030, and meet any other conditions set out in regulations
- provide for a "new entrant" pathway, which will allow new market entrants who can demonstrate "strong potential for growth" and an "ability to innovate" to seek authorisation, ie where they are offering something significantly different that could benefit savers or employers
- exempt hybrid schemes and default arrangements that serve protected characteristics, such as religion. Regulations can include other exemptions, and the Response indicated that they intend to exclude from scope single employer trusts and CDC schemes which are only available to a closed group of employers related through their industry or profession.

Those who cannot meet the requirements will no longer be able to participate in the AE market.

The Response does not fully explain the implications for existing master trust investment strategies involving Target Date Funds or life-styling, although it implies that current strategies will be able to continue.

Action

Keep a close eye on developments and consider their impact on the future viability and growth strategy of your master trust.

The Response is not always clear where the line between "provider" and "trustee" decision-making is expected to fall, so we anticipate that in practice providers and trustees will need to work through these issues together. Further details are expected to be set out in secondary legislation following further consultation with the industry.

Automatic consolidation of small DC pots

The DWP recently unveiled aspects of its plans for the introduction of a multiple default consolidator system to address the issue of the proliferation of small, deferred DC pots (see our hot topic for details). The Bill lays the groundwork for this new system.

The Government intends to consult on regulations in 2027/28, with master trusts able to apply to become authorised consolidators around the same time. The aim is for consolidators to be selected in 2029, with transfer duties due to come into force in 2030.

Note that, as currently drafted, the Bill allows the Secretary of State to increase or decrease the value of DC pension pots in scope (initially set at £1,000) by regulations using the "affirmative procedure". This is not the typical route for most regulations (which are generally laid before Parliament for 40 days under the "negative" procedure), and it could mean that any regulations are subject to more limited Parliamentary review. As increasing the value of pots in scope could serve as another route by which the Government could effect its agenda of wider DC consolidation, we expect this is likely to be the subject of particular scrutiny as the Bill passes through the Houses of Parliament.

Action

Keep an eye on developments, given the proposals will have significant implications for master trusts.

Those considering becoming consolidators should be ready to engage with the proposals.

New cont.

VFM

A new standardised VFM test will apply consistently across the whole pensions market, with the Bill introducing requirements for trust-based schemes to complement those being established by the FCA in the contract-based space. The detailed rules will be set out in regulations.

The VFM framework is intended to enable a shift in focus from cost towards value amongst employers, trustees and managers of workplace pension schemes. By encouraging a holistic view of value (assessing investment, costs and services), the framework aims to improve outcomes for pension savers through a potential improvement in performance (where achievable) or removal (where not possible) of poor performing pension schemes / arrangements from the market.

The aim is for the VFM regulations process to be carried out during 2026/27, with the first assessments expected in 2028.

Action

Keep a watching brief on the development of the new framework and consider what changes are likely to be needed to your existing VFM assessment processes, particularly in relation to data gathering and publication and comparison against other arrangements. Master trust trustees and providers should also scrutinise the proposed RAG assessment structures once they are clearer – following industry feedback. The amber rating proposals applying to IGCs have changed compared to what was originally proposed by the FCA in relation to contract-based schemes so we are hopeful the same approach will be adopted in relation to trust-based schemes.

Default retirement solutions

The Bill will place duties on DC trustees to provide default retirement solutions for their members (from which they can choose to opt out).

Where it is "not practicable" for trustees to design and make a retirement solution available, they will need to partner with another scheme that can deliver this. Comparable rules will be required from the FCA for contract-based schemes.

The plan is for DWP regulations and FCA rules to be agreed during 2026/27 and for the duty to be phased in from 2027, with master trusts first to comply.

Action

Liaise with your advisers to consider the impact of the new duty on your current retirement offering.

Corporate director identify verification

The Economic Crime and Corporate Transparency Act 2023 introduced new requirements for company directors and other individuals, including persons with significant control ("PSCs"), to verify their identity. Companies House has issued Rules and Guidance setting out the verification process. See our hot topic for details.

Currently, verification is optional. It is due to become mandatory for all company directors and PSCs on incorporation and appointment from autumn 2025. There is expected to be a 12-month transition period for existing directors and PSCs, who will be required to provide identity verification credentials when their confirmation statement is due.

Directors and PSCs who do not comply with the identify verification requirements will commit a criminal offence and/or could incur a civil penalty.

Action

Directors and PSCs of corporate trustees should consider whether to voluntarily verify their identities now.

Master trusts should ensure their trustee appointment processes address the new requirements.

TPR extends its oversight of professional trustees

TPR has announced that it intends to introduce a framework for the oversight of professional trustee firms.

In a recent market oversight report, TPR set out what it has learnt from engaging with professional trustee firms and identified several potential risks to savers' outcomes where it plans to focus its engagement. These include firms' relationships with employers, their profit and remuneration models and sole trusteeship.

TPR's Market Oversight team intends to establish ongoing supervisory relationships with professional trustee firms from summer 2025.

TPR has also confirmed that it is planning on issuing new guidance for trustees later in the spring to help them understand the "array of new models of service provision that are hitting the market".

Action

Keep an eye on developments.

Updated

Dashboards

All master trusts are due to connect to the dashboards ecosystem by 30 June 2025.

Both the FCA and TPR have confirmed that there will be "no regulatory intervention at the current time" for providers and schemes which are unable to meet their connect by dates solely due to their dependence on a volunteer participant which has yet to connect.

User testing with the non-commercial MoneyHelper dashboard is expected to start in the summer.

According to PDP it "remains too early" to confirm when dashboards will become available to the public, but we expect the DWP to provide sufficient notice for the industry to prepare.

Action

Obtain regular progress updates from your administration teams to ensure any issues are identified and resolved expediently.

CDC schemes

Following its consultation last year, the DWP has announced plans to legislate for unconnected multi-employer CDC schemes in autumn 2025. It intends, subject to Parliamentary approval, to bring the legislation and an updated TPR code into force "as soon as practicable".

The Government will "continue to work" with industry stakeholders to develop "decumulation only CDC schemes".

Action

Monitor developments and consider their impact on the future direction of your master trust.

Master trusts considering becoming a CDC scheme, in particular, should ready themselves for the new legislation.

Ongoing

DC and master trust supervision

TPR announced that, as part of its move to a more "prudential" style of regulation, master trusts would be supervised differently with the aim of identifying market and saver risks sooner and enhancing the pensions system. It intends master trusts to become "the gold standard in pension provision".

The shift in approach (details of which are set out in this report) will see schemes split into four segments of supervision:

- monoline master trusts (larger schemes that carry a higher risk to the market)
- commercial master trusts, including those that form part of an insurance offering
- non-commercial (or industry-wide) master trusts and CDC schemes
- single and connected employer DC schemes.

Each segment will have tiers of engagement based on the specific risks they present to market and saver outcomes and every scheme in the monoline and commercial segments will be allocated a dedicated multi-disciplinary team of named individuals with expertise in financial analysis, business strategy, investment and governance.

Action

Prepare for this change in approach and consider liaising with advisers on how best to manage future interactions with TPR, including for example data and meeting requests.

IHT proposals

The Government consulted on proposals to bring "most unused pension funds and death benefits" within scope of IHT from April 2027 (our response can be viewed here). HMRC plans to publish a formal response to the consultation, along with draft legislation, later in the year.

Action

Keep a watching brief on developments and discuss potential implications with your administrators.

Advice / guidance boundary review

The FCA consulted on proposals for "targeted support" in pensions, as part of the wider Advice Guidance Boundary Review being undertaken by the FCA and the Government (our response can be viewed here).

Targeted support is aimed at the gap between existing guidance-based services and more bespoke advice. It would allow FCA-regulated firms to provide individuals with suggestions that have been developed for a group of consumers who share similar characteristics.

These proposals will not apply directly to trustees of occupational pension schemes, but we understand that the FCA is working closely with the DWP and TPR on how targeted support, or something similar, could be offered in the trust space. For example, further consideration and clarity will be needed on how such support interacts with trustees' current fiduciary duties as well as the new duty to provide default retirement solution(s).

The FCA is aiming to consult on detailed requirements with draft rules and guidance by the end of June. According to the Government's roadmap, the targeted support rules are due to be in place in 2026.

Action

Monitor the development of these proposals.

For commercial master trusts where the provider is an FCA-regulated firm, check with your provider what their plans are for offering targeted support to consumers, including master trust members.

Sacker & Partners LLP
20 Gresham Street
London EC2V 7JE
T +44 20 7329 6699
E enquiries@sackers.com
www.sackers.com

If you have any queries regarding the above information, please speak to your usual Sackers contact.