

This bulletin covers the main developments for master trusts and is intended to help with planning for the year ahead.

New



VFM for DC schemes

On 8 January 2026, the FCA, the DWP and TPR published a joint [consultation](#) on detailed proposals for the new value for money ("VFM") framework for DC schemes (the "Framework").

The Framework is intended to shift 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 value (where achievable) or removal (where not possible) of poor value pension schemes / arrangements from the market.

Building on the [FCA's 2024 consultation](#), this joint consultation sets out the proposed rules and guidance that will apply to default and "quasi-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. The consultation closes on 8 March 2026.

The Pension Schemes Bill, currently progressing through Parliament, includes the legislative powers to mandate the Framework for trust-based schemes. The DWP intends to consult on draft regulations to implement the Framework for trust-based schemes. TPR will also consult, as appropriate, on any necessary codes of practice and / or guidance. The FCA is likely to undertake a further consultation alongside those of the DWP and TPR.

The intention is that requirements for both contract-based and trust-based arrangements will come into force at the same time, with the first VFM assessments expected in 2028.

Key changes include an expanded four-part colour rating to show the outcome of VFM assessments, an online central database to disclose VFM data, a much wider commercial comparator group and the introduction of forward-looking investment metrics.

Industry roundtables and stakeholder events to discuss practical aspects are expected as the Framework develops.



Action

Consider responding to this FCA consultation and future consultations from the DWP and TPR.

Consider attending industry roundtables and other stakeholder events seeking views on the proposed Framework.

Data collection will be key, so all parties involved with the master trust including the trustees, provider and administrator will need to plan ahead to make sure the data will be available in the appropriate form, and at the time required. Systems may need to be updated in advance to manage the collation and disclosure of data. Master trust trustees will want to ensure that data can be delivered on time for the proposed new centralised VFM database, and that the data will be comparable and consistent with wider industry data provided to the centralised VFM database, to ensure consistent comparisons can be made.

Consider the proposed requirements for forward-looking investment metrics, the proposed guardrails and how these can be implemented.



Trustee governance

Building on its 2023 call for evidence, on 15 December 2025 the DWP published a [consultation](#) on trustees and governance in trust-based pension schemes. It aims "to identify measures that can raise the standards of trusteeship, governance and administration of trust-based workplace pension schemes". The consultation closes on 6 March 2026.

Recognising that the issues facing trustees vary significantly depending on the size and type of scheme, the DWP is aware that different segments of the market may need different solutions.

Of particular relevance to master trusts is that the DWP is exploring whether to introduce a mandatory accreditation requirement for professional trustees.

Action

Consider responding to the consultation.

Master trusts may also want to consider the potential implications for their own trustee governance arrangements in a wider context.



CDC

Regulations coming into force on 31 July 2026 will pave the way for [unconnected multi-employer CDC schemes](#) ("UMES"). As the new UMES and existing master trust authorisation regimes will be entirely separate, any master trust looking to offer whole of life CDC will need to go through an entirely new process before doing so.

The Government has consulted on policy proposals for creating pensioner-only or retirement CDC arrangements. Our response can be viewed [here](#).

On 19 December 2025, TPR published its [consultation](#) on a revised draft code of practice for UMES. The consultation closes on 13 February 2026.

TPR anticipates being able to accept applications from schemes from the beginning of August 2026 and the first UMES becoming operational in early 2027.

Action

Master trust trustees should liaise with their provider if whole of life or retirement only CDC is being considered / explored to understand any potential timeframes and context (ie is it being looked at as part of guided retirement (see below)).

Consider responding to TPR's consultation on the draft code of practice for UMES, if this is an area of development for your master trust.



Administration guidance

Recognising that the role of administrators has "never been more important", [TPR has published revised guidance](#) to help schemes ensure high-quality administration and to meet regulatory expectations.

Replacing the previous guidance on "Administration of a DC Pension Scheme", the new guidance applies to all scheme types. It consolidates TPR's expectations for trustees and managers on key areas including member communications, data management, disaster recovery and business continuity planning.

PASA has also published new [guidance](#) on the use of AI in pensions administration. The guidance is intended to provide "practical support" for schemes, administrators and trustees to understand the risks and opportunities of using AI within pensions administration.

Action

Master trust trustees and providers should take steps to familiarise themselves with the new guidance and AI developments as soon as practicable and discuss potential next steps with their administrators.

Discussions about strategic objectives regarding administration which involve all the relevant stakeholders could be a useful way of applying the guidance in practice.



Data quality guidance

TPR published revised [scheme member data quality guidance](#) on 18 November 2025 (formerly known as "record keeping" guidance) which sets out "clearer expectations" and provides best practice examples to help schemes achieve better data management capability.

Action

Master trust trustees and providers should take steps to familiarise themselves with the new guidance as soon as practicable.



Salary sacrifice

From 6 April 2029 pensions salary sacrifice contributions will be capped at £2,000 a year.

Any contributions exceeding that cap will be made subject to employee and employer NICs, in the same way as other employee workplace pension contributions.

Contributions will remain "exempt from Income Tax (subject to the usual limits)", and presumably any other tax charges if they are within the applicable annual allowance.

Action

Much of the detail remains outstanding but master trust trustees and providers should keep an eye on developments.

Communications with participating employers and / or members should be reviewed and may need to be updated once further details are known.



Overview

The [Pension Schemes Bill](#) (the “Bill”) is still making its way through Parliament and is expected to receive Royal Assent in Q1 2026. It includes a number of key development areas for master trusts, outlined below and in our [Hot Topic](#).

There have been no material developments since our previous bulletin.

Action

While it is appropriate to start preparations, the Bill is not in force and may still change. In addition, many of the proposals require further regulations to set out the detail.



Achieving scale

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

- require DC GPPs and master trust providers to have £25bn in assets under management (“AUM”) in at least one, large “main scale default arrangement” (“MSDA”) by 2030 – the assets in question must be managed under a “common investment strategy”. Those who cannot meet the requirements will no longer be able to participate in the AE market
- allow certain schemes additional time to reach scale (if they are able 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
- exempt hybrid schemes and default arrangements that serve protected characteristics such as religion. We understand that the Government also intends 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
- allow regulations for the imposition of penalties (of up to £100,000) where a relevant master trust or a GPP breaches the scale or asset allocation requirements.

The Bill will also introduce 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. Individuals will be able to opt out.

Further details of these measures are expected to be set out in secondary legislation and FCA rules following further consultation with the industry.

Action

Whilst no specific actions are currently required, many boards will be interrogating their providers about their strategy for growth, consolidation or otherwise, recognising that much of the detail of this will follow in regulations.



Guided retirement

The Bill will place duties on DC trustees to design, make available and review one or more default retirement solutions for their members (from which members can choose to opt out).

The solution must be designed to provide a regular income in retirement and trustees must take into account the needs, interests and circumstances of their members.

Where it is not practicable for trustees to design and make a retirement solution available, or where trustees have identified a solution in another scheme they consider will provide a better outcome for members, trustees will need to partner with another scheme that can deliver the default retirement solution.

Comparable rules will be introduced by the FCA for contract-based schemes, with an FCA discussion paper expected in spring / summer 2026.

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.

Guided retirement is intended to work in tandem with targeted support (see below), ensuring that consumers retain the flexibility offered by pension freedoms, while also benefiting from enrolment into default solution(s) and active support to help them make informed choices. The FCA is planning to issue a discussion paper on the framework for implementing guided retirement in spring / summer 2026, alongside a DWP consultation on its corresponding policy for trustees.

Action

Consider how the proposed new requirements fit together with any decumulation products and investment strategies either already available or in advance development.

Master trust trustees will also want to ensure that their default retirement solutions do not result in the trustees carrying out financial promotions / other FCA regulated activities or breaching their wider duties. Whilst further detail on the interaction between targeted support and guided retirement is awaited, master trust trustees could start discussing proposition developments with their providers, to start planning how the two will work together.



Achieving UK growth

The Bill includes a “last resort” reserve power which will allow the Government to mandate certain asset allocations (e.g. private debt and private equity) within default arrangements (not necessarily MSDAs) of DC master trusts and GPPs used for AE (subject to any exemptions set out in regulations).

The details of the asset classes and the exact percentage targets, along with details of how schemes will demonstrate compliance has not been specified in the Bill, but will be addressed in subsequent regulations.

Before using this power, the Government must:

- publish a report on, among other matters, the effects of the measures on members' financial interests and UK growth, and
- consult with HMT.

However, the Government is hoping that the industry will meet its UK investment expectations voluntarily. If the power is not used by the end of 2035, it will fall away.

Action

A small number of amendments have been proposed to the mandation power and its final form has not yet been confirmed. As it seems likely that this power will come into force in some form, master trust trustees will need to agree a plan with their provider as to how the master trust will align assets with final mandation requirements and report on it.



Automatic consolidation

The Bill lays the groundwork 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 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.

To assess whether the proposed Small Pots Data Platform can be delivered to support the multiple default consolidator system, Pensions UK undertook the [Small Pots Feasibility Review](#). The review found that a “united, industry-delivered model” offers a “feasible and cost-effective solution” for implementing the Small Pots Data Platform in the required timescale.

Action

Keep an eye on developments, given the proposals are expected to have significant implications for master trusts in the future.



VFM

As noted above, the Bill includes the legislative powers to mandate the Framework for trust-based schemes.



Advice, guidance and targeted support

In December 2025, the FCA issued its [policy statement on the “near-final rules for targeted support”](#) (“TS”). TS will be separate to and subject to different standards from the regulated activity of “advising on investments”. Aimed at the gap between existing guidance-based services and more bespoke advice, it will allow FCA-regulated firms to make ready-made suggestions to groups of consumers who have common characteristics. This could, for example, mean directing them to products or to take action with their existing products.

The policy statement includes the FCA's response to feedback provided on pension scheme trustees and TS.

At the same time, the following documents were also published:

- HMT's [response](#) to its policy note on TS which confirmed that the Government will take forward secondary legislation to enable workplace pension providers to deliver TS communications to members who have not opted-out of direct marketing.
- The [FCA's joint statement with the FOS](#), which clarifies how the FCA and the FOS will work together in the event of future complaints relating to TS.
- The [FCA's joint statement with the ICO](#), on how firms can communicate with consumers in the context of existing direct marketing rules.

The FCA is on track to enable firms to begin applying for permission to provide TS from March 2026, before the new rules come into effect, subject to legislation. It expects the rules to take effect from 6 April 2026.

It is expected that the FCA discussion paper on the framework for implementing guided retirement due in spring / summer 2026, and the DWP consultation on its corresponding policy for trustees (see above) will clarify the interaction between TS and guided retirement.

The FCA:

- has also set out [plans to reform the framework for simplified advice](#) and is [consulting](#) on rules to “better support” consumers using digital pension planning tools and making non-advised decisions to transfer DC pensions. The consultation closes on 12 February 2026, with the FCA aiming to publish a policy statement with final rules in the latter half of 2026.
- [committed](#) to consolidating, simplifying and clarifying existing guidance on the advice / guidance boundary at the same time as it issues new guidance for TS. It intends to provide an update on this when it consults on simplifying the advice rules.

Action

Master trust trustees should note that the proposed framework would not allow master trust trustees themselves to offer TS as it will be a regulated activity.

As some master trust providers who are FCA-regulated will be providing TS to their GPP members, they may also want to offer support akin to TS to the master trust members too.

Where any support provided by the provider or the trustees relates to scheme benefits within the master trust, this is not expected to fall within the TS regulated activity.

However, providers may be carrying out other regulated activities when providing FCA-regulated products to the master trust. Providers will then be subject to the Consumer Duty and so will need to consider how comparable outcomes can be achieved across all scheme types.

Careful thought will need to be given as to how to integrate any proposed member support into existing scheme processes and member communications, whilst ensuring the master trust trustees and the provider remain compliant with FCA requirements, data protection and direct marketing legislation and the trustees' overarching duties.

Whilst further detail on the interaction between TS and guided retirement is awaited, master trust trustees could start discussing proposition developments and should work with their providers to start planning how the two will work together.



IHT treatment of pensions

The Government is going ahead with plans to include most unused pension funds and death benefits in the value of a person's estate for IHT purposes from 6 April 2027. But all death-in-service benefits payable from registered pension schemes will be out of scope of IHT, whether discretionary or non-discretionary.

Personal representatives ("PRs") will be able to direct pension scheme administrators to withhold 50% of taxable benefits for up to 15 months and to pay IHT due in certain circumstances. PRs will also be discharged from a liability for payment of IHT on pensions discovered after they have received clearance from HMRC.

Action

Updates will be needed to death benefit procedures and member communications in relation to the option to pay IHT directly from scheme benefits. Master trust trustees will want to ensure that appropriate controls are in place around any new processes and that a provider's systems will be ready to deal with the new tax charges and communications.



Data Protection

The [Data \(Use and Access\) Act 2025](#) received Royal Assent on 19 June 2025 and is coming into force in stages. The Data Subject Access Request changes are expected to come into force in early 2026, with the Act's complaints provisions set to commence in June 2026. Whilst the Act is not making wholesale changes, it will impact the way in which schemes operate in some areas, with action needed as a result.

Action

Ensure your provider is prepared to make the necessary changes to its data protection systems (and reporting to the master trust).



Stewardship Code

The FRC published updated [guidance](#) to the [UK Stewardship Code 2026](#) alongside a [report](#), "Preparing for the UK Stewardship Code 2026: Applying insights from current reporting". The report provides practical insights and examples of effective reporting to the 2020 code to help signatories with the transition to the "new streamlined reporting structure".

The new code takes effect from 1 January 2026 and "aims to support long-term sustainable value creation while significantly reducing the reporting burden for signatories".

Key features include an "enhanced" definition of stewardship, a reduced reporting burden and new "targeted principles" for different types of signatories.

With the aim of supporting a smooth transition, existing signatories may maintain their status provided they submit their first report to the revised code during their usual application window in 2026. The FRC also intends to support signatories with their transition.

Action

Where the master trust intends to remain or become a signatory to the Stewardship Code, planning should be underway on how to report under the new principles.

On the horizon



- A second phase of work on the Small Pots Data Platform to refine technical standards, governance arrangements, consumer protection and implementation phasing.
- TPR plans to publish its final enforcement strategy in early 2026. Later in 2026, it plans to review its published policies to ensure they are aligned with the new strategy and consult on any necessary changes.
- The DWP plans to review the climate-related governance and reporting regulations.
- The Department for Energy Security and Net Zero's response to the [consultation](#) on how the Government can fulfil its manifesto promise of requiring financial institutions (including pension funds) to develop and implement credible transition plans that "align with the 1.5°C goal of the Paris Agreement".
- TPR is [developing](#) a net zero "transition plan working group" to develop a voluntary transition plan template for occupational pension schemes, which will be based on the framework and guidance by the UK Transition Plan Taskforce.
- The FCA is aiming to consult on the pension charge cap so that "consumers are not disincentivised from investments due to higher performance fees".
- The Government [intends](#) to develop statutory guidance on fiduciary duties for the trust-based private pensions sector. The Government aims for work to "commence shortly beginning with an industry roundtable".

