MASTER TRUST SUPERVISION POLICY – COVERING NOTE

We are pleased to have the opportunity to respond to this consultation. While the draft supervision policy is in a reasonable state, there are some important matters we feel we should raise before the draft becomes finalised. We do so in the accompanying document. We would also like to take this opportunity to raise a couple of important related points that are closely related to issues raised in the draft policy.

THE PLSA CONTINUES TO SUPPORT MASTER TRUST AUTHORISATION

The PLSA called for a new approach to regulating master trust pension schemes well ahead of the publication of the 2017 Schemes Bill. We remain strong supporters of the new authorisation regime and see it as essential to protecting the 10m new savers brought into pension saving through automatic enrolment. We look forward to working with DWP and TPR to help make the new regime work in practice and ensure that it fulfils its potential.

THE PLSA REMAINS CONCERNED ABOUT MASTER TRUSTS THAT MAY LEAVE THE MARKET

The Association has one major residual concern about the authorisation process. We expect that a number of master trusts pension schemes will not apply to become authorised and will seek to exit the market. We are concerned that, while there are schemes looking to grow by acquisition, some schemes looking to exit may not reach terms with an acquiring scheme in time.

Our members have indicated that they are able to help rescue schemes that are in distress, irrespective of the economic value of those schemes' books. They are not able to assume the risk posed by poor record keeping by distressed schemes. Without some form of easement to protect existing members of schemes effecting a rescue of a distressed master trust, rescue will probably not be possible.

We anticipate that TPR will watch schemes on an individual basis as the authorisation window opens and will take prompt action should any be likely to exit the market in a disorderly manner.

