

Consultation document

# **Supervision and Enforcement Policy**

for master trusts

July 2018

The Pensions  
Regulator

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## Consultation overview

### Scope of the consultation exercise

The draft master trust supervision and enforcement policy sets out our approach to regulating work-based pensions.

We welcome comments on any aspect of the draft policy. We have provided some specific questions on areas in which we have a particular interest in your comments.

Following the consultation, we will consider representations made on the draft and make any appropriate changes before publishing.

### Who is this consultation for?

We are interested to hear from anyone to whom the provisions of the Pension Schemes Act 2017 apply and/or to those involved with master trusts. This is not only trustees, but also others such as scheme funders, scheme strategists, service providers, employers, professional advisers and members of master trusts.

### Impact assessment

The Department for Work and Pensions (DWP) has impact assessed the Pension Schemes Act 2017 (the Act) and Occupational Pension Schemes (Master Trusts) Regulations 2018 (the Regulations), estimating that the Equivalent Annual Net Direct Cost to Business (EANDCB) on 2014 prices is £2.6m. Following this consultation, we will be liaising with the DWP with a view to publishing a Business Impact Target assessment during the 2018-19 reporting period.

## Government consultation principles

For the purposes of this consultation paper, we are following the government's consultation principles at: <http://bit.ly/ContPrin>. The key principles state that consultations should:

- ▶ be clear and concise
- ▶ have a purpose
- ▶ be informative
- ▶ be only part of a process of engagement
- ▶ last for a proportionate amount of time
- ▶ be targeted
- ▶ take account of the groups being consulted
- ▶ be agreed before publication
- ▶ facilitate scrutiny.

# Draft supervision and enforcement policy for master trusts

## Background

The Pensions Regulator is the UK regulator of work-based pension schemes.

In exercising our functions to meet our statutory objectives, we seek to be risk-based and proportionate, while minimising burdens on the regulated community (including trustees, managers, employers and advisers) where possible.

Where there is non-compliance with legal requirements we have a number of enforcement options, including imposing monetary penalties and additional powers granted to us in relation to master trusts.

## Consultation

This consultation is in respect of our new master trust supervision and enforcement policy.

The Act and Regulations seek to ensure that savers are appropriately protected by regulating master trusts, which account for over 10 million pension scheme members.

The new legislation and regulations provide us with powers to directly authorise and supervise master trusts and the purpose of the policy is to set out our significantly more proactive approach in the following areas:

- ▶ Supervision of master trusts - Setting out how we will engage with master trusts throughout supervision, including the key activities we expect trustees and others involved in running the master trust to carry out.
- ▶ Enforcement against master trusts - Setting out how we will proceed in cases of non-compliance, including where we may look to take enforcement action and may ultimately seek to withdraw authorisation from a master trust.

We expect those using this new policy to already be familiar with all other policies, codes and legislation which remain applicable to them, including for example, Code of Practice 13: Governance and administration of occupational trust-based schemes providing money purchase benefits, and Code of Practice no. 15: Authorisation and supervision of master trusts.

## Consultation: General questions

The draft policy is set out in a number of sections. We invite responses to as many or as few of the following questions appropriate to your scheme or areas of interest.

### Supervision (section 2 of the policy)

The draft policy sets out our expectations of master trusts, and what master trusts can expect of us. These expectations cover areas related to the behaviour and actions of those running master trusts.

1. The draft policy sets out our risk based approach to supervision. Is this clear and proportionate and if not, why not?
2. Does the draft policy clearly set out that how a master trust conducts its activities may influence the way we deal with them?
3. Are there any additional matters we should consider including in this policy or future guidance?

Routine supervisory activity will be conducted in relation to all master trusts, with additional supervisory activity determined by a range of factors set out in the draft policy. This is because we believe our activities should be targeted to where there is the greatest risk of member detriment, while maintaining oversight of all authorised master trusts.

4. Do you have any comments regarding the proposed routine and additional supervisory approaches and activities set out in the policy?

## **Enforcement (section 3 of the policy)**

In the draft policy, we set out the key factors we will take into account when deciding on the appropriate enforcement action to take.

5. Overall, is our approach to enforcing against master trusts clear and proportionate, and if not, why not?
6. Is the draft policy clear about what we will take into account when deciding on enforcement action?
7. Are there any additional matters we should consider when deciding on enforcement action in relation to master trusts?

## **Withdrawal of authorisation (section 4 of the policy)**

Where we are no longer satisfied that a master trust meets the authorisation criteria, we will consider whether we should withdraw authorisation.

8. Does the draft policy provide sufficient clarity on the circumstances in which we may move to withdraw authorisation of a master trust?
9. Is the policy clear on the steps we will take to initiate withdrawal of authorisation?

## Responding to the consultation

We have provided a form for responses, which can be completed electronically and submitted to us. We will however be happy to accept paper responses as well. Your response can be sent:

- ▶ by email to [S&EPolicy@tpr.gov.uk](mailto:S&EPolicy@tpr.gov.uk)
- ▶ by post to Graham Hickman, Master Trust Supervision, The Pensions Regulator, Napier House, Trafalgar Place, Brighton, BN1 4DW

We may need to share the feedback you send us with other government bodies. We may publish this feedback as part of a response to the consultation. If you wish your comments to remain anonymous, please state this explicitly in your response. If you do not wish your response to be shared more widely, please make this known and we will take the necessary steps to meet your request.

However, please be aware that, should we receive a formal request under the Freedom of Information Act, we may be required to make your response available.

When responding, please tell us whether you are responding as an individual or on behalf of an organisation (and, if the latter, which organisation).

### Closing date

This consultation document was published on 26 JULY 2018.  
The closing date for responses is 23 AUGUST 2018.



## Appendix: Consultation questions and response form

This form is interactive. Please save the whole consultation PDF to your computer, fill in your response to the questions as appropriate and return it to the following email address by **12noon** on **23 August 2018**: SandEPolicy@tpr.gov.uk

### Your details

Your name:

Organisation (if applicable):

Job title (if applicable):

Postal address:

Telephone:

Email:

Which category best describes you or your organisation?

Please select one category from the drop down menu above.

If you answered 'Other', please specify:

### Confidentiality

We may need to share the feedback you send us within our own organisation or with other government bodies. We may also publish this feedback as part of our response to the consultation. If you wish your response, in whole or in part, to remain confidential, please tick the box below:

Yes, I wish my response to remain confidential.

If so, please specify which part of your response you wish to remain confidential and why:

## Supervision (section 2 of the policy)

- 1. The draft policy sets out our risk based approach to supervision. Is this clear and proportionate and if not, why not?**

Yes                      No

Please give your reasons.

- 2. Does the draft policy clearly set out that how a master trust conducts its activities may influence the way we deal with them?**

Yes                      No

Please give your reasons.

- 3. Are there any additional matters we should consider including in this policy or future guidance?**

Yes                      No

Please give your reasons.

- 4. Do you have any comments regarding the proposed routine and additional supervisory approaches and activities set out in the policy?**

Yes                      No

Please give your reasons.

## Enforcement (section 3 of the policy)

- 5. Overall, is our approach to enforcing against master trusts clear and proportionate, and if not, why not?**

Yes                      No

Please give your reasons.

- 6. Is the draft policy clear about what we will take into account when deciding on enforcement action?**

Yes                      No

Please give your reasons.

- 7. Are there any additional matters we should consider when deciding on enforcement action in relation to master trusts?**

Yes                      No

Please give your reasons.

## Withdrawal of authorisation (section 4 of the policy)

- 8. Does the draft policy provide sufficient clarity on the circumstances in which we may move to withdraw authorisation of a master trust?**

Yes                      No

Please give your reasons.

- 9. Is the policy clear on the steps we will take to initiate withdrawal of authorisation?**

Yes                      No

Please give your reasons.

## How to contact us

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[www.tpr.gov.uk](http://www.tpr.gov.uk)

[www.trusteetoolkit.com](http://www.trusteetoolkit.com)

Free online learning for trustees

Consultation document and response form  
for Supervision and Enforcement Policy for master trusts

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