

# **+ Pensions Powerbrokers 2: The DC Generation**



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## Executive Summary

The world of workplace pensions is undergoing a radical transformation.

While the Defined Benefit universe focuses increasingly on ‘endgame’ options for schemes, workplace Defined Contribution (DC) pensions are growing rapidly and in a state of almost ‘permanent revolution’:

- There are now 11 million extra workplace pension savers compared with 2012, when Automatic Enrolment started, overwhelmingly in DC schemes.
- Contract-based DC arrangements, such as Group Personal Pensions, remain a major home of DC assets, with more than five million active members.
- The number of occupational (trust-based) DC schemes tied to a single employer has declined year-on-year for the last two decades, but multi-employer Master Trusts have grown rapidly since 2017, and combined assets now exceed £200bn. The MT sector has seen considerable consolidation in scheme numbers and will continue to do so.
- Regulatory attention has turned to ensuring that DC schemes deliver both for members and for wider society. Key initiatives include:
  - The drive to create £25bn+ DC ‘mega funds’
  - The introduction of Value for Money (VFM) metrics designed to reduce focus on cost and drive out under-performance
  - New requirements to provide defaults in decumulation
  - Promotion of Collective DC schemes, including the potential for retirement-only variations
  - The pressure on DC schemes to allocate more to ‘productive’ investments (as defined by the government)

The large and growing scale of the DC sector means that it is vital to understand where the ‘power’ lies in DC. That is the purpose of this report. By ‘power’ we mean the ability to set strategy for pension schemes, the ability to shape key features of scheme design such as post-retirement provision, the ability to determine how pension scheme assets are invested and much more besides.

The research, following on from our 2025 ‘Pensions Powerbrokers’ report<sup>1</sup> on the DB landscape, is based on interviews with 15 key players in DC pensions across the trust-based and contract-based sectors, complemented by insights from LCP experts. Interviewees included trustees, employers, members of governance committees and providers and included both multi-employer and single employer arrangements.

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<sup>1</sup> [The Pensions Powerbrokers](#)

Key findings were:

- **We are witnessing an extraordinary consolidation of power into the hands of a remarkably small number of people.** We estimate that within the occupational (trust-based) DC market, fewer than 50 people currently oversee more than half of all DC assets – over £160 billion. These are the trustees of the largest 7 DC Master Trusts. This consolidation raises profound questions which will need to be considered as part of the DWP’s current consultation into trusteeship<sup>2</sup>. Such questions include:
  - How can we ensure diversity of thought and behaviour, when some ‘mega funds’ are overseen by just four or five people?
  - Is the balance of power right between this small group of trustees on each scheme and the pension scheme provider? How can they be supported to provide more effective oversight?
  - What will be the source of independent thought and innovation in a pension landscape dominated by a handful of giant players with no realistic threat of market entry? And will the new VFM framework and league tables create even more pressure for conformity and not standing out from the pack?
  - How are these ‘mega trustees’ themselves overseen, especially in a situation where individual members or even individual employers may have relatively little voice in a massive scheme?
- **Provider power remains important.** Whilst we heard in our interviews that Independent Governance Committees (IGCs) can provide valuable scrutiny and feedback to GPP providers, there was a general feeling that providers make all the key decisions in contract-based pensions. Meanwhile, trustees in a DC mega fund have to work hard to avoid the risk of simply ‘tweaking’ decisions that have already largely been made by the provider. There is no doubt that DC providers remain extremely powerful across the DC landscape.
- **The job of DC trustees is evolving and becoming more challenging.** A combination of increased scale and constant regulatory change means that DC trustees have an increasingly challenging job. Trustees need to be on top of the new VFM framework and holding their scheme to account, meeting new requirements on scale, responding to new statutory duties on default decumulation, engaging with the Government’s ‘productive finance’ agenda, and much else besides. The contribution of expert independent insights and challenge in these varied areas will be essential, especially where a handful of trustees is trying to deal with all of these issues for a multi-billion-pound scheme with millions of members.

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<sup>2</sup> See: [Trust-based pension schemes: Trustees and governance, building a stronger future - GOV.UK](#)

- **The employer voice is becoming ‘muffled’**, especially compared with the balance of power in a traditional Single Employer Trust. Whilst we heard that employers can exert power at the point when Master Trusts are competing for their business, once they have paired up with one provider, the balance of power shifts. Although we describe in this report various ways in which multi-employer trusts seek to remain close to employers, in many cases, it is only the very largest employers who have real power. Large employers can, within reason, demand (and secure) a bespoke offering more suited to their particular workforce, and with an extra layer of ‘shared governance’. But most other employers are largely left to take the standard offering. This makes it all the more important that employers keep their choice of provider under regular review, to avoid the risk that employer inertia leads to complacency on the part of providers.
- **The member voice is quieter still.** If employers now have less voice than in a world of in-house pension schemes, members risk becoming even more remote in the drive to scale. When MT memberships routinely run into millions, it is a huge challenge to ensure that the scheme offering and the way it is communicated works for members. A single member trustee or even a member panel cannot hope to be meaningfully representative of a vast membership. Whilst schemes told us that they pay a lot of attention to member engagement with the scheme, whether through complaints or through ‘moments that matter’ (such as decisions around retirement), members are otherwise largely passive recipients of what they are offered and do not even have the power to leave the scheme if they do not want to throw away their employer’s pension contribution.

There is no doubt that there is much that is positive in the direction of travel in DC. The vast expansion of DC membership is welcome, as is the focus on scheme quality and performance. But the headlong push to scale and consolidation raises serious questions about oversight and accountability. Tomorrow’s DC trustees will need comprehensive systems of support, training, independent insight and accountability if they are to rise to the challenge of overseeing high quality DC pensions for millions of today’s workers. These systems are not yet fully in place, and much needs to be done to ensure that the new DC landscape is effectively overseen.

# 1. Introduction – Why “Powerbrokers 2”?

Successive governments have shown increasing interest in how pension money is invested. With private sector DB pension schemes holding around £1.2 trillion in assets, the Local Government Pension Scheme around £400 billion, and workplace DC schemes around £650 billion, workplace pensions are large and growing players in the wider economy. Influencing how these schemes behave is a key aim of the government.

In our first ‘Pensions Powerbrokers’ report<sup>3</sup>, published in April 2025, we drew on insights from key industry figures in the DB world, interviewing 15 people across the trustee landscape. Whereas the Government has focused on insurance companies, asset managers and pension providers as key influencers, this report highlighted the crucial role of trustees as the real ‘powerbrokers’, making key decisions on how over £1 trillion of assets are invested.

But the pensions landscape is changing. DC schemes are growing rapidly as more and more workers will have spent more of their working life under the ‘automatic enrolment’ regime, where default contributions of 8% have only been in force since 2018. DC schemes also have a much longer time horizon than DB schemes and are far more likely to be interested in investing in a range of ‘productive finance’ assets of the sort that the Government is keen to promote.

It is therefore timely to look at the DC landscape to identify the key decision makers in DC.

We begin by describing the DC landscape, which is far more diverse than DB. We observe a mix of huge multi-employer ‘mega funds’, around 800 (non-micro) single employer trusts, varying greatly in size, including a significant ‘hybrid’ sector where a DC scheme sits alongside a legacy DB arrangement, and a substantial contract-based sector built mainly around Group Personal Pensions.

Next, we describe the results of our interviews with 15 key figures from the world of DC pensions, identifying five key themes that emerged from this research. We then consider what all of this means for the consultation on the future of trusteeship, currently being undertaken by the Department for Work and Pensions. A concluding section summarises our findings.

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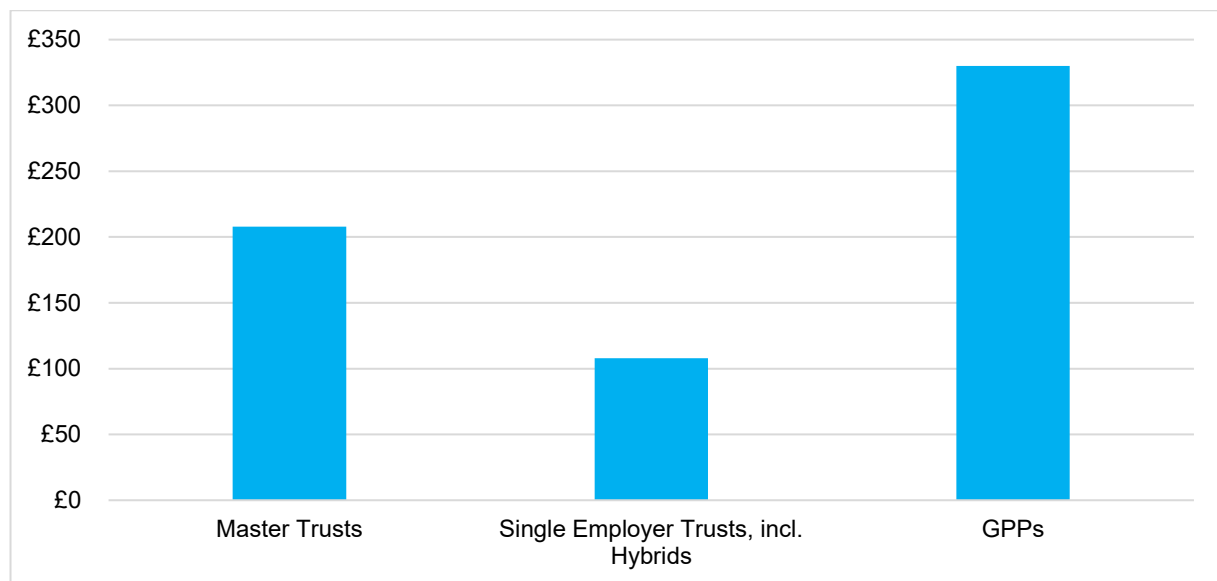
<sup>3</sup> [LCP-Pensions-Powerbrokers-04-2025.pdf](#)

## 2. The DC landscape

To understand where power lies in the world of workplace DC pensions, it makes sense to divide schemes into three types: multi-employer ‘Master Trusts’, single employer trusts, including ‘hybrids’ where the DC scheme is part of a larger single employer arrangement, and contract-based Group Personal Pensions (GPPs) and similar. There is no doubt from our research that the balance of power is very different in each case, so we briefly describe each in turn.

The latest published figures on the occupational (trust-based) DC landscape, based on scheme returns, relate to 2025 and are published by the Pensions Regulator<sup>4</sup>. These figures do not however include contract-based provision such as GPPs<sup>5</sup>, so we have used separate industry estimates of the size of this sector<sup>6</sup>. The results are shown in Figure 1.

**Figure 1. Assets in Workplace DC pension by type of scheme (£bn, 2025)**



Sources: TPR, Pensions UK

What may be surprising, given the extensive policy focus on the creation of DC ‘mega funds’ in the form of multi-employer Master Trusts, is that the largest single concentration of DC assets currently sits in contract-based Group Personal Pensions, largely provided by insurance companies. Although the balance between trust-based

<sup>4</sup> [Occupational defined contribution landscape in the UK 2025](#)

<sup>5</sup> Throughout this report we use Group Personal Pensions (GPPs) to refer to all group contract-based arrangements, including Group Stakeholder and Group SIPP arrangements.

<sup>6</sup> [Pensions-UK-2030-Ready-Jul-2025.pdf](#)

and contract-based provision is gradually shifting, a full understanding of ‘power’ in the DC landscape should not exclude this sector<sup>7</sup>.

This point is further illustrated by recently published statistics from ONS<sup>8</sup> showing the breakdown of the current active population of DC savers according to whether they are saving into an occupational (trust-based) DC arrangement or one of a variety of group contract-based arrangements, as shown in Table 1.

**Table 1. Number of employees (000s) actively saving into different types of DC pension**

	2021	2022	2023	2024
Occupational DC pension	7,775	8,433	8,863	9,105
Group personal pension	4,112	4,139	4,010	4,178
Group self-invested personal pension	332	306	342	382
Group stakeholder pension	1,237	1,202	1,203	1,189

Source: Employee Workplace Pensions in the UK, ONS (2026)

As shown, just over 9 million people are actively saving into an occupational pension, but around 5.5m are saving into some form of group contract-based pension, principally Group Personal Pensions. The balance is however gradually shifting, with contract-based memberships relatively flat in the last three years whereas occupational pension membership has grown by around 17% over the same period.

We briefly describe the various types of workplace DC provision below, to provide context for our research.

<sup>7</sup> There is recognition of the importance of this sector in the Pension Schemes Bill, which includes provision for a ‘statutory over-ride’ to allow providers with funds in legacy GPP arrangements to transfer them in bulk to more modern GPP or Master Trust arrangements.

<sup>8</sup> Annual Survey of Hours and Earnings: summary of pension results - Office for National Statistics Note that figures are technically for the number of ‘jobs’ rather than the number of ‘employees’ as a person could potentially be saving into more than one pension in more than one job at the same time.

## A. Master Trusts

The process of automatic enrolment of qualifying employees into workplace pensions began in the UK in 2012. Since then, over 11 million people have been enrolled into a workplace pension, and the majority of those people are now members of multi-employer Master Trust arrangements. Formal authorisation of Master Trusts was established by the Pensions Regulator in 2017, and the full list of authorised Master Trusts<sup>9</sup> started at over 100 but is now down to around 30 and continues to fall. If we ignore a handful of very small schemes and a few ‘accidental’ Master Trusts (which fit within the definition but are not looking to recruit new employers), we can identify three main subgroups of Master Trusts:

- **‘social providers’** – mainly Nest, the Government-established scheme which has a public service obligation to provide for any employer which wishes to use its services, and the People’s Pension (TPP). TPP is a mutually owned scheme which grew out of a longstanding multi-employer scheme focused on the building and construction industry. Nest and TPP are two of the largest Master Trusts, and both are growing rapidly;
- **‘life company’ schemes** – these are Master Trusts run by household name insurance companies, with the largest half a dozen accounting for around £60bn in assets in 2024;
- **‘consultant’ schemes** – these are the in-house schemes offered by global consultancy firms such as Aon, WTW and Mercer; these schemes vary considerably in size, with WTW’s ‘Lifesight’ offering currently the largest;

Beyond these broad groups, there are currently some mid-size MTs which do not fit neatly into these categories, some of which are already in active discussions to merge with these larger schemes.

The Government sees Master Trusts as being ‘the future’ of workplace DC provision, with the Pension Schemes Bill set to require providers to run a ‘main scale default’ fund of at least £25 billion by 2030. It is expected that over time, there will be further concentration in this sector with continued evolution towards a relatively small number of ‘mega funds’ by the mid-2030s.

We note that the current consultation on trusteeship being run by DWP<sup>10</sup> includes a short section on governance in DC ‘mega funds’. However, the only question in that section is on potential conflicts of interest, which might arise where trustees are appointed by a Master Trust provider that they are then expected to hold to account. As we shall see later in this report, a much wider range of issues needs to be considered if Master Trust governance is to be effective in future.

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<sup>9</sup> [List of authorised master trusts](#)

<sup>10</sup> [Trust-based pension schemes: Trustees and governance, building a stronger future - GOV.UK](#)

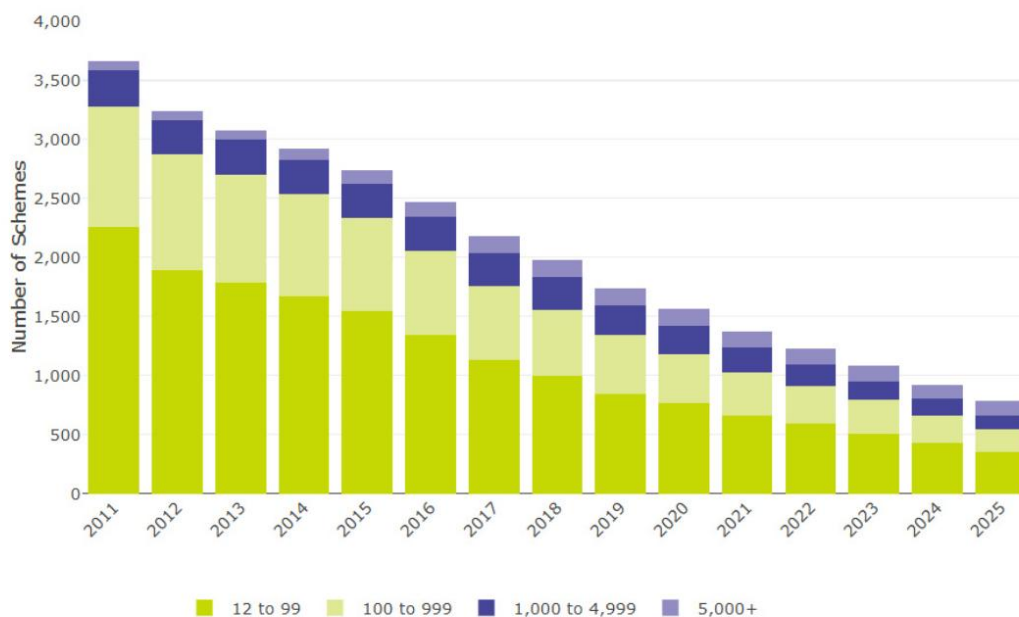
## B. Single Employer Trusts, including Hybrids

Prior to the start of Automatic Enrolment, the dominant form of workplace occupational pension provision was the Single Employer Trust. These are schemes designed to provide pensions purely for the present and past employees of a single employer. In most cases, these are freestanding schemes, but there are many larger DC schemes which are part of a trust which includes a Defined Benefit section. TPR refer to these as ‘dual section’ schemes.

The total landscape of Single Employer Trusts in 2025 amounted to 24,672 schemes<sup>11</sup>, with a further 430 ‘dual section’ (DB and DC) schemes where there is a mix of DB and DC benefits within a single scheme. However, 24,370 schemes are categorised as ‘micro’ schemes with fewer than 12 members. As these are tiny schemes whose collective asset base is dwarfed by the rest of the DC universe, we exclude them from further analysis.

With regard to ‘non-micro’ occupational DC schemes, as Figure 2 shows, there has been a remorseless decline in the last two decades, with the current total now down to around 790<sup>12</sup>.

**Figure 2. Occupational DC schemes by membership size group (including hybrid schemes, excluding micro schemes) (2011 to 2025)**



<sup>11</sup> This is based on TPR’s published figure of 24,720 DC Trust schemes, minus 48 sections of the 30 authorised Master Trusts.

<sup>12</sup> This chart also includes the 48 sections of 30 Master Trusts, as at 2025.

As the chart also shows, the decline has been particularly marked at the small end of the scale, with the numbers of schemes below 100 members and between 100 and 999 members declining most sharply.

In many workplaces, especially in larger firms, the first occupational pension provision set up decades ago would have been a Defined Benefit scheme. As the cost of providing such schemes has risen, growing numbers closed first to new members and then to new accruals by existing members. They were often replaced by DC sections in the same trust, which were typically cheaper for the employer to provide, but which still often represent high quality provision compared with that available to the mass market.

Shockingly, these schemes were largely excluded from TPR's published statistics until 2024, despite 'hybrid' arrangements (including 'dual section' schemes and 'true hybrids') accounting for more than half of the assets held in Single Employer Trusts in 2025.

### C. Group Personal Pensions and other group arrangements

Prior to the rise of Master Trusts and the introduction of Automatic Enrolment, the main form of workplace DC provision alongside employer-based trust arrangements was the Group Personal Pension (GPP)<sup>13</sup>. A GPP is a collection of individual contracts between a saver and an insurance company. GPPs tend to offer a wider range of fund options than a mass market Master Trust and have mostly tended in the past to be more focused on higher earners.

While occupational (trust-based) pensions are regulated by the Pensions Regulator, contract-based GPPs are regulated by the Financial Conduct Authority (FCA). Providers have long had various duties to their policyholders, including a duty to 'know your customer', but more recently these have been strengthened through the introduction of an overarching 'Consumer Duty', which is widely seen to have increased the focus on good customer outcomes.

One important distinction between trust-based and contract-based provision – at least until now – has been that with a contract-based pension, the individual policyholder is in control. Whereas in a trust-based environment, trustees can act on behalf of the entire membership, potentially moving funds from one arrangement to another, in a contract-based arrangement, the member has the final say.

One problem with this is that where people hold 'legacy' GPPs, perhaps from years ago when charges may have been higher, or investment approaches less

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<sup>13</sup> Under this category, we also include Group Stakeholder Pensions and Group Self-Invested Personal Pensions

sophisticated, it can be difficult for providers to move them into something more modern and potentially better value.

Given that this may not be in the member's interest (and potentially weakens the ability for such funds to be put to more 'productive' use for the wider economy), the Government has included powers in the Pension Schemes Bill to provide a 'statutory override'. This allows such policies to be moved *en bloc*, and without individual consent, to an arrangement that the provider believes will provide better value. This could be a more modern GPP arrangement but could also be a Master Trust if the provider thinks this is more suitable.

Governance of a GPP is primarily the responsibility of the provider, in line with its FCA 'consumer duty' requirements, but most such schemes are overseen by an Independent Governance Committee (IGC). The IGC produces an annual report on the scheme and can raise issues of concern to members with the provider. In extremis, the IGC can formally complain to the FCA, and we discuss the role and power of IGCs further in the next section.



### 3. The research – Who wields the power in DC?

To better understand where the power really lies in DC, we have undertaken 15 in-depth interviews with key figures from across UK DC pensions, including trustees, members of IGCs, providers and employers. We are most grateful to all those who participated in this research. We have listed below the names of our interviewees, together with any relevant roles. In each case, however, they were speaking in a personal capacity and not on behalf of any scheme or employer.

In this section, we identify some of the main themes which emerged from these conversations. The views expressed in this section are those of the authors and do not necessarily reflect the opinions of any individual participant in this research.

#### Interviewees for Pensions Powerbrokers 2



**Rosy Anand**  
Head of DC  
Trusteeship,  
Dalriada Trustees



**Naomi Clark**  
Head of Investment  
Product  
Management,  
Universities  
Superannuation  
Scheme



**Helen Dean**  
Chair, Standard Life  
Master Trust; Former  
CEO, Nest



**Kate Grant**  
Chair, Vodafone  
DC Governance  
Committee



**Muntazir Hadadi**  
Head of Pensions,  
First Bus



**Tegs Harding**  
Trustee,  
IGG



**Alison Hatcher**  
Chief Client Officer,  
Vidett Ltd.



**Raj Mody**  
Chair, Smart Pension  
Master Trust



**Kim Nash**  
Chair, Aon DC Master  
Trust; Chair,  
Hargreaves  
Lansdown IGC;  
Managing Director,  
ZEDRA



**Vicky Paramour**  
Trustee,  
Falcon Trustees



**Alan Pickering**  
Trustee,  
BESTrustees



**Maiyuresh Rajah**  
Director of  
Investments,  
Aviva



**Ruston Smith**  
Chair, HSBC  
Pension Scheme &  
Chair, Tesco DC  
Governance  
Committee



**Colin Stewart**  
Chair, Royal London  
IGC; Trustee



**Robert Thomas**  
Trustee,  
Law Debenture

## Theme 1. A dramatic concentration of power in Master Trusts

Our previous report, ‘The Pensions Powerbrokers’, highlighted the fact that DB assets were concentrated in a relatively small number of very large schemes. In that case, around 500 trustees were responsible for around half of all DB assets, representing a considerable concentration of power.

In the DC space, although the landscape is more diverse, we are set to see an even greater concentration of power because of the rise of Master Trusts. Based on 2025 data from TPR<sup>14</sup> and industry sources, the seven largest Master Trusts account for more than half of all occupational DC pension assets. And the relatively small board sizes of these seven schemes mean **fewer than 50 people in total have lead responsibility for this large and growing sector of the workplace pension market.**

To illustrate this, Table 2 lists the largest seven Master Trusts with the number of trustees on each and their assets in H1 2025. Some schemes have since announced further milestones, with, for example, Nest reporting assets of over £60bn and People’s Pension over £40bn.

**Table 2. Largest Master Trusts with number of trustees and assets under management 2025 H1<sup>15</sup>**

Name	No of Trustees	Assets
Nest	15	£48bn
L&G	6	£32bn
The People’s Pension	7	£30bn
Lifesight (WTW)	5	£23bn
Aviva	6	£13bn
Standard Life	5	£11bn
Fidelity	5	£11bn
<b>Total</b>	<b>49</b>	<b>£168bn</b>

With combined assets of around £168bn in H1 2025, these seven schemes alone accounted for more than half of the £316bn in assets in occupational DC schemes reported by the Pensions Regulator.

<sup>14</sup> Occupational defined contribution landscape in the UK 2025

<sup>15</sup> Data on trustees from scheme reports and websites. Asset estimates from: [DC Master Trust League Table 2025 ~ H1 – Go Pensions](#)

It is therefore extremely important to understand who these trustees are, how they are chosen, and how they see their role relative to other players such as providers, employers and members.

Within this overarching theme of a concentration of power in a small number of ‘mega funds’, several ‘sub themes’ emerged.

- The trustee role is ‘real’ and not merely a rubber stamp.
- In many cases, there is genuine collaboration between provider and trustee.
- However, there are limits to trustee power, and providers play a key role.
- With a small number of trustees, professional trustees can be important.
- Concerns remain regarding diversity of thought and innovation in such a small group.

We consider each in turn.

**a) The trustee role is ‘real’ and not merely a rubber stamp**

There was no doubt in the minds of the (past and present) Master Trust trustees that we spoke to that their role is a ‘real job’.



*I would never describe the relationships between the trustees and company as cosy. In my experience, relationships are collaborative whilst being challenging, but very constructive and aligned to finding the right solution. There are times when there’s been some healthy tension, but where the right outcome was reached. I’d like to think of myself as challenging but highly constructive as a trustee acting in members’ best interests. Members matter.*

**Ruston Smith**



*We’re extraordinarily lucky at USS to have well qualified trustee board members and members of our investment committee...we have some serious players and I’m not saying other schemes don’t, but we have got an incredible weight and wealth of experience on our investment committee and that makes our job, I think, challenging as we’re presenting advice to those sorts of people.*

**Naomi Clark**

Master Trust trustees typically saw their key role as steering the overall strategic direction of the scheme, with some talking about having regular ‘blue sky’ sessions to think about the big picture and the longer term. Interestingly, one senior figure from the provider world also told us that trustees ‘have a lot of power’. Trustees were also keen to stress their independence from the provider, including the fact that they had access to their own sources of expert advice.



*The level of governance is just at a different level within master trusts. You've just got access to far more resources, you've got far more time, you've got better advice, you've got subcommittees that can really dig into things in quite a lot of detail. Obviously, there are some exceptions for the big trust-based DC schemes. But on the whole, generally speaking, governance is much better in the big master trusts.*

**Tegs Harding**, comparing governance in MTs v Single Employer Trusts

In terms of examples of the 'power' of trustees and the difference that they can make, one of our respondents said that they had been able to persuade a provider to reduce the number of default funds that were being used, and to change the profile of investment risk being taken through a member's working life. They had also used their resources to commission research on members' attitudes to things like investment risk and had used this to inform their engagement with the provider.



*[Our Master Trust provider] regularly shares ideas and proposals with us, and it is very much a two-way street. For example, over the past couple of years, a significant number of members have moved from a multi-asset default fund into target-date funds. Much of the momentum for this transition came from the trustee board, which was concerned that, during the accumulation phase, the multi-asset funds could dampen expected returns and may not provide sufficient long-term growth.*

**Robert Thomas**

- **In many cases, there is genuine collaboration between provider and trustee**

Notwithstanding the power of trustees as ultimate decision-makers, most interviewees stressed the collaborative nature of their work alongside providers. Phrases like 'two-way street' and 'joint endeavour' were common, and some described an iterative process where a provider will come up with initial ideas, receive feedback from trustees and refine their proposals until a mutually acceptable outcome has been reached.



*Ideas come from everywhere, because that's the open-mindedness, curiosity and culture that we have. So, ideas come from the trust board itself and the people around that board and our networks. Ideas definitely come from the strategist and its CIO function, and ideas come from our current and prospective advisors.*

**Raj Mody**

On the theme of collaboration, we asked all our trustee interviewees whether they saw themselves as ‘ambassadors’ for the scheme. We were keen to probe how far there was any potential conflict here between, on the one hand, going out and talking positively about the scheme and, on the other, being a critical friend and holding the provider to account.

A consistent theme in the responses we received was that trustees were clear that they were not ‘part of the sales department’. However, several said that they did take part in pitches by the scheme to potential employer clients. Their role in such pitches was to describe and explain the governance arrangements in the scheme and to provide reassurance to employers that the interests of their employees as members of the scheme would be protected<sup>16</sup>.

We also asked whether the fact that trustees were ultimately hired by the scheme and could be got rid of (at the end of a term of office if not sooner) meant that trustees tended to ‘go easy’ on the scheme. But it was pointed out that employers evaluating a choice of Master Trust would see the presence of independently minded trustees holding the scheme to account as being a plus, and therefore that a scheme which filled its trust board with people who would offer little challenge could be commercially damaging.



*I think it's in the interests of those who provide these schemes to be able to demonstrate that the trustee board is robust. The governance model is part of what's being sold in a very competitive marketplace, and particularly when hopefully the buyers of Master Trust arrangements are actually senior members of the business world who would want to appoint people who are fairly robust characters.*

**Alan Pickering**

### **However, there are limits to trustee power, and providers play a key role**

With, in many cases, just a handful of trustees overseeing a multi-billion-pound scheme, Master Trust trustees may be significantly reliant on the scheme provider, particularly in more specialist areas such as investment strategy<sup>17</sup>.



*As a trustee, it was our decision as to how we took advantage of [our provider's] investment expertise. We took great cognizance of the quality people that were employed there, but we did, as a matter of course, take advice on a one-off, but*

<sup>16</sup> It is interesting to note that the legislation around Collective DC scheme explicitly prohibits trustees of such schemes from ‘promoting’ the scheme.

<sup>17</sup> One of our interviewees was sufficiently sceptical of the power of trustees in practice that they remarked: “Providers make the decisions at the end of the day”, though this was not the general view.

*repeatable project basis from leading investment and leading employee benefit consultancies to run the rule over the product itself, and also quite separately to run the rule over the investment strategy that was at the heart of that product.*

### **Alan Pickering**

A number of our trustee respondents highlighted the fact that providers will generally have a limited budget set aside for 'change projects', and that much of this will be eaten up by mandatory regulatory changes. As a result, trustees cannot simply present providers with a wish list of changes. The job of a trustee is to prioritise, identifying the significant changes which will add the most value to members.



*The change budget within large pension providers can easily reach tens of millions of pounds, with the majority directed toward mandatory regulatory requirements. This leaves only a limited allocation for strategic development and innovation. For trustees, it's important to recognise the operational complexity faced by organisations with competing demands. Commercial pressures and management of stakeholder considerations play a significant role in how priorities are set, and trustees should expect and indeed require that regulatory obligations take precedence.*

### **Rosy Anand**

Another respondent felt that trustees, whilst not 'routinely exercising power', tended to be much more involved and influential at times of change.

However, one respondent, with experience in both contract and trust-based schemes, also expressed concerns that providers are subject to fierce competition in the market on cost grounds and may therefore be reluctant to spend money on member improvements, which trustees might be seeking.

We also heard that providers know that trustees are unlikely to exercise an extreme, such as not using in-house administration or investment services for the Master Trust.



*As a Trustee, you are ultimately responsible for everything that happens within the Trust. So, you will review the administration and member experience, you will review the investment performance alongside member security. You ultimately have the power to change investment managers or scheme administrators but that would be a key commercial decision. There would be a process around you working with your current providers to improve what they'd got if you didn't think it was up to scratch. At that point, if they couldn't make the improvements, then you would have the ultimate power to move that away and to put it somewhere else. That is not a*

*decision you would take lightly because it would be ripping up part of that product in itself where it is integrated with the provider.*

**Kim Nash**

The recent 'Mansion House Accord' process also shines an interesting light on the balance of power between trustee and provider. It was pointed out to us that all of the industry signatories on the Accord were providers rather than trustees, even though it is trustees who have the ultimate say in how scheme assets are invested.

We probed this issue and were told that in some cases, trustees were kept fully in the loop before the Accord was signed and that they thereby became comfortable with what was being proposed. However, one trustee memorably told us that 'when it comes to private markets [our Master Trust] don't ask, they just tell'.

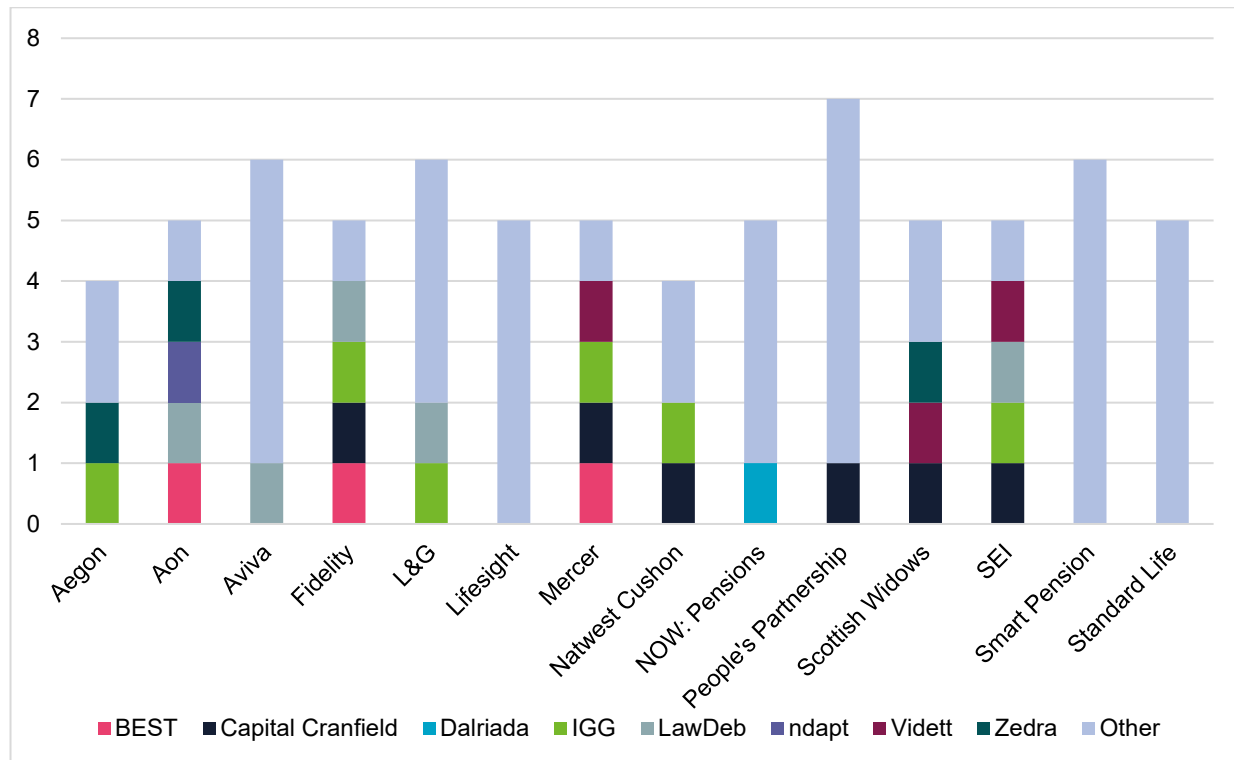
**b) With a small number of trustees, professional trustees can be important**

In the Defined Benefit world, member-nominated lay trustees are common and can bring a valuable understanding of the member perspective. But small Master Trust boards overseeing large and growing schemes are increasingly dominated by highly experienced professionals with a range of skills. In many cases, these professionals come from Professional Trustee firms. One advantage of this is that the individual Professional Trustee has the backup of a wider firm and can draw on additional specialist expertise as required.



have trustees spanning several PT firms<sup>19</sup>. However, the chart also shows that some schemes prefer to have significant representation from trustees who are independent of a trustee firm.

**Figure 3. Composition of trustee boards of major Master Trusts**



Source: Trustee information on provider websites and scheme reports

We did, however, hear concerns about the risk of Professional Trustees becoming over-stretched. In most cases, their PT firm will expect their trustees to serve on multiple trust boards, and this could potentially limit their ability to focus on the demanding job of being one of a handful of people overseeing a huge Master Trust. The issue of trustees being on multiple schemes and the idea of a potential cap on the number is currently under consideration as part of the DWP's consultation on the future of trusteeship.

**+** *Some of the professional trustees are fantastic, but there's a lot of demand to have quite significant portfolios of activity, and quite a number of appointments and a lot of pressure to kind of cross sell, etc. And that's one of the challenges for the smaller schemes in particular.*

**Colin Stewart**

<sup>19</sup> In the case of two Master Trusts – L&G and Smart – there is a trustee who was appointed before they joined a Professional Trustee firm. On this basis, in each case we show that trustee under the 'other' category, rather than under the PT firm that they are now associated with.

### **c) Concerns remain regarding diversity of thought and innovation in such a small group**

A small number of highly expert people, drawing on external expert advice as well as the provider's own specialists, can clearly do a good job of overseeing a Master Trust. But there may be concerns that ensuring healthy diversity of thought and challenge in governance could be undermined if large parts of the industry are controlled by a very small number of people, no matter how capable.



*As the market consolidates, I think it does become challenging when there are only a small number of master trusts and a small pool of individuals with experience of having been a trustee on a master trust. Very often, for understandable reasons, the ask is, "we would like a new trustee who's got master trust experience", so there's a reliance on finding an individual who is transitioning away from another appointment at just the right time, or attracting them away from their current appointment. There's also a danger that this dynamic doesn't create for a particularly diverse landscape of trustees. So, I think we need to think about looking at the skills and experience needed for the role more broadly, as well as building career paths for potential master trust trustees and addressing the challenge of ensuring diversity.*

#### **Vicky Paramour**

A couple of our interviewees described some of the steps schemes are taking to try to tackle this issue.

For example, we heard about the Standard Life 'trustee accelerator programme', designed to bring in more diverse people with different skills – not necessarily pensions experts. Participants undertake an apprenticeship with a scheme board before being considered as trustees.

Another told us that their Master Trust board had a 50-50 target for the gender mix on the Board, but that diversity was about more than just 'protected characteristics' such as gender. It was noted that 'diversity can come from many places', including the provider and external advice.

We also heard about the importance of the recruitment process when appointing people to these key roles:



*When considering board or committee structures, the starting point should always be that the collective has the skills and experience required to govern the scheme effectively. A clear understanding of the scheme's membership demographics will determine the expertise the board needs. Diversity and inclusion should be viewed in terms of cognitive diversity and decision-making approaches—ensuring the board*

*can consider issues from multiple perspectives and act in members' best interests. Ultimately, the board's purpose is to protect and promote member outcomes. Ensuring the right mix of skills, understanding organisational constraints, and focusing on effective governance are key to fulfilling that responsibility.*

**Rosy Anand**

But we heard concerns that some aspects of diversity – such as diversity in social class – were often lacking from trust boards.

One market trend which could undermine diverse and innovative thinking could be the forthcoming introduction of performance league tables. Where such league tables have been applied in Australia, there is evidence of 'benchmark hugging' and 'investment herding', where schemes are reluctant to stand out from the pack and end up behaving in very similar ways.

+ *And one of the things that I did learn early in my pensions career is that diversity is the nearest thing to a free lunch that you get in the investment world. Diversity is important in investment markets. And there could be a real danger of herding if we do go too far down a road where people are uncomfortable at being outside the guardrails in the short term.*

**Alan Pickering**

Given the drive to consolidation and a small number of huge 'mega funds' (far larger than the current largest schemes), innovation through entry to the market is going to be all but impossible. If schemes are risk-averse, we may see little incentive to adopt a different strategy from the 'pack'. The risk is that this could lead to sub-optimal outcomes for members.

+ *The short answer to the question is, is it a bad thing or a good thing if all of this power in DC is concentrated in the hands of a small number of trustees, I would say yes [it's a good thing], as long as those trustees are really, really good. But if those trustees aren't up to scratch, then we've got a major problem.*

**Helen Dean**

## Theme 2. The varying balance of power across the DC landscape

In the first section we highlighted the dramatic concentration of power emerging in DC pensions, with a very small number of people controlling the bulk of occupational pension assets held within Master Trusts.

But our research highlighted considerable diversity in the role of trustees between different Master Trusts, and also a different balance of power in other parts of the DC landscape. So, in this section, we explore the variations across different parts of the DC system.

### a) Master Trusts

Although it is tempting to treat Master Trusts as a single, homogeneous group, in reality, there are considerable differences in how they operate. Differences include, for example, whether they are targeting the mass market or particular segments of the market such as larger firms with better paid employees, and whether they are sponsored by insurers, consultants or other organisations.

One respondent, with experience across multiple Master Trusts, highlighted the fact that, because of their background, some Master Trusts have more of an ‘investment manager’ culture, whereas life company-backed Master Trusts tend to have a different governance structure, including interaction with the board of the insurance company.

Another noted that Master Trusts provided by consultants tend to have access to a large team (for example, in-house investment experts who are already advising a range of other clients), and that trustees in such a scheme might tend to have a more ‘non-executive’ or oversight role, setting broad strategy, reviewing communications etc., but relying more heavily on the provider for expert insights.

In the case of a mutual provider such as the People’s Pension, it was noted (not by a current trustee) that the provider may be more member-focused, and that the scheme’s historic Trade Union links meant that it had been able to attract ‘heavy hitters’ as trustees.

Another difference between different Master Trusts is that some are dealing with huge numbers of (typically small) employers, whereas others have a much smaller number of employers to deal with. As we discuss later in the section on ‘employer voice’, this significantly affects the extent to which the MT is providing highly tailored offerings to individual firms as compared with a ‘one-size-fits-all’ approach.

Comparing Master Trust and Single Employer Trusts, we heard that MT trustees are generally well resourced and can have access to greater resources from the provider. This can include the ability to devote more time and attention to stewardship activity compared with a smaller scheme. The mix of trustees needed for a large multi-employer scheme is also likely to be different to that in a single employer scheme, with more need for diverse skills in the MT setting.

+ *At [our Master Trust], we have well-established policies covering voting, engagement, and ESG and sustainability. I'm satisfied we have decent connections within the Master Trust, and the scale of the arrangement makes it easier to dedicate the time and resources needed to understand what is happening. This can be more challenging in an own-trust environment, where you are a very small voice. Even in a large DC fund, you are often still a relatively small voice within any single fund.*

**Robert Thomas**

+ *I think you hire trustees in a different way in Master Trusts, rather than six to nine generalists, as you might get typically on a trust-based scheme. Master Trusts hire with particular skill sets in mind. For example, [our Master Trust] thought that it would be useful to bring in additional expertise in private markets from somebody that's lived and breathed it. So, you can 'strengthen the bench', as it were, in particular areas as needed and really target those specific skill sets.*

**Tegs Harding**

Within the Master Trust umbrella, there will be some large employers who have moved over from having a Single Employer Trust but are looking to retain some of the advantages in terms of customisation to the characteristics and needs of their particular workforce. In order to win such business, MTs have offered bespoke packages, offering not just attractive pricing and enhanced member services, but the ability to customise things like default investment strategies. This is typically overseen under some form of 'joint governance' arrangement between the trustees of the MT, the provider and the governance committee of the employer. The employer governance committees thus become powerful in their own right, though within the constraints of the overall MT offering, and having to negotiate individual variations in what the MT provides. Such committees will take their own professional advice and will consult their membership about what customisation is most important to them within the wider Master Trust framework.

## **b) Single Employer Trusts**

Under this category, we include freestanding single employer DC arrangements as well as trusts where there is a DC section sitting alongside a DB section. In the latter case, the DC section may once have been the 'poor relation' compared with the typically much larger DB scheme. But this balance is now shifting as DB schemes move towards an endgame and DC assets grow.

We heard some very positive examples of how the closeness between the workforce, the employer and the scheme can lead to much higher levels of engagement and feedback than in what may be seen as a larger and impersonal Master Trust.



*For those member-nominated trustees, we've actually given them regular time out of their day job to go out into depots and just talk about pensions. What that allows them to do is pick up any gripes or issues about their pension from front line staff and then bring them directly to the board. I'll also regularly have a catch up with them to download their thoughts. We're very good at doing depot drop-in sessions as well. We will go and sit in a depot canteen for a day, and I'll bring one of the trustees along with me. And it's really nice to be able to say to people, look, this is the person that's looking after your money, rather than, oh, this is someone that sits on the governance committee of your master trust. You know, this is someone that is actually making those decisions. So, it's really impactful to be able to do that. And they speak with the members' voice as well. They speak the same language and they're a trusted resource for members.*

**Monty Hadadi**

In a similar vein, we heard that in the case of an engaged employer, the role of the company CFO can provide a useful challenge in making sure that the Trust is efficiently and effectively run.

Some of the largest Single Employer Trusts that we spoke to were comparable in size to the mid-range Master Trusts and felt that they could combine scale with closeness to the employer and workforce. Where they were part of a combined DB and DC trust, this gave them additional scale and, in some cases, meant they could use their own investment platform to give them more control, including better access to private market funds.



*We looked at the market and we thought [in 2015], why is it that when we look at the DC market some schemes are investing mostly in passive equities in the growth phase. Our DB portfolio was already diversified, it had private markets, it was active and passive. And we didn't think it was the right thing to suddenly do something totally different in DC for the same people just because they bear the risk rather than the employer. And so, we set up our own investment platform rather than buying an insurance-wrapped one.*

**Naomi Clark**

One obvious potential advantage of a Single Employer Trust is the scope to have a customised default investment strategy (and other forms of customisation) rather than taking whatever is offered as standard by a Master Trust.

Although, as noted earlier, MTs will often offer customisation to the largest employers, typically under some sort of ‘shared governance’ arrangement, we heard that there was a growing reluctance among MTs to go down this route.

Another ‘player’ with considerable power in larger single employer schemes is the in-house pension team. The in-house team may be given considerable delegated authority over things like manager selection or private market allocations. We heard that such teams often had a range of objectives, set by the trustees, which went beyond simply maximising returns.

In another setting, we heard that the relatively generous in-house DC scheme was seen as a key part of the employee remuneration package and that the employer therefore took a close interest in the scheme. This was true even when senior managers of the company were no longer able to contribute to the scheme due to lifetime limits on tax free contributions. In this case, we heard that although the trustees ‘drove’ what happened, the employer had considerable sway.



*The company were the key decision makers in choosing to move to a Master Trust. The DC plan was, and still is, a really important part of the overall reward package, and at the time we had over 10,000 active employees participating in the DC plan, so it mattered a lot to the business. Because of that, most of the member communications and promotional material was driven by the company with Trustee consultation. That said, when it came to things like reviewing the investment strategy, that was very much the trustee’s responsibility, but the company would have representatives attending the meeting, listening and contributing to the discussion and making suggestions as to what might be suitable but ultimately those decisions sat with the trustee.*

**Kate Grant**

However, in many cases, we were told that employers may be far less engaged, leaving the trustees to take on far more responsibility. This could include driving strategy, setting defaults and making decisions based on external advice. In such cases, perhaps of slightly smaller employers, there may not be the support of an in-house pension team, meaning that the trustees may be more reliant on ‘off-the-shelf’ solutions.

### **c) GPPs**

The governance structure for a contract-based arrangement, such as a Group Personal Pension, is very different to that for a trust-based arrangement.

For a GPP, there are no trustees, and the onus is on the provider to meet the needs of the member.

Oversight and governance come through a number of routes:

- Where providers are FCA regulated (such as insurance companies), they are subject to general FCA requirements such as the recent 'Consumer Duty', the requirement to 'know your customer', to 'treat customers fairly' and so forth
- The board of the GPP provider will provide oversight of the operation of the scheme
- GPPs (above a minimum size) are required to have Independent Governance Committees (IGC)

IGCs are not the same as trustees in that they have no decision-making power, but they can have considerable influence. A successful IGC will have regular contact with the provider, offering challenge where consumers are not getting value for money, and publishing an annual report to members. Although these reports might not always be widely read by members, we were told that they would be studied by advisers, who could take the IGCs' views into account when deciding which GPP offering to recommend to an employer.

In extremis, an IGC can report its concerns directly to the FCA if they have not been addressed, though we heard that this would generally be regarded as a last resort and that a more collaborative approach was likely to be more effective. In organisations where there are both trust-based and contract-based arrangements, we heard that it is common for there to be close joint-working between the trustees of the pension scheme and the IGC overseeing the GPP, and in some cases, there was common membership across the two.



*IGCs were introduced by the FCA to act independently of pension providers to assess whether workplace pensions are getting value for money, compared to what is offered by other providers. And one thing I would certainly say, it acts solely in the interests of the members. And IGCs are very independent of the pension provider. The rules basically state there has got to be an independent chair, the majority of the members have to be independent as well. In many ways it acts like a trustee body, but it's got a lot of regulatory weight behind it. I think workplace customers obviously benefit from the FCA consumer duty requirements and other forms of oversight. As IGCs have evolved, their responsibility has increased. The FCA expanded the remit in 2020 to include investment pathways customers and ESG. But I think, if you look in an insurance company, there's a lot of governance already. You've got the companies making sure that it's following its FCA consumer duty guidelines. You've got a board of directors. You've got, senior managers in a certification regime. So, there's a lot of oversight, a lot of regulatory stuff there as well. In many ways, I think IGCs are the cherry on top of a big governance cake already.*

**Colin Stewart**

Opinions varied amongst our respondents as to the effectiveness of IGCs compared with other forms of governance.

One respondent with a positive experience and a responsive provider felt that IGCs could be at least as effective as trustees, if not more so.

But others felt that IGCs tended, by their nature, to be 'backwards looking', picking up problems after things had gone wrong, whereas trustees had power and could help to prevent things going wrong in the first place. The nature of insurance companies with multiple 'back books' of products built up over the years by acquisition also meant that IGCs could find that they had responsibility for overseeing a complex and diverse range of products, whereas trustees could focus on a single scheme.



*I don't think what trustees and IGCs are trying to achieve is markedly different. The way they go about it is obviously very different, because trustees have the power to make decisions and implement changes, while IGCs have the power to challenge the provider, make formal recommendations and escalate concerns if needed. It's a slightly different dynamic, but I think the power of the IGC is very relevant now because there is so much focus on GPPs. Depending on who is at the table, how it's managed, and the governance they have in place, an IGC can be a very effective and powerful tool.*

**Mai Rajah**



*You definitely have more power in a trust-based world because you can make decisions and enact change where needed. Whereas in an IGC world, it's much more about influence. I guess in an IGC world, the stick that you hold there is that you're going to publicly report, but it's still not the same as just being able to make a change and get on with it as you would in trustee world.*

**Kim Nash**

#### **d) Collective DC schemes**

A new feature of the DC landscape is the Collective DC (CDC) scheme. At present, only single employer CDC schemes are permitted, and the only one in operation is that run by the Royal Mail. However, the regulatory framework is well advanced to permit multi-employer CDC arrangements, and the Government is now considering whether and how to allow for 'retirement only' CDC schemes.

Given the relative newness of CDC in the UK, it is probably premature to draw definitive conclusions about the balance of power between trustees, providers and employers, but our conversations did provide some pointers.

We heard that, by its nature, CDC is new and evolving, so trustees face a steep learning curve.



*Under the supervision requirements [for CDC], you have to have a business plan, which covers how the provider is expecting to win new business, how and when they expect to get to scale, and when they're going to be profitable. All of that is contained within a business plan, which you have to review on an annual basis. So from a trustee perspective, we're really overseeing and checking that they are getting to the scale that they expected and that they're putting enough money aside to make sure that they can stand behind that.*

**Kim Nash**

The evidence from countries such as the Netherlands suggests that good communication is a primary requirement if a CDC scheme is to succeed, with members in particular needing to understand the nature of the CDC offering. Setting up good communications is therefore a key priority for trustees at the outset.



*What's interesting with CDC is we're evolving. This has never been done before. As a trustee, we look very much in a practical and curious nature. Is it going to work? How is it going to work? What's the impact on members? Is the calculation fair? How would we make sure that we're measuring, for the future, what good looks like? What are the parameters? How are we ensuring value? It's not about the here and now. It's very much about the path we're going to be following. How are we making sure that communications are effective because it's the most important thing. What are the mechanisms for changing benefits? That's an essential question. Because you don't want to move too quickly, but you don't want to move too slowly and how do you articulate that and what might the impact be? So, it's a very collaborative approach right now. There are a lot of clever people doing a lot of clever things, but if they can't explain it to us and we can't explain it to members, we won't be successful.*

**Alison Hatcher**

Another key consideration for trustees is deciding what principles will determine 'fair' outcomes for different groups of members, within the overall legislative framework. A defining characteristic of CDC schemes is the way in which they pool investment returns, and trustees have to decide how to allocate these returns to members in different cohorts. They also have to decide how to share the 'downside' when investments do not perform as well as expected.

Trustees also need to consider the fact that CDC schemes 'pool longevity risk', in that a CDC pension is paid for life, regardless of whether the member's retirement is long or short. This can lead to cross-subsidy between the shorter- and longer-lived, and trustees need to decide whether and how to address this.

There is no doubt that the role of CDC trustees will evolve as such schemes become more established, and as multi-employer CDC schemes come on stream. But with a relatively new and complex form of provision, the role of trustees will be crucial in ensuring that CDC becomes successfully established in the UK.



### Theme 3. The changing role of trustees

It was clear from our various interviews that the role of trustees across the occupational DC landscape is never static. A combination of seemingly permanent regulatory change and market developments means that the skills needed, and the challenges faced by trustees, are constantly changing.

Some of the key areas and issues highlighted by interviewees included:

#### a) New duties around Value for Money

Although there are existing frameworks for assessing value for members, the Pension Schemes Bill envisages something much more comprehensive, with Master Trusts and other multi-employer arrangements such as GPPs, having to comply with the new regime by 2027, and other schemes by 2028.

Schemes will have to assemble a vast amount of data on historic investment performance over different time periods and for different cohorts of members, as well as on projected future returns. They will also need to gather information on member satisfaction with the service that they receive and turn all of this into a red/amber/light green/dark green rating.

The result of this process will be the collation of a large amount of data, which will be submitted centrally and subsequently used to allow schemes to benchmark their performance on various metrics against their competitors. Trustees will need to carefully consider the appropriate rating for their scheme and also evaluate how other schemes are performing and see where improvements can be made in their own scheme. In the contract space, IGCs will undertake this evaluation, giving them additional power and responsibility.



*There is understandable concern about falling outside the light or dark green “corridor,” given the potential consequences of an amber or red rating, so I do think there are still some important challenges to address in how this framework will work in practice, particularly to ensure it does not unintentionally encourage unhelpful behaviours or stifle innovation. While safeguards are being developed to allow innovation to continue, the approach still has some way to go before it feels fully robust. The focus should be on applying an objective and meaningful test, rather than debating marginal distinctions between shades of green. In this context, I would say that the way [our Master Trust] trustees currently carry out their assessments is thorough and rigorous.*

**Robert Thomas**

## **b) New rules around scale**

As noted earlier, the DC landscape has been consolidating for decades, but the Pension Schemes Bill is designed to accelerate that process. Under the terms of the Bill, multi-employer providers will, with limited exceptions, need to have a ‘main scale default fund’ of at least £25 billion by 2030<sup>20</sup>. This requirement, and wider market pressures, have led to a flurry of merger and acquisition activity in the Master Trust space, which is ongoing. This has required trustees to understand the implications of acquiring new groups of members. Trustees must consider how best to onboard them into an existing Master Trust and ensure that things like investment defaults and member communications remain appropriate for a larger and potentially more diverse membership.

Greater scale will inevitably present both challenges and opportunities for trustees. For example, one respondent pointed out that as schemes get larger and larger, they potentially become larger targets for cyber-attack. Trustees need to ensure both that the scheme is taking all necessary steps to minimise this risk, but also that there are plans in place to deal with such an attack should it take place.

## **c) New rules around decumulation**

For many years, the primary focus of occupational DC schemes has been to enable members to build up a large DC pot which would then be used to secure an income for life by the purchase of an annuity. But the 2015 Pension Freedoms changes saw a collapse in the demand for annuities, with members taking advantage of a much wider range of options for use of their pot to support them through retirement.

To accelerate progress in this space, the Pension Schemes Bill places a duty on trustees to make available “one or more default pension benefit solutions”. This forthcoming requirement has led to the acceleration of work on post-retirement member journeys, often involving some or all of: income drawdown, later life annuity, easy access cash and provision for bequests. Trustees will have to satisfy themselves that their scheme is meeting these new regulatory requirements, as well as understand what other schemes are offering both now and as the market evolves over the coming years.

Several respondents said that the work on developing a decumulation solution for a Master Trust had been a good example of trustees and providers working collaboratively, with each party feeding in ideas and providing feedback as the solution had evolved.

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<sup>20</sup> Note that this does not mean that each individual scheme has to be of this size, as the scale test can be met by aggregating assets from Master Trusts, Own Trusts and Contract-Based arrangements, provided that they are all in the same underlying investment vehicle.

**+** *Working up the options for DC decumulation at [our MT] has been very much a joint endeavour between the trustee and the provider. So, the MT has developed thoughts, tested those thoughts on the trustee, taking trustee comments, worked up the next round of thinking, brought it back. It's been a very good collaborative, engaged process to work up some offerings that we think will be good.*

**Robert Thomas**

#### **d) Decision whether to move to a Master Trust**

A growing trend in recent years has been single employer trusts (of various sizes) opting to move to a Master Trust. In some cases, this involves largely accepting the standard offering provided by the Master Trust or, in the case of larger employers, negotiating something bespoke but still under the wider MT umbrella.

Factors mentioned that may affect the decision to move to a Master Trust include:

- The extent of post-retirement provision, and the new rules requiring single employer trusts to have a post-retirement plan;
- The fact that the Master Trust market has evolved, with major providers now operating at scale and increasing their sophistication in areas such as investment strategy and decumulation options;
- The cost of running an in-house pension scheme, with increasing governance costs, compared with being part of a much larger scheme.

**+** *When we decided to make the decision to transfer it to a master trust, that was a really big deal for the company and for the trustee, but the company took the initiative. One contributing factor was that the DC plan at the time didn't have a retirement solution for members, so members had to transfer benefits to somewhere else in order to retire, which was not an issue when the scheme was set up but as more members reached retirement age this became something that was needed. But the other part of that, of course, is the market had changed. You could see that there were alternatives that might provide a better outcome for members at a cheaper level. We had a very well-run scheme, but the company instigated the potential move to a master trust and then brought the trustee along with them on that journey. And then the trustee took their own advice on whether that was suitable.*

**Kate Grant**

## Theme 4. The employer voice

Although employees are the ultimate beneficiaries of workplace pensions, the legal duty to select a pension provider falls on employers. It might therefore be assumed that employers, who can potentially pick and choose across the market, are some of the most ‘powerful’ players in the DC universe. However, our interviews suggest that this power may be limited in a number of ways, with the voice of employers becoming more ‘muffled’.

The employer is perhaps most powerful at the point of provider selection (or, less commonly, re-selection). This also gives considerable power to the Employee Benefit Consultants who assess the different MT offerings and help employers to make a selection.

Master Trusts compete fiercely for business, particularly at the larger end of the scale. Competition is most obviously on price, but for the larger employers, there is considerable potential to secure a ‘bespoke’ offering.



*If we’re at that early, initial stage – the pitch stage – and the employer tells us there’s something they want for their employees, we’ll take that on board. Maybe it’s an app, maybe it’s a tool, something along those lines. We may commit to it at that point because we know it’s something that could work well for the client and more broadly. Those kinds of conversations can happen at the pitch stage.*

**Mai Rajah**



*We held strong conversations with prospective Master Trusts about the range of funds, including ethical funds and the level of fees that would apply to those funds. We pushed quite hard on that, and we continue to do that actually. We do continue to push to deliver value for money for our members and making the interactions with the provider more digitally focussed where possible because we have quite an engaged and large membership, relatively speaking.*

**Kate Grant**

At the top end, this could include having their own default investment strategy if they felt that their workforce’s needs were not entirely met by the standard offering, overseen by some form of joint governance with the Master Trust. It could also include branded communications so that the member feels as though they are part of the employer’s own pension arrangement (which happens to be provided by a Master Trust) rather than simply being one of millions of members of a Master Trust.

+ *It's very important that we operate in a tripartite type model, where we work closely with employers and trustees, alongside their advisers, to take them on the journey of what we're doing within our defaults. We keep them informed - whether it's that a strategy needs to evolve or an enhancement is required. We get buy in from Employee Benefit Consultants and advisers to make sure they're comfortable with the approach. And if there's any disagreement, we work with them to understand whether it's something we've missed and need to revisit, or whether it's something they may need to look at more closely.*

**Mai Rajah**

There is however huge variation in the relationship between Master Trusts and employers. Nest is the provider of choice for over 1 million employers, whilst the People's Pension has over 100,000 employers signed up. The nature of the employer voice in such schemes is inevitably going to be different to a Master Trust which targets a much smaller number of larger employers, each of whom receives a much more tailored service.

+ *You do need to retain some level of oversight and having a dual governance model is pretty standard. It's a bit more than just a governance oversight function. This sort of model is quite helpful because, from a [Master Trust] trustee perspective, you're looking at the averages. My concern would be if you're looking at the averages, how do you then know what this subset of members require? And from a business longevity point, you don't want them getting frustrated and leaving. So, if you have another voice that could just say, "have you looked at this" or "this could be an issue", it could actually help with the longevity of the service model of the master trust as well. And I think that's just a natural evolution. Does it need to cost a lot of money? No. Does it need to interfere a lot? No. But what it does need to do - I think - is make sure everyone knows their personal interests are being looked out for.*

**Alison Hatcher**

One risk for employers who move from a Single Employer Trust to a Master Trust is a loss of employer voice. For example, a Single Employer Trust in a large firm may well be supported by a dedicated in-house pensions manager and team, who will know the specific features of the company and its employees in detail. Much of these risks being lost in the context of a Master Trust.

+ *Control is a big aspect of it. We have some experience of the master trust market. We have a small master trust arrangement for some of our colleagues. So, we know how that works, and we've done reviews of that market as well. But we just feel that the bigger the master trust, the smaller the voice that we'd have. And control is*

*something that is, at the moment, quite important for us. So, we did feel that the benefits of staying in our own trust are worth it for the moment.*

### **Monty Hadadi**

Master Trusts do, of course, try to put mechanisms in place to make sure that the employers, who are their key ‘customers’ from a commercial point of view, are kept happy. For larger employers, a bespoke investment strategy overseen by ‘shared governance’ may be available, though we heard that some Master Trusts do this only reluctantly, in part because of the extra governance burden that this puts on the scheme.



*We’re slowly moving away from the world of bespoke default strategies. Five years ago, there was still a big discussion about bespoke solutions, with employers saying, ‘Our membership is very different.’ Those conversations are now reducing. We’re moving away from the bespoke world partly because the level of investment focus among providers has increased significantly over the last few years. As teams have grown and more capability has come in, employers and trustees are now looking at some of the off-the-shelf defaults and saying, ‘These are state-of-the-art, well-managed, with best thinking built in. So, do we really need something bespoke?’*

### **Mai Rajah**

We heard a number of examples of how large Master Trusts seek to maintain good two-way relationships with larger employers. These included:

- Standard Life, which has nominated trustees linked to large employers; this trustee may attend the (joint) governance committee meetings as well as meeting the employer directly, based on the employer’s needs. The company and the trustees also hold regular events and smaller forums where employer representatives are briefed on developments in the scheme as well as wider pensions issues and can feed back directly to the trustees;
- L&G, who also holds employer forums which are attended by trustees, providing useful feedback from employers; the meetings are structured so that for part of the meeting the provider ‘leaves the room’, so that employers can speak directly to trustees and raise any concerns directly.

In terms of employer engagement, once in a Master Trust, we heard from one particularly engaged employer who moved significant sums into a Master Trust relatively recently. Their ongoing engagement included:

- Three yearly reviews of the provider, with regular reviews of the wider market;

- Attending employer forums, and getting the provider to speak directly to the company;
- Raising service issues;
- Input on ESG;
- Pressure to improve the provider 'app'.

Although much of the above reflects the 'voice' of larger employers, it was pointed out that active larger employers pressing for improvements to the Master Trust offering will often benefit all members of the scheme, including those who work for smaller firms.

With regard to Group Personal Pensions and other contract-based provision, similar considerations apply, though there is no direct parallel with the role of trustees in a Master Trust. Large employers can certainly negotiate better terms for their workers from a GPP than smaller providers, but even those who work for a smaller firm can enjoy the wider range of options (such as wider fund choice) available in a GPP compared with a typical Master Trust.

Whether with a Master Trust or a GPP, the ultimate 'voice' which an employer can use is to threaten to change provider. This is, however, something of an extreme option, involving considerable cost for the employer. Once a relationship has been established between a company, its employees and a chosen Master Trust, disentangling things can be messy. Payroll systems will have been set up to integrate with the Master Trust's systems, and employees will have been hearing regularly about the incumbent MTs scheme, potentially including in-person or online webinars, etc, provided by the scheme. Going through the process of re-tendering and potentially choosing a new provider can be costly and would only be likely if a Master Trust were seen to significantly underperform.

So far, there have been relatively few examples of major employers switching wholesale from one Master Trust to another. In part, this may reflect the terms of original contracts, which did not allow for such bulk transfers of the stock of existing funds. But, more recently, it has been normal for firms to sign up to a provider on the basis that, if they should decide to move providers, they can now move the accumulated assets with them. This should, in principle, make that employer a much more attractive prospect.

It will be interesting to see whether the proposed 'Value for Money' ratings and league tables change this dynamic at all. In theory, it will be far easier to see if a scheme is under-performing and potentially easier to use comparator data on elements of scheme performance to press for improvements from an incumbent scheme. But in practice, it may well turn out that most schemes end up with a good 'light green' rating, giving relatively little basis for changing.

Indeed, based on experience in Australia, the creation of league tables may lead to a convergence of investment strategies and investment performance as schemes 'hug'

their respective benchmarks and are reluctant to risk becoming an outlier. Ultimately, there is a risk that this whole process actually reduces employer choice as the core features of different providers start to look remarkably similar.

*I'm not sure where the incentive to really improve and innovate and move the paradigm on comes from in that world. And I can't see that in the system that's being designed. And I think that's something that is absolutely essential. It's really, really necessary that we have that sort of pressure. It's one of the areas that troubles me about the direction that we're heading in. I am concerned that we are moving to a world where everybody wants to be pale green, that you'll get herding around the safe place in pension funds.*

**Helen Dean**

It is clear that for the system to work well, providers need to be held to account by employers, including the threat to take business elsewhere.

Employers need to be supported in this by taking expert independent advice based on constant monitoring of the market and of the different offerings of alternative providers.



## Theme 5. The member voice

The importance of member voice in the oversight of pension schemes has a long history in DB pensions, with a legal requirement to have at least one third of trustees nominated by members. But it is much harder to see what the concept of ‘member voice’ means in schemes where memberships are often numbered in the millions, and where it is the employer rather than the member who first selected the scheme.

Concerns over the representation of members were expressed especially strongly by the Association of Member Nominated Trustees (AMNT) in their response to the recent DWP consultation on trusteeship. They wrote:

*“We believe that the inclusion of the member voice in governance is crucial as part of a well- balanced, diversified board of trustees. Member trustees are the only group with “skin in the game” in the decision making of the pension scheme and with no business interests in the process. There is no way in which this can be replicated. They also bring a level of cognitive diversity which is difficult to achieve in any other way in a small, concentrated pensions industry. In particular we are suggesting that the inclusion of member trustees in DC schemes of every size is even more vital as members are the only significant risk holder in this scheme structure”.*

The largest scheme by membership by some margin is Nest. As well as having a more traditional ‘member panel’, the scheme has recently been innovating with new ways of engaging with members and hearing their voice. Initiatives have included:

- Residential sessions for a representative sample of 50 members held in London and Manchester over two weekends, giving time to explain and explore the working of the scheme, and to obtain feedback
- A comms campaign based on a coach tour around Yorkshire, enabling a selection of members to see for themselves some of the projects in which Nest’s assets are invested
- The Yorkshire coach tour forms part of a broader Nest social media campaign entitled ‘Everyday investor’, helping members to understand that their funds are actually invested (rather than being in some form of bank account) and what this means in practice.

We also heard a wide range of other initiatives which trustees or providers had undertaken to try to better connect with their membership.

- The L&G trustees hold an annual member forum, with different content for different cohorts (eg those nearer to, or further from retirement); there was a high level of engagement with one webinar generating around 1,600 questions in advance and approaching 3,000 in total;

- Tesco, which has its own joint governance arrangement as part of the L&G Master Trust, has commissioned specialists in consumer research to interview members and understand their views;
- Other Master Trusts reported using a range of methods to gauge member views and concerns including:
  - Surveys on specific topics such as Responsible Investment;
  - Using data from complaints and from service centres more broadly to understand what issues members are raising and how they are behaving;
  - Letting trustees observe member focus groups;
  - Undertaking behavioural research to see how members are likely to act at key decision points, notably at retirement, and to consider whether ‘nudges’ (including targeted support) might help members to achieve good outcomes.



*It is important for Master Trust trustees to drill down into the characteristics of the members. You could have a Master Trust which has a very large retailer within it and also a company with well-paid, scientifically oriented engineers and so the trustees do need to provide the same sort of focused treatment as they would do were they trustees of an own trust arrangement.*

### **Alan Pickering**

One particular challenge we heard about was engaging with deferred members – who may make up the majority of some schemes – where engagement via the workplace was no longer an option.

As well as being worthwhile in its own right, engagement with members was seen as one way of encouraging loyalty to the scheme, so that members who were considering consolidating in the run-up to retirement were more likely to consolidate ‘in’ to the scheme rather than taking their money out.

As schemes grow, the importance of member segmentation was stressed, with trustees needing to see the membership as a collection of different groups with different needs and attitudes, and to customise their approach accordingly. It was also pointed out that this is not a static landscape, and that what worked when pots were typically small and cashed out at retirement might no longer be appropriate as pots grow larger and members are more likely to be interested in remaining invested to and through retirement.

+ *Regardless of not having member nominated trustees, there are many interfaces with the membership, literally daily, hourly, by the minute, frankly, in terms of what they're ringing up customer service about, queries that come out of newsletters, bulletins, webinars, etc. There are ways of gathering that end user perspective one way or another. There's a constant feedback cycle. It's done more that way than necessarily trying to replicate the member nominated trustee framework.*

**Raj Mody**

+ *Across the market, retirement support for members needs improvement, we need to provide more support to guide them through those key decisions. After a couple of years going back and forth, we managed to get [our Master Trust] to make sure this is a strategic priority at a business level. And as soon as it becomes a strategic priority at a business level, things start moving and development happens. Being clear on your priorities and aligning these with the provider allows improvements to be made in the areas which will have the most impact for members.*

**Kim Nash**

+ *Master Trusts and providers are very conscious of putting their members' perspectives at the forefront of each decision. We place great value on understanding members' views, although gaining this insight can sometimes be challenging. Thousands of members take part in virtual member forum meetings, which is very encouraging, and we also make use of tools such as online polling. However, these approaches naturally tend to reflect the views of the most engaged members. In addition, the provider undertakes behavioural research with representative groups on topics such as decumulation, working closely with participants to understand their preferences. This is an area where scale enables particularly valuable insight, which an own trust may find harder to achieve, although own trusts may have more direct engagement with their membership.*

**Robert Thomas**

+ *In a Master Trust or a large own trust scheme, for example, you can imagine you can get many different views from members. You have to aggregate those views and identify what matters to the majority – and that's why I come back to the member. The key priority for members of the Tesco Retirement Saving Plan is to maximise their savings whilst investing their contributions responsibly. We then got helpful direction on what responsible investment means in practice based on the key areas that matter most to them. We then aim to integrate those preferences to the investment strategy and our stewardship priorities – which we monitor.*

**Ruston Smith**

In the case of Single Employer Trusts, member voice was seen as much easier. There is potentially a much closer link between the (active) members and the scheme, and in cases where the DC section of a Trust sits alongside a DB section, there may be member-nominated trustees from the DB scheme who can also provide a member perspective in the DC scheme. It is also more likely that the workforce of a single employer will be more homogeneous than the millions of members of a Master Trust spread over many thousands of workplaces, and this makes it easier to tailor the offering for the particular needs of a specific workplace.

For Group Personal Pensions, the problems of vast memberships and member voice are similar to those of Master Trusts. In the case of GPPs, the rules require that the chair of the IGC must be independent of the provider and that a majority of members should also be independent.

For all multi-employer arrangements, whether Master Trusts or GPPs, we heard that the employer can also act as a conduit for the member voice. For example, if members are dissatisfied with their current arrangements, employers might consult their employees before selecting a new provider.



## 4. Implications of this research for the DWP consultation on trusteeship

In December 2025, the DWP launched a consultation on trusteeship<sup>21</sup>, which closed in March 2026. The Government is currently considering the responses which it received.

A key theme of the consultation is that the pension landscape (both DB and DC) is moving towards a smaller number of larger schemes. The Government's central premise is that members will benefit if they are part of a large and professionally run scheme, and it is keen to accelerate that movement.

There is a lot in the consultation about driving up standards of trusteeship across the board, about the role of professional trustees and so forth.

But, on the specific issue of the governance of “mega funds”, there is just a single consultation question which relates to potential conflicts of interest. The government is concerned that where trustees are ‘employed’ by the provider, their willingness to challenge may be limited – perhaps especially if they are looking to renew their term as trustees.

Ironically, this was one concern that our research suggested might be overstated. We heard that it is an advantage to a Master Trust in a competitive market to be seen to have independent-minded and effective trustees, holding the scheme to account on behalf of members. If a Master Trust set-up appeared too ‘cosy’ to employers, they may be more inclined to look elsewhere.

But this does not mean that we can simply relax about governance in large Master Trusts. Our research has highlighted a number of concerns which did not receive much attention (if any) in the DWP consultation. These included:

- How can we ensure diversity of thought and behaviour, when some ‘mega funds’ are overseen by just four or five people?
- Is the balance of power right between this small group of trustees on each scheme and the pension scheme provider? How can they be supported to provide more effective oversight?
- What will be the source of independent thought and innovation in a pension landscape dominated by a handful of giant players with no realistic threat of market entry? And will the new VFM framework and league tables create even more pressure for conformity and not standing out from the pack?

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<sup>21</sup> [Trust-based pension schemes: Trustees and governance, building a stronger future - GOV.UK](#)

- How are these ‘mega trustees’ themselves overseen, especially in a situation where individual members or even individual employers may have relatively little voice in a massive scheme?

There are, of course, some answers to these challenges reflected in this report, including, for example, initiatives to try to improve the ‘pipeline’ of potential future trustees. And the trustees we spoke to were keen to stress that, as well as input from the provider, they are able to commission their own independent expert advice from a range of sources.

But our clear view is that the Government should not and must not regard getting members into ‘mega funds’ overseen by a handful of highly skilled professionals as ‘job done’ when it comes to good governance. Much more thought needs to be given to how these trustees can be both supported and held to account in the interests of the millions of members whose interests they are ultimately there to serve.



## 5. Conclusions

For many years, DB schemes have dominated the pensions landscape, but this is now changing.

Private sector DB assets are now down by a third from five years ago, driven by a stream of de-risking transactions with insurers and by dramatic market movements. Meanwhile, DC assets are on a sharply increasing trajectory. It seems quite likely that DC assets will exceed DB assets in the UK by the early 2030s.

The DC pension system is therefore of key importance. And so, it matters that we understand where the power lies in the DC landscape, so that we can better engage with these ‘pensions powerbrokers’. We need to understand how they make decisions and how best to ensure that members and the wider economy benefit to the fullest extent possible from the rapid growth of DC assets.

For this research, we interviewed key players across different types of schemes in the DC landscape. We spoke to trustees, IGCs, providers and employers to better understand how they are thinking.

In light of this, we identified several key themes:

- **A dramatic concentration of power in the hands of a small number of trustees of DC ‘mega funds’**; concentration in occupational DC has been a long-term trend, but current government policy and market developments are accelerating this process.
- **We foresee a world by the mid-2030s where perhaps six to ten giant ‘mega funds’ are averaging £150bn+ across their DC default funds**; whilst these trustees are likely to be highly expert and experienced (and indeed, securing such a role will become a big ‘prize’ in future), we identified a challenge in ensuring a diversity of thought within and between these schemes; with just a small number of people in charge, and with forthcoming league tables providing a further incentive to ‘herd’ and not stick out from the pack, the risk is that innovation is stifled and that consumers lose out;
- Notwithstanding the clear concentration of power in the hands of Master Trust trustees, we note that **the DC landscape is more than just a few Master Trusts**; in particular, we highlight the contract-based space of Group Personal Pensions and the like, where it is the provider who is largely in control; although the balance in DC is shifting towards trust-based provision, at present there is more money in GPPs than there is in MTs, and so for the foreseeable future, these providers will also be key players in the DC landscape;
- We observe that the DC landscape continues to change rapidly, and thus **the skills needed by trustees and others with governance responsibility will continue to evolve**; as well as the obvious shift to fewer, larger schemes, major

new challenges include mandatory defaults in decumulation, engaging with the new VFM framework and responding to the ‘productive finance’ agenda; the skills which trustees have used to help Master Trusts achieve initial authorisation and enter a growth phase may be very different to those needed in the longer term when overseeing one of a small number of strategically significant economic institutions;

- **The need for new skills is particularly seen in the emerging CDC sector;** we will soon move from a situation where the UK has one (large) single employer whole-of-life CDC scheme to one where there is a range of multi-employer CDC schemes on offer, as well as new ‘retirement-only’ offerings. Trustees in this sector are already grappling with important issues such as fairness between different groups of members and effective communications as these schemes get more established.
- Although employers are in many ways the key decision-makers in this whole process, choosing between competing providers to meet their duties under automatic enrolment, **the ‘voice’ of the employer seems to us to be rather muffled;** whilst the largest employers can negotiate a ‘bespoke’ package with a Master Trust, sometimes going as far as having their own investment strategy, overseen by a ‘joint governance’ structure, many others are largely passive takers of the provider’s default options; we heard some good examples of how schemes try to engage with employers and to ensure that trustees hear the employer perspective directly (rather than mediated via the provider), but this will continue to be a challenge – especially for MTs where the employers are numbered in the hundreds of thousands;
- If the employer voice is ‘muffled’, then **the member voice risks being largely silent in large parts of the multi-employer space;** we heard some examples of good practice with schemes using a range of strategies to understand more about their members’ attitudes, but with memberships running into millions it is clear that a small number of members at an event or on a panel cannot hope to be ‘representative’ of the entire membership in any meaningful way; schemes will have to ensure that the ‘member voice’ that they hear is not simply that of those who shout the loudest or have a bee in their bonnet about a particular issue.

Our key reflection is that the DC landscape seems to be going through something of a ‘permanent revolution’, which will present new challenges and opportunities. The good governance of these new schemes will be key to good outcomes for members and wider society. Much more thought needs to be given as to how to ensure effective governance (and employer / member voice) in a model built around a small number of huge schemes with a handful of people overseeing each.

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