



ASSOCIATION OF CONSULTING ACTUARIES

Association of Consulting Actuaries Limited · Second Floor (203) · 40 Gracechurch Street · London · EC3V 0BT  
Tel: +44 (0)20 3102 6761 · Email: [acahelp@aca.org.uk](mailto:acahelp@aca.org.uk) · Web: [www.aca.org.uk](http://www.aca.org.uk)

12 January 2018

Sarah Dunn  
1st Floor  
Caxton House  
Tothill Street  
London  
SW1H 9NA

BY EMAIL TO: [mastertrusts.regulationsconsultation@dwp.gsi.gov.uk](mailto:mastertrusts.regulationsconsultation@dwp.gsi.gov.uk)

Dear Sarah

### **Consultation: Draft Master Trust Regulations 2018**

I am writing on behalf of the Association of Consulting Actuaries in response to the consultation on the draft regulations for the authorisation and supervisory regime for Master Trusts. We do not have responses on all the specific questions raised in the consultation and so I have set out our general comments under the four main topics under consideration, as set out below. Equally, we believe there are other organisations who are better placed to comment on the effectiveness of the detailed drafting of the proposed regulations and will therefore generally not comment on this aspect of the consultation.

#### **Scope and Application**

We believe that the scope has been sensibly and clearly defined. The exclusion of various categories of scheme is entirely appropriate and there are robust provisions to limit the opportunities for abuse.

#### **Authorisation Process**

The proposed process is appropriate and generally strikes a good balance between imposing obligations on providers and protecting members. We expect the Code of Practice to be helpful in establishing exactly what is expected and required. Although the application fee is yet to be finalised, we note the expectation of the likely level of this charge and the intention to differentiate between applications for authorisation from existing and new Master Trusts. We believe it is justified and appropriate to levy a higher fee from existing providers for the reasons stated in the consultation document.

However, we recognise that the existing providers may feel this is unfair, particularly as it is effectively a retrospective tax on the business. In practice, we suspect there will be few new entrants to this market and we support the overall intention of meeting the costs of handling the authorisation process from the charges levied on the applicants.

### **Authorisation Criteria**

We welcome the detailed requirements for fit and proper persons, adequate IT systems, continuity strategies and particularly financial sustainability. These are all important criteria in ensuring that members are appropriately protected.

### **Controls and Monitoring**

There are some areas where the requirements will be challenging, such as the inclusion within the Business Plan of information about the potential apportionment of Section 75 Debts and relatively short deadlines for informing members of certain events despite the huge numbers of members in some Master Trusts (and the expectation of more consolidation over the coming years). However, we do not believe that these are necessarily disproportionate when considering the overriding need to protect members and instil trust in the pension saving environment.

We do believe that setting out the detailed requirements for the Business Plan in the Code of Practice rather than regulations would be appropriate and would allow more flexibility in future as the Master Trust market evolves.

I hope these comments are of interest and would be happy to expand or clarify if this would be helpful.

Yours sincerely

*Hugh Nolan*

### **Hugh Nolan**

Chairman, DC Committee

On behalf of the Association of Consulting Actuaries Limited

Enc

### **About the Association of Consulting Actuaries (ACA)**

Members of the ACA provide advice to thousands of pension schemes, including most of the country's largest schemes. Members of the Association are all qualified actuaries and all actuarial advice given is subject to the Actuaries' Code. Advice given to clients is independent and impartial. ACA members include the scheme actuaries to schemes covering the majority of members of private sector defined benefit pension schemes.

The ACA is the representative body for UK consulting actuaries, whilst the Institute and Faculty of Actuaries is the professional body.

### **Disclaimer**

This document is intended to provide general information and guidance only. It does not constitute legal or business advice and should not be relied upon as such. Responding to or acting upon information or guidance in this document does not constitute or imply any client /advisor relationship between the Association of Consulting Actuaries and/or the Association of Consulting Actuaries Limited and any party, nor does the Association accept any liability to any person or organisation relating to the use of such information or guidance.