Ready, set … wait

Amid continued focus on the value of consolidation, Sophie Smith takes a closer look at the recent progress made on introducing DB superfunds to the pensions industry and the alternatives that are already waiting in the wings

Progress around defined benefit (DB) pension superfunds is seemingly well underway, with The Pensions Regulator (TPR) chair, Sarah Smart, confirming this at the recent Pensions and Lifetime Savings Association (PLSA) Annual Conference 2021.

"We are in the process of assessment, and as soon as we've set out our guidance and what our expectations are and when we assess super funds that meet our expectations, then they will be published on our website," she said.

TPR executive director of regulatory policy, analysis and advice, David Fairs, also recently addressed queries around the potential introduction of an authorisation regime for pension superfunds at the Society of Pension Professionals Conference Month. At the event, Fairs emphasised that the regulator was supportive of the introduction of an authorisation regime, noting the benefits of consolidation and economies of scale that superfunds can provide.

However, he explained that they also present different risks, stating that TPR believed it was appropriate there was an authorisation regime and powers for it to deal with them on an ongoing basis.

"With that, we are in discussions with colleagues at the PRA, the Treasury and the DWP about what that authorisation regime might look like, and discussions are ongoing," Fairs said.

"I think all parties think it would be a good idea to have that authorisation regime in place and for that to be brought forward as soon as time allows in parliament."

Industry experts had previously speculated that progress on primary legislation for DB superfunds could be made sooner than expected, after The Pensions Regulator's *2021-24 Corporate Plan,* published in May, predicted that the Department for Work and Pensions' (DWP) legislative framework would be introduced from 2022/23.

Furthermore, speaking on a podcast in May, TPR CEO, Charles Counsell, said: "We passionately believe that we must get superfunds onto a statutory footing. The interim regime is good, but this is only as good as people engaging with it. So, putting that on a statutory footing is hugely important."

However, whilst DB superfunds are still waiting for the starting pistol to sound, alternative options around DB consolidation are ready and waiting for pension scheme trustees.

Pensions Minister, Guy Opperman, recently drew attention to the role of DB master trusts, for instance, announcing the launch of a self-certification system for these vehicles.

The self-certification system, which will be hosted by the PLSA, is expected to help raise awareness of the potential services and benefits that DB master trusts can provide and will help DB schemes assess whether master trusts could be suitable for their members.

The master trust self-certificates are a standard template, designed by a DWP-led industry working group, which allow DB master trusts to provide information on their structure and how they operate.

Addressing the PLSA conference to announce plans for the regime, Opperman said: "We are doing more to help encourage and promote exiting forms of consolidation in the DB sector.

"I've set out the direction for travel, and there are, in my view, exciting times ahead."

Commenting since on the launch of the self-certification regime, Opperman also suggested that self-certificates will make it easier for pension scheme trustees and employers to consider if a master trust is right for them by providing information on how they work and the benefits they bring.

"Consolidation is key to achieving value for money – driving lower costs and opening doors to wider investment opportunities. I encourage all providers of DB master trusts to submit a self-certificate," he said.

This message is also being seen in wider government activity, as in a recent challenge to the pensions industry, Prime Minister, Boris Johnson, and Chancellor, Rishi Sunak, also highlighted superfunds as key to delivering on the 'investment big bang' post-Covid.

"The DWP is reforming the cap on fees that DC schemes can charge to ensure that they are not penalised for over-performance, as well as accelerating the consolidation of the pension sector, including through vehicles such as superfunds," it stated.

Written by Sophie Smith