

Trusteeship in transition

Lessons from authorisation and supervision - a blueprint for change?

The UK pensions landscape is transforming rapidly. Trusteeship faces rising expectations from regulators, policymakers, and sponsors, requiring a balance of fiduciary duties, regulatory demands, costs, and diversity of skills.

The December 2025 DWP consultation envisions “a smaller number of bigger and better schemes overseen by highly skilled, independent trustees applying good governance and delivering the best outcomes for savers without conflicts of interest.”

Raising the bar: New standards for trustees

The DWP consultation signals a decisive shift in the standards expected of trustees. At its core is a move towards centrally defined standards for professional trustees, which marks a departure from the current system of industry self-regulation. The government and The Pensions Regulator (TPR) aim to set and enforce standards for accredited trustees.

While accreditation isn't mandatory, most firms already ensure directors are accredited. TPR expects this, and the consultation proposes stronger,

consistent requirements to ensure trustees have the skills, experience, and independence to deliver for savers.

Crucially the consultation also recognises the value of lay and independent trustees, who bring diversity of thought and challenge to boards. While higher standards are proposed for professionals, the government is keen not to discourage lay participation acknowledging the diversity and richness of perspectives they provide.

Segmented supervision: A new approach to oversight

TPR is rolling out a risk-based supervision model to address systemic and scheme-specific risks, foster innovation, and strengthen governance for better member outcomes.

The segmented supervision model replaces the previous one-size-fits-all approach and categorises schemes into four distinct groups. Many single employer trust arrangements are now experiencing direct supervision for the first time, with oversight tailored to a scheme's risk profile. This targeted oversight model is designed to enable meaningful engagement and faster intervention where needed.

Master trust authorisation & supervision: A helpful blueprint?

Introduced in 2018, master trust authorisation established a rigorous regulatory framework for multi-employer DC schemes. To achieve and maintain authorisation, master trusts must meet high standards in governance, financial sustainability, administration, and member protection. Many of these principles are now being extended to the wider market through segmented supervision and the proposals outlined in the DWP consultation.

Board effectiveness: Assurance and accountability

Effective boards require professional expertise, empathy, and lived experience. The DWP proposes regular independent effectiveness reviews to align pensions governance with corporate norms and ensure boards remain fit for purpose.

Although accreditation is not currently mandatory, many professional trustees appointed to master trusts are accredited. TPR's General Code of Practice sets an expectation that professional trustees should be accredited and the DWP's consultation appears to be taking this further, by strengthening the requirements for professional trustees.

Master trusts offer a useful blueprint;

- **Minimum board size:** At least three trustees, with a majority (including the Chair) being 'non-affiliated' to ensure objectivity and robust oversight.
- **Terms of office:** Limits on how long a trustee can serve.
- **Recruitment of trustees:** Appointments are made through open and transparent recruitment process.
- **Regulatory notifications:** Trustee appointments must be reported to



TPR, supported by evidence of fitness, propriety, and suitability for the role; collective board competency must also be demonstrated.

While continuity has its benefits (and there may be cases where trustees should remain in place for extended periods) limiting terms of office introduces fresh perspectives and ensures alignment with evolving member needs and the changing dynamics of the scheme.

Diversity, experience and skills

TPR's 2025 *DC Schemes Survey* shows over 90 per cent of master trusts appoint professional trustees. The goal is a balanced mix of expertise, empathy, and lived experience, with regular refreshment for fresh perspectives.

Unlike single employer schemes, commercial master trusts do not have member-nominated trustees (MNTs). This is largely due to confidentiality issues across a membership base spanning multiple unconnected employers, as well as the significant time commitment required. Yet, MNTs are widely recognised for the diversity of thought and constructive challenge they bring, along with unique skills and perspectives that enhance overall board effectiveness.

The DWP consultation acknowledges this and highlights how master trusts often use member forums or other mechanisms to ensure the member voice is heard. However, the question remains: does this go far enough?

Another emerging trend is the inclusion of restrictions in trustee appointment terms, such as prohibiting service on another commercial master trust board. The DWP consultation recognises the potential for conflicts of interest in situations where professional trustees serve across multiple schemes and emphasises the need for robust conflict-of-interest management and governance frameworks. While it stops short of mandating explicit bans,

the paper calls for stronger codes of conduct and clearer standards to address overlapping roles and protect scheme integrity.

Master trusts are largely self-regulating in this space, with many now introducing restrictions in trustee appointment terms. This raises an interesting question and whether similar principles should apply to advisory firms working with master trusts.

Protecting members: Financial resilience and contingency planning

A cornerstone of master trust authorisation is financial resilience and robust contingency planning. The requirement to maintain sufficient capital reserves and detailed continuity plans ensures that the schemes can operate during periods of stress, protect members' benefits, and fund an orderly wind-up if necessary. The reserves must meet certain thresholds and be securely ring-fenced for the benefit of trustees.

In contrast, single employer schemes are not required to hold financial reserves or maintain such detailed continuity plans. Instead, there is an expectation that the sponsoring employer will step in if needed. However, this safeguard could fail if the employer is experiencing financial difficulties.

More consistent safeguards should be considered, though employers may resist setting aside capital.

Robust governance and external assurance

Robust governance is the cornerstone of a well-functioning pension scheme. While good governance is not exclusive to master trusts, authorisation and supervision requires clear evidence that robust systems and processes, effective risk management and strong decision-making protocols are being carried out by an experienced and knowledgeable trustee board.

This governance is subject to external assurance, most notably the AAF TECH

05/20 audit standard, developed by the Institute of Chartered Accountants in England and Wales (ICAEW).

This standard assesses the design and operational effectiveness of internal controls, verifying that governance frameworks are not just theoretical but work in practice. It covers:

- Trustee decision-making and oversight
- Investment governance
- Member communications
- Data integrity and cyber resilience
- Administration and service provider oversight.

The DWP consultation places significant emphasis on improving administration standards and ensuring trustees have clear accountability for operational resilience. External assurance of administration controls through frameworks like AAF TECH 05/20 may go some way toward supporting these objectives.

A new era for trusteeship

Trusteeship is entering a new era of professionalism, independence, and evidence-based oversight. Complexity demands technical fluency, judgement, and independence. Professional trustees bring expertise; lay trustees add member insight. Diversity remains critical and initiatives like PMI's Trustee Acceleration Programme (TAP) are attracting new talent.

Higher standards can coexist with support for lay trustees and structured accreditation pathways, strengthening governance while preserving diversity.

The consultation period began on 15 December 2025 and runs until 6 March 2026.



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