

Regulatory regime and member protection

The People's Pension is a **master trust**, rather than a contract-based **stakeholder pension** like EasyBuild. This means there are differences in the regulatory and investor protection structure of EasyBuild and The People's Pension.

The move from an insurance to a master trust structure will result in a reduction in the regulatory capital that B&CE are required to hold to cover the risks we may face – because current regulations do not require capital to be held for master trusts. But this is due to change shortly...

Pre-empting the Pension Schemes Act 2017

The Act will:

- significantly improve the regulatory protection of members of master trusts
- introduce a new authorisation regime for master trusts
- give new powers to The Pensions Regulator (TPR).

It will require master trusts to hold minimum levels of capital, or have access to enough capital, to meet the costs of continuing to run the master trust under a continuing option – while arrangements are made to wind it up by transferring its assets to another master trust. This could be for a period of between 6 and 24 months as approved by TPR.

The new capital requirements (policed by TPR) should provide comfort that The People's Pension funding entity will hold the necessary funds to meet costs associated with a winding up event.

B&CE management plans to self-impose these capital requirements early. And we plan to hold approximately £10 million to cover this risk.

continued overleaf



What is a master trust? (like The People's Pension)

It's basically a pension scheme that multiple employers can use – with independent Trustees who look after pension savings on behalf of all the employees who are members.

Also known as a 'multi-employer scheme'.



What is a stakeholder pension? (like EasyBuild)

A type of personal pension scheme that works flexibly – handy for freelancers, people out of work, and even children.

In the past stakeholder pensions were a popular offering at work. But since the automatic enrolment law came in, companies are swapping to solutions like The People's Pension.

The People's Pension is already a master trust with 'Type 2 Assurance Framework'

Even prior to the new legislation proposed by the government, strong governance has been a key feature of The People's Pension...

We've obtained independent master trust assurance to help demonstrate that our standards of governance and administration meet the standards set by TPR.

To this extent we are included on TPR's list of schemes that have obtained this assurance (see for yourself at www.thepensionsregulator.gov.uk/trustees/master-trust-assurance.aspx).

FSCS protection

Another element of member protection is the level of cover provided by the Financial Services Compensation Scheme (FSCS). B&CE's view is that members are no less protected in The People's Pension than under EasyBuild...

EasyBuild policyholders have the cover of the FSCS. This covers B & C E Insurance Limited failing, and may cover Managed Pension Funds Limited (MPF) for 100% of the investment.

In relation to The People's Pension, all contributions are invested in pooled investment funds accessed via a contract of linked long-term insurance with MPF.

In the event that MPF becomes insolvent, it may be possible for any deficit to be recovered from the FSCS. For claims relating to long-term insurance policies, the maximum compensation is 100% of the claim with no upper limit. This position has yet to be tested.

However, it's not a straight-forward task to determine the level of protection that different scheme assets would have in the event of adverse events. And it's true for all trust-based occupational schemes that they may not always be able to definitively establish the extent to which their scheme's assets are covered.

In fact, there are no definitive criteria for establishing the extent to which an occupational pension scheme is covered – instead, the FSCS confirm coverage on a case-by-case basis.



What does 'Type 2 Assurance Framework' mean?

The master trust assurance framework was developed by the Institute of Chartered Accountants in England and Wales (ICAEW) and TPR as a quality standard to enable master trusts to demonstrate high standards of scheme governance and administration.

The second level of master trust assurance tests how effective control procedures have been over the last year.



Want to know more?

Find out more about the security of your savings under The People's Pension at www.thepeoplespension.co.uk/security