

Holding the purse strings



Rethinking member representation
in pension scheme governance

Karan Kalsi | 12 October 2026



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About this report

Pension schemes should be central to the debate on who owns capital, who exercises control over it and who participates in important economic decisions. UK pensions hold more than £3 trillion in assets, ultimately derived from the deferred wages and savings of millions of workers. Yet decisions over how that capital is deployed are increasingly concentrated among a small number of trustees, providers and financial intermediaries. This report proposes that there should be a universal statutory floor of at least one third member representation across all categories of pension schemes. Crucially, the government has several practical legislative and regulatory routes through which this policy could be implemented. However, this report also identifies secondary legislation and regulatory avenues through which member representation could gradually be made mandatory.

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About the Fairness Foundation

The Fairness Foundation works to change the debate around fairness in order to build a fairer Britain. We are a registered charity (1044174). Our vision is a Britain where everyone has the 'fair necessities' (fair essentials, fair opportunities, fair rewards, fair exchange and fair treatment). We believe that inequality is not only unfair and unpopular but is also damaging our society, economy and democracy. We work to persuade UK policymakers of the moral, the political and the policy arguments for tackling inequality.

Cover: Detail from *The Sampling Officials of the Amsterdam Drapers' Guild, Known as 'The Syndics'* by Rembrandt van Rijn, 1662

Executive summary

Pension schemes should be central to the debate on who owns capital, who exercises control over it and who participates in important economic decisions. UK pensions hold more than £3 trillion in assets, ultimately derived from the deferred wages and savings of millions of workers. Yet decisions over how that capital is deployed are increasingly concentrated among a small number of trustees, providers and financial intermediaries.

Reforms passed by the Labour Government via the Pension Schemes Act 2026 risk consolidating the pension market at the expense of marginalising member representation. Consolidation is creating fewer, larger and more professionally managed pension schemes, while defined contribution (DC) schemes place investment risk on individual savers. Yet reform of who governs this growing pool of workers' capital has been left unaddressed in the Act.

Governance reform is justified by the unique economic and social role of pension schemes. Pensions are one of the principal mechanisms through which ordinary workers own capital at scale, making meaningful member representation increasingly important as technological change, including AI and automation, risks shifting a greater share of economic returns from labour towards capital.

Pension schemes also shape the wider economy through their influence over investment in businesses, infrastructure, housing and clean energy. Savers increasingly want these investments to reflect their broader long-term interests and the economy and society into which they will retire. Moreover, workplace pensions are not a purely private market. The state actively creates and supports the system through automatic enrolment, regulation and substantial tax relief. Greater member representation therefore offers a practical route towards advancing economic fairness, democracy and predistribution objectives.

DC master trusts hold over 30 million pension scheme memberships, yet by this report's analysis (see methodology), roughly three-

quarters of authorised master trust boards have no member representation at all. The result is that workers increasingly bear the risk, provide the capital and depend upon its returns, but frequently lack representation within governance decisions. This is neither inevitable nor necessary for effective pension management. Traditional UK occupational pensions have long incorporated member-nominated trustees, while international experience demonstrates that representation is compatible with scale and professionalisation. Australia, Finland, Switzerland and other comparable systems combine large, sophisticated pension institutions with formal member representation.

This report proposes that there should be a universal statutory floor of at least one third member representation across all categories of pension schemes. Traditional occupational schemes generally operate under the existing member-nominated trustee (MNT) framework, but master trusts can benefit from exemptions from these requirements, while contract-based schemes have no equivalent member-nomination route. This report proposes adapting representation to each structure: master trusts should include at least one third member representatives, potentially selected through a hybrid of direct elections and nominations by qualifying representative organisations whereas contract-based schemes should have equivalent member representation on strengthened governing bodies.

Crucially, the government has several practical legislative and regulatory routes through which this policy could be implemented. The most comprehensive option would be primary legislation, either by making member representation an explicit condition of master trust authorisation under the Pension Schemes Act 2017 or through a wider Pension Governance Act establishing a consistent right to representation across all categories of workplace pensions. Such legislation could also modernise the existing MNT provisions in sections 241–243 of the Pensions Act 2004.

However, this report also identifies secondary legislation and regulatory avenues through which member representation could gradually be made mandatory. Ministers could amend the Occupational Pension Schemes (Member-nominated Trustees and Directors) Regulations 2006 that currently exempt many “relevant centralised schemes” (SI 2006/714, reg. 1(2)) from

the existing one third MNT requirement, bringing master trusts within the established framework while adapting nomination arrangements for multi-employer schemes. The government could also make meaningful member representation a condition for master trusts authorised to receive automatically consolidated small dormant pots under the Pension Schemes Act 2026.

The case for greater democratic control in pension scheme governance

The Pension Schemes Act 2026 will accelerate the consolidation of workplace pension savings into a small number of large master trusts and contract-based schemes, which are largely exempt from member-nominated trustee rules that apply to occupational pension schemes.

This shift will further concentrate governance decisions over one of the few mechanisms through which workers own capital at scale into the hands of a few hundred largely unelected professional trustees and extractive financial intermediaries. In doing so, the UK risks becoming an outlier amongst advanced economies in terms of member representation on the over £3 trillion of pension capital that makes up the deferred wages of millions of workers.

How government reforms have pushed British workers into higher-risk pension schemes without corresponding representation requirements

The UK's pension system has shifted away from DB and single-employer trust-based DC schemes towards DC master trusts and contract-based schemes. This has significant implications for member representation in pension scheme governance. Existing pensions legislation generally requires DB and single-employer DC schemes to ensure at least one third of trustees are member-nominated trustees (MNTs) (Pensions Act 2004, ss.241–243). MNTs have historically acted as “caring insiders” who are trusted to advocate for the interests of pension scheme members. Typically, MNTs are individuals whose own savings sit in the pension scheme and therefore have a strong alignment with the interests of the wider membership. Whilst pension schemes can nominate MNTs through a variety of different methods, the underlying principle is that they are chosen democratically and can be voted off if they are perceived to be failing in acting as effective stewards. Historically, MNTs have played a crucial role in holding financial intermediaries to account when equipped with training and can help avoid the groupthink that may occur among other board members with similar financial services backgrounds.

However, current UK legislation allows DC master trusts and DC contract-based schemes to be exempt from MNT requirements and only have independent boards or, in some cases, a sole independent trustee. These governing boards are small and increasingly dominated by professional trustees, in many cases drawn from professional trustee firms whose appointment rests with the scheme's founder or funder rather than with employers or members. DWP has flagged the risk of conflict within this approach where a trustee is employed by the very scheme they oversee, so obligations to that employer may pull against the interests of the savers whose money they govern.

The lack of effective member representation is hard to defend when considering the shifting risk position of members. In DB schemes the employer carries the risk of providing a guaranteed income for life, backed ultimately by the Pension Protection Fund, whereas in DC schemes there is no such promise. It is the members themselves who carry the burden of making up for any shortfall in retirement income if the investment decisions made by the independent boards or sole independent trustees of their DC master trust and contract-based schemes fail to generate the returns required.

Furthermore, the vast majority of workers automatically enrolled into the pension system simply fall into the default scheme offered to them by their employer and expect that scheme to be appropriate for their retirement needs. This means that having some form of member representation is even more vital in DC schemes because, unlike their DB scheme counterparts, members are the only significant risk holder. If members bear the risks, they ought to have a stronger voice in the governance of what is ultimately the capital made up of their lifetimes' deferred wages. Yet the current reforms under the Pension Schemes Act will exacerbate the lack of representation right when the pension system is shifting to one in which members bear greater risk. As Catherine Howarth recently outlined in Whose Capital?: “the governance of pension capital has not evolved alongside its growing scale and influence”, with savers bearing the risk

of investment but without a commensurate say in its direction.

In 2024, around eight in ten employees (82%) were members of a workplace pension scheme. There are 30 authorised master trust schemes operating in the country, accounting for 30.1 million memberships, or 92% of memberships in non-micro DC schemes. The governance of this pension capital is heavily concentrated. Lane Clark & Peacock (LCP) estimates that, within the occupational trust-based DC market, fewer than 50 people oversee more than half of all DC assets, over £160 billion, concentrated in the seven largest master trusts. Of the 30 authorised master trusts, 23 do not appear to have any member representation at all, on this report's analysis. Recent Pension Schemes Act reforms that aim to further consolidate the pensions sector into large DC mega-funds with assets over £25 billion each will further exacerbate this concentration of power.

To be clear, this report supports the overall intentions of the Pension Schemes Act 2026. The UK does need to consolidate its pension schemes to reduce reliance on financial intermediaries (asset managers) as larger schemes will have greater in-house capacity to undertake their own research and due diligence. Nonetheless, as pension schemes consolidate and include a multitude of employees across different sectors and income levels, there is an even greater need to ensure that the governing bodies of these pension schemes are accountable to the members they serve and their interests.

The UK has increasingly become an outlier in member representation across advanced economies

Despite the increasingly urgent need for member representation within pension scheme governance, the trends in the current pension system are likely to make the UK even more of an outlier when compared to peer countries on guaranteed member representation.

Australia and Canada provide the clearest examples of this divergence amongst countries with comparable legal, economic, and political traditions to the UK. Australia has run an industry superannuation pension system since the 1980s in which trustee boards represent employees and

employers. Australian statute makes equal representation of employers and members the basic rule for a standard employer-sponsored superannuation fund (Superannuation Industry (Supervision) Act 1993, s 89). Where there is a corporate trustee, its board must ordinarily contain equal numbers of employer representatives and member representatives. For example, AustralianSuper, the country's largest superannuation pension fund, currently states that its board contains equal numbers of directors representing members and employers, with provision for independent directors. Australia's superannuation system holds A\$4.5 trillion, making it currently the fourth largest pension market in the world and, on the sector's own projections, the second largest by 2035, surpassing both the Canadian and UK markets despite a population roughly two-and-a-half times smaller than the UK's. In contrast, member representation varies at a provincial level in Canada since pension governance is devolved. Nonetheless, Canada's most populous province, Ontario, requires collectively agreed multi-employer pension plans to be administered by a board of trustees, at least half of whom must represent scheme members.

The story becomes even more stark when compared to the UK's continental European peers where mandated member representation is commonplace in statute. The OECD identifies Belgium, Switzerland, Iceland and the Netherlands as requiring equal employee and employer representation within their occupational pension governing boards. However, it is Finland that provides the most instructive case study which has been largely overlooked by existing UK pension research. Multi-employer pension schemes in Finland are administered by private insurance companies in a similar manner to numerous UK contract-based schemes or master trusts. In Finland, statutory earnings-related provision for private sector workers is handled not by the state but by a set of authorised private bodies consisting of pension insurance companies, special pension insurance providers, and company and industry-wide pension funds. Provision is nonetheless highly concentrated, with around four fifths of private sector pension investments controlled by the two largest providers at the end of 2025.

Despite this, Finnish statutory private-sector earnings-related pension insurance companies must reserve substantial representation for insured employees and employers on both their boards of directors and supervisory boards. Statute reserves at least a third of the seats on both the supervisory board and the board of directors for representatives of insured employees, and a sixth for employer representatives, drawn from candidates put forward by the central labour-market organisations (e.g. trade unions). Each company must also appoint a nominating committee made up in equal parts of individuals put forward by the policyholders and by insured members.

Therefore, the UK has fallen significantly behind comparable OECD countries in ensuring member representation in pension scheme governance. Multi-employer pension schemes administered by private insurance companies need not abandon their obligations to uphold member representation despite being financial products that manage the pensions of millions of members with a diversity of professions and employers.

The fairness case for the Government to intervene

There is a strong fairness rationale for the new Government to urgently intervene. This report puts forward five key arguments supporting mandated member representation on all types of pension schemes as a priority policy reform area for the government.

The first concerns the shift between income from labour and capital, since pensions are among the few mechanisms through which ordinary workers already own capital at scale. The question for a fairness agenda is therefore not simply how much pension capital exists, but whether workers participate meaningfully in the ownership, returns and control of the productive capital that may increasingly generate national income. This is particularly pressing considering the shift away from labour income to capital income within the economy. A joint ILO and OECD assessment puts the fall in the global labour income share at 1.6 percentage points over the two decades to 2024, and the OECD estimates a longer-run decline of roughly 6 percentage points since 1980, concluding that AI-driven automation could accelerate the trend. Advanced economies with

large service sectors and a high concentration of cognitive-task roles are the most exposed to that disruption, which makes it all the more important that UK workers have a greater say in how their pension schemes invest in AI-based technologies.

Secondly, the influence of pension schemes within the broader economy is significant and will continue to grow as the UK's population ages. The UK's pension assets are worth more than the national GDP and are the third-largest pension market globally. Pension schemes are therefore not merely vehicles for retirement saving. The investment decisions made by them shape who owns British companies, how infrastructure is financed, and feed into shaping corporate behaviour where pension schemes are shareholders in individual corporations.

Thirdly, and consequently, members increasingly demand that their pension investments are deployed in ways that reflect their broader interests in the economy. For example, 40% of savers say they would increase contributions if their pension invested in line with their values, and 63% say they would engage more with their pension if it were helping to tackle climate change. Pensions UK found 53% preferred their pensions to invest in the UK, and 16% even if doing so would generate lower returns with this rising to 22% amongst 18–34-year-olds. Similarly, 80% of savers said it mattered that savings go to companies paying the real Living Wage, whilst UK housebuilding and infrastructure topped a recent survey of saver attitudes with 55% of savers having a positive view towards investing in these areas. Similarly, earlier research found meaningful interest in executive pay, climate change and human rights abuses in company supply chains, even among savers who found the mechanics of investment opaque or off-putting. Guaranteed member representation can help ensure that saver demand for more responsible investment that influences corporate behaviour and sets minimum standards of acceptable corporate conduct is channelled into the decision-making of pension schemes that make up some of the largest investors in the UK economy.

Fourthly, pensions receive extensive tax support and regulatory assistance from the government. This makes it legitimate for a Government to demand that they adequately reflect and

represent the interests of ordinary workers. UK private pensions are not a purely private market created independently of government. The state actively constructs and subsidises the system. Employers are legally required to automatically enrol eligible workers and to contribute to their pensions, and pension saving attracts substantial income tax and national insurance relief. HMRC estimates gross pension income tax and national insurance relief at £83.9 billion in 2024–25 and the net cost, after tax collected from pensions and pension tax charges, at £53.8 billion. The combination of these factors provides a strong case for the government to hold that private pension providers should represent, within their governance structures, the interests of the workers whose deferred wages ultimately provide the capital they rely on to invest.

Lastly, a Labour Government could situate reform of pension governance within a broader shift towards a predistribution agenda, rather than relying predominantly on redistribution to address economic inequality. Much of the existing debate on inequality has understandably focused on how governments can tax and redistribute the gains from capital after they have been generated, particularly when profits, dividends and asset appreciation accrue disproportionately to wealthier asset owners. These policies remain essential, but they largely intervene after inequalities in economic power and market outcomes have already emerged. A predistributive approach instead asks how the institutions that generate and allocate wealth might themselves be structured so that workers possess greater control over shaping the resulting economic outcomes. Pension schemes provide an especially important opportunity in this respect because workers, through their pension savings and deferred wages, already possess a beneficial claim on a substantial pool of productive capital. Yet there can be a significant separation between this beneficial ownership and the institutional control exercised over those assets. If the Government is committed to reducing economic inequality, it should be concerned not only with redistributing the proceeds of an economy in which ownership and decision-making power remain concentrated, but also with democratising the pension institutions through which capital is deployed across the economy.

This report will subsequently set out how the Government could increase representation on DC master trusts and contract-based schemes, examining the trade-offs within different models of multi-employer representation before identifying avenues to mandate member representation through primary and secondary legislation.

Outlining the democratic deficit in UK pension scheme governance

The risk posed by the current government's Pension Schemes Act reforms is that they increase market concentration without any accompanying reforms to governance. This report focuses on mandating member representation for DC master trusts and contract-based schemes. This section will provide a brief overview of the UK pensions system for context and subsequently outline the legal exemptions available from member representation requirements. It will conclude by outlining the case to focus on reforming member representation rather than other forms of member consultation, such as member assemblies, that have gained traction in recent years.

Brief overview of the UK pensions system and the growing importance of DC master trust and contract-based schemes

The UK pension system is divided into DB and DC schemes. In a DB scheme, the employer undertakes to pay a defined income in retirement, calculated by reference to the member's salary and length of service. In contrast, a DC scheme instead builds an individual retirement pot of savings whose eventual value is not guaranteed. The value of the pot can increase or decrease over time depending on the level of contributions made by the member and investment returns on the market. The Pensions Regulator (TPR) and the Financial Conduct Authority (FCA) are the two bodies in charge of regulating different types of DB and DC pension schemes.

DB pensions can be divided into public and private sector schemes. The private sector had 5,060 DB and hybrid schemes with 9.17 million memberships and £1.1 trillion of assets. However, only 662,000 memberships (7% of the total) are still actively accruing and 74% of schemes, excluding those winding up, are closed to future accrual. Membership in private DB and hybrid schemes has fallen by 3% since 2024 as the majority of schemes are closed to new members or where existing members can no longer accrue new years of service as these schemes wind-down and pay out their members. These schemes are regulated by TPR, with the Pension Protection

Fund as the backstop for failed sponsors. In contrast, public sector DB provision is larger by headcount, at 200 schemes covering 19.78 million members. Within that, the funded Local Government Pension Scheme (LGPS) holds roughly £390 billion for about 6.7 million members across 86 administering authorities, with governance overseen by TPR. The unfunded NHS, teachers, civil service, armed forces, police and fire schemes hold no assets, are paid from taxation, and are sponsored by departments under HM Treasury with TPR oversight.

DC schemes are split between those whose savings are held in a trust, where trustees owe fiduciary duties to members and TPR is the regulator, and those held under contract, where the saver has an individual policy with an insurer and the FCA regulates the firm under the Financial Services and Markets Act 2000. Across the trust-based side, TPR counts 790 non-micro occupational schemes (420 DC and 370 hybrid) plus roughly 24,300 micro schemes, with those 790 schemes recording 11.4 million active and 21.3 million deferred memberships, and the non-hybrid DC schemes among them holding £249 billion. All DC master trust pension schemes operate under the authorisation and continuing supervision of TPR. In contrast, the FCA does not publish an annual landscape report equivalent to TPR's, outlining how many members or how much capital sits in contract-based workplace pensions.

Nonetheless, as most DB pension schemes wind down as their members age, the vast majority of future British workers will continue to be automatically enrolled into DC pension schemes that are master trusts or contract-based schemes. This means that DC pension schemes will become more important than their DB counterparts in both active membership size and total capital moving forward. In terms of active membership, DC schemes have already surpassed DB schemes. 11.4 million people are currently building up DC pots against 662,000 still accruing private sector DB.

The gap between DB and DC schemes' capitalisation is closing fast. DB still dominates by

a roughly four-to-one ratio, £1.1 trillion against £249 billion (plus around £65 billion of DC assets sitting inside hybrid schemes). However, DC assets have more than doubled over the last five years, from £114 billion in 2021 to £249 billion in 2025. The Second Pensions Commission stated that "[w]orkplace DC assets are set to overtake DB assets by around 2030, with memberships already higher".

How DC master trusts and contract-based schemes escape member representation obligations

Sections 241 and 242 of the Pensions Act 2004 require at least one third of trustees, or of the directors of a corporate trustee, to be nominated by members (Pensions Act 2004, ss.241 and 242) for most occupational pension schemes. The nomination process must be open to the active members of the scheme, or an organisation which adequately represents them (Pensions Act 2004, s.241(2)). In practice, a recognised trade union often filled that role. The one third requirement originated in sections 16 and 18 of the Pensions Act 1995, enacted on the recommendation of the Goode Committee's review of pension law after the Maxwell affair, and sections 241 and 242 of the 2004 Act replaced those provisions from 2006 (Pensions Act 1995, ss.16 and 18). Its purpose was to make sure that members' perspectives carried weight in decisions about their own money.

However, this duty only binds DB schemes and single-employer trust-based defined contribution schemes (i.e. schemes where one employer sets up its own trust for its own staff). The fastest-growing parts of the pension market are largely exempt from these member representation requirements.

How DC master trusts escape the duty

Most large multi-employer DC master trusts are considered "relevant centralised schemes" exempt from the duty to appoint member-nominated directors or trustees under regulations 2(e) and 3(e) of the Occupational Pension Schemes (Member-nominated Trustees and Directors) Regulations 2006. A "relevant centralised scheme" is defined in regulation 1(2) of the 2006 Regulations.

A commercial master trust meets that definition easily. The scheme must admit the employees of more than one employer, at least two of whom are neither associated nor connected. Where each trustee is a company, the scheme rules must not vest the power to appoint or remove all the directors in a single employer, which is satisfied because that power sits with the scheme funder rather than with any employer. Finally, at least one third of those directors must be "independent or independently selected" (SI 2006/714, reg. 1(2)(c)(ii)). In a commercial master trust, however, the independent trustee directors are appointed, remunerated and removable by the scheme funder. DWP has acknowledged the risk of conflict created by this model. This is because a trustee employed by the master trust owes that employer a loyalty that may not always be aligned with savers' interests.

DWP records that "[m]ost Master Trusts operate a double trustee and executive board which oversees the Master Trust, regardless of the number of participating employers". Master trust providers can satisfy the independence requirement by appointing independent professionals without any member input or nomination process. Nonetheless, some master trusts voluntarily retain member-nominated trustees, but this is uncommon. There is no published, system-wide dataset on how many UK schemes have MNTs. The government has proposed that TPR create a trustee directory recording whether a trustee is member-nominated. This report supports that proposal. TPR's survey work illustrates how concentrated governance can be across the DC landscape, with a third of DC trust-based schemes run by a sole trustee, although this is concentrated among micro and small schemes rather than master trusts, whose boards average between six and seven members. In most master trusts, the trustee and executive board consists mainly of professionals appointed by the founder or scheme funder rather than by scheme members or participating employers.

How DC contract-based schemes are outside the regime entirely

Contract-based schemes sit outside the member-nominated trustee regime outlined in the Pensions Act 2004 altogether because they are not trusts. Instead of one pot held by trustees for

the members, each saver holds a separate contract with an insurer or platform (e.g. Aviva or Scottish Widows). The firm running the scheme is accountable to its own shareholders because its directors owe their duties to the company under company law. However, it is also accountable to the FCA as its regulator, which requires it to act to deliver good outcomes for its retail customers, which includes individual savers holding contract-based pension schemes ([FCA Handbook, PRIN 2.1.1R and PRIN 2A.2](#)).

The only body specifically looking after the interests of members of contract-based schemes is an Independent Governance Committee (IGC), which FCA rules require of any firm operating a relevant pension scheme with at least two relevant policyholders, unless it instead uses a weaker, outsourced governance advisory arrangement ([FCA Handbook, COBS 19.5.1R–19.5.3R](#)). IGCs were created to assess whether workplace pensions were getting value for money and act independently of the firm providing the contract-based scheme. However, two features of an IGC limit what it can achieve. Firstly, the firm appoints every member of it, and members have no route to nominate anyone. Moreover, the IGC can raise concerns, is entitled to written reasons where the firm departs from its advice, and may escalate to the FCA or make its concerns public, but it cannot block a decision made by the firm ([FCA Handbook, COBS 19.5.5R–19.5.7R](#)). Whilst some IGCs have strong working relationships with the contract-based scheme, the structural relationship is still one in which members in contract-based schemes are customers rather than beneficiaries, and their money is governed by a firm that largely answers to its shareholders rather than them directly.

Why focus on reforming member representation in master trusts and contract-based schemes?

Pension governance reforms can be structural or consultative. Changing board composition is structural, whereas consultative measures such as member assemblies and dashboards can exist alongside many governance structures. For example, the National Employment Savings Trust ('Nest') recently [published](#) the findings for the first of its kind Member Assembly in June 2026 where it consulted members on key questions about “investment priorities, stewardship and

member involvement” and generated recommendations to which Nest has undertaken to publish a written response. This report welcomes efforts to increase the range of consultative tools used by pension schemes to ascertain member voice. Nonetheless, this report focuses on reforming the structural representation within pension scheme governing bodies for five key reasons.

The first is that representation confers decision-making power whereas consultation does not. Member representatives have the power to vote on investment strategy, stewardship decisions, and the use of financial intermediaries (asset managers). Consultative measures can put a view to a board or set of trustees, but as the AMNT [puts it](#), member panels and committees “have no power and do not replicate the member voice fully included around the board table”. Secondly, ensuring adequate member representation structurally is proportionate to the risk burden undertaken by DC members. Members who bear the financial consequences of investment decisions should be represented in the bodies where those decisions are taken. Thirdly, impending pension market consolidation into large mega-funds will concentrate decision-making power in even fewer hands. Structural representation becomes even more important in this context considering the significant power large pension funds could wield over the UK economy and corporate activity.

The fourth reason is that structural reforms can better change the behavioural incentives of governing bodies. LCP's interviews with professional trustees of DB schemes [found](#) that member-nominated trustees add real value when they are trained and supported properly. Those interviewees pointed to knowledge of the membership and the employer, a different vantage point when making investment decisions, and resistance to industry groupthink. The last point will become more important as pension scheme governance becomes further concentrated into a smaller group of professionalised trustees and board members with similar financial services backgrounds. The Association of Member Nominated Trustees (AMNT) makes a [similar case](#), describing member trustees as the only group with “skin in the game” in scheme decision-making and with no business interests in the process.

Lastly, ensuring adequate structural representation of members makes consultative measures more consequential. For example, member representatives at board level can ensure a member assembly's findings are seriously considered and implemented. Conversely, member representation at a board level can place greater top-down pressure to experiment and implement new forms of consultative measures in the absence of a regulatory mandate to do so. This is supported by TPR [research](#) which found that DC trust-based pension schemes with MNTs were more likely to provide access to guidance (76% against 46%), personalised decumulation communications (46% against 25%) and digital decision-making tools (42% against 12%) than those without, although the survey covers all DC trust-based schemes rather than master trusts specifically. Ultimately, this report takes the point of view that rather than relying on highly prescriptive and complex conduct rules for pension scheme governing bodies to follow, TPR and the FCA should focus on creating governance and market structures that provide appropriate incentives to uphold member interests.

How to increase member representation in pension scheme governance

Before outlining the different legislative and regulatory routes the Government can use to mandate member representation across all pension scheme types, this report will briefly consider some issues when dealing with member representation in large, multi-employer pension schemes with hundreds of thousands, if not millions, of members.

How can member representatives be nominated in multi-employer schemes?

There are four key models of nomination for member representatives:

- The first is direct member election, which offers the greatest democratic legitimacy but is vulnerable to low turnout;
- The second is when member representatives are nominated by representative organisations who put forward candidates that are then subsequently voted in via a member ballot. This model is currently permitted under sections 241(2)(a) and (b) of the Pensions Act 2004;
- The third model consists of union nomination, where member representatives are typically nominated by unions rather than directly elected and is broadly the model followed by Australian industry super funds, where the statutory equal representation rule requires equal numbers of member and employer representatives (Superannuation Industry (Supervision) Act 1993, s 89) and member representatives are in practice nominated by unions. Whilst the direct union nomination model is the simplest to administer, it also raises questions of democratic legitimacy for non-unionised members; and
- The fourth is a hybrid model, in which a defined number of seats are filled by nomination from recognised unions with members in the scheme and a defined number by open member ballot.

These four models must deal with the reality that the current UK statutory regime for MNTs assumes a single employer and a single workforce for a pension scheme. Historically, this model worked when there were comparatively higher levels of union membership in the UK as members could be represented via direct union trustee representation on a sectoral basis. Today, union density has held broadly steady since 2017, with roughly a quarter of employees in Britain now belonging to a union, almost 20 percentage points below the 1986 peak level. Density is also very unevenly spread, running about four times higher in the public sector than in the private sector. For a master trust dominated by hundreds of thousands of non-unionised employees from small and medium-sized private firms across diverse workforces, it may be hard to mandate member representation solely on the basis of trade union recognition without provoking backlash from employers or disenfranchising members.

A better organising principle would be for master trusts to define constituencies to represent on the basis of the characteristics of their membership. The objection that a master trust or contract-based pension scheme's membership is too diverse does not survive scrutiny, because even a single employer's workforce contains members with different salaries, educational qualifications, and industry classifications. In response, the Trades Union Congress has recommended that regulators explicitly permit and encourage governance structures allowing for sectoral, occupational or regional representation within multi-employer schemes, anchoring representation in defined member groups rather than in individual employers. This report therefore recommends that every master trust, contract-based scheme provider and future consolidated mega-fund should be required by TPR and the FCA to have a representation plan that clearly outlines the constituencies served by member representatives.

Strengthening the IGC model for contract-based schemes

For contract-based schemes provided by insurance companies, Finland provides a useful governance approach that integrates member representation as an alternative to the existing IGC model. As set out, every Finnish pension insurance company must appoint a nominating committee drawn in equal parts from the policyholder and insured sides, and that committee recommends both the appointment and the pay of the supervisory board and the board of directors.

A similar approach should be adopted in the UK, whereby the FCA can reform the current IGC model to one in which at least one third of each committee must have representatives from pension members and the remainder continue to be independent committee representatives, replacing an arrangement under which IGCs are not required to include any member representatives at all. Similarly, each committee should be granted decision-making power over the appointment, member engagement strategy, and pay of the relevant managers of the pension scheme.

Recommended approach to member representation

This report recommends a universal statutory floor of at least one third member representation across all types of pension scheme, removing the existing exemptions for master trusts and extending member representation obligations to contract-based schemes. Single-employer DB and DC schemes would continue to use the existing MNT statutory regime. In contrast, master trusts should adopt a hybrid model of member election organised according to formal constituencies and with the involvement of designated union representatives where a significant proportion of the trust's members work in sectors or industries covered by unions. In contrast, contract-based schemes should adopt a hybrid Finnish model, strengthening the powers of IGCs and mandating member representation. One third of this body should consist of member representatives who can similarly be selected using the proposed hybrid model for master trusts.

Reform pathways to mandate member representation

There are several routes through which the Government could introduce greater member representation. The most comprehensive approach would be new primary legislation considering that trust-based master trusts and contract-based schemes operate under different legal regimes. However, the government does not necessarily need to wait for a Pensions Bill to begin this reform process. Existing secondary legislation appears to provide several narrower regulatory routes that could be used in the short term.

This section therefore distinguishes between longer-term reforms that would require Parliament to change primary legislation and short-term reforms that could potentially be implemented through existing regulatory powers possessed by TPR and the FCA. These options should not be treated as mutually exclusive and instead could be pursued in stages. This could allow the Government to strengthen member representation relatively quickly while developing a more consistent statutory response over the longer term.

New primary legislation

Both primary legislation options would require the government to either propose new legislation or amend existing legislation via parliamentary processes. Whilst this would ensure democratic accountability and rigorous debate, such a process would also be time-consuming and potentially result in watered-down provisions that undermine the reform's key objective of eliminating existing exemptions from member representation.

Option One: Make member representation a condition of master trust authorisation

One option is to make member representation part of the licence to operate. Under Part 1 of the Pension Schemes Act 2017 it is unlawful to operate a master trust in the United Kingdom unless TPR has authorised the scheme (Pension Schemes Act 2017, s.3). Section 5 then sets out the criteria that TPR must consider when deciding whether a scheme should be authorised. Section 5 could be amended to add

one further test, namely that member-nominated directors/trustees hold at least one third of the seats on the board of the scheme's corporate trustee.

Parliament has recently expanded these requirements, providing precedent for further reform. The Pension Schemes Act 2026 adds two further criteria to section 5(3). These concern sufficient investment capability and compliance with new scale requirements. This indicates that Parliament can add new authorisation requirements as the master trust market changes (Pension Schemes Act 2026, s.41(7)).

Furthermore, the 2026 reforms recognise that governance capability matters to master trust authorisation. The new section 12A requires TPR, when assessing investment capability, to be satisfied that the scheme "has appropriate systems for delivering effective governance" (Pension Schemes Act 2017, s.12A(2)(b)), inserted by Pension Schemes Act 2026, s.41(8)).

Parliament therefore accepted in 2026 that the quality of a scheme's governance belongs in the authorisation test. Mandating member representation as part of the authorisation requirement could therefore be presented as an extension of an existing approach rather than the introduction of an entirely new regulatory principle.

This option could also address the enforcement weakness that runs through the current MNT regime. Where the existing member-nomination duty is breached, the principal sanction is a civil penalty under section 10 of the Pensions Act 1995, currently capped at £5,000 for an individual and £50,000 in any other case, with the latter being the ceiling that applies to a corporate trustee (Pensions Act 1995, s.10; Pensions Act 2004, ss.241(9) and 242(11)). For a master trust scheme managing tens of billions of pounds, this provides little deterrence. Nonetheless, there should be a clearly defined implementation period for existing master trusts to conform to this new authorisation condition before it is enforced.

Option Two: Introduce a wider Pension Governance Act that covers both master trusts and contract-based pensions schemes

A second option is a single Act covering the whole workplace pension system. The current

distinction between trust-based and contract-based schemes produces very different outcomes regarding member representation. Yet this distinction means relatively little to an ordinary worker. Two workers with similar jobs could be automatically enrolled into different types of pension because their employers selected different providers. One could save through a master trust. The other could save through a Group Personal Pension (GPP), an individual pension contract arranged through an employer. Their ability to participate in pension governance could consequently differ substantially.

A future Pension Governance Act could eliminate this inconsistency. The legislation could establish a general principle that at least one third of the people responsible for independent oversight of workplace pension savings should represent members. The precise mechanism could then reflect the legal structure of each scheme. For traditional occupational pension schemes, the existing MNT framework could largely remain in place. Master trusts could similarly be required to appoint at least one third MNTs. Contract-based schemes could instead provide equivalent member representation on strengthened governing bodies because they do not have trustee boards.

Using existing primary and secondary legislative powers

However, the Government need not wait for a new Pensions Bill. It could use existing regulatory powers to eliminate exemptions for member representation for master trusts and mandate representation for future consolidator schemes.

Option Three: Remove the "relevant centralised scheme" exemption for master trusts

As set out in section 2.2.1, most large master trusts avoid the one third duty because they fall within the definition of a "relevant centralised scheme" and are exempted by regulations 2(e) and 3(e) of the 2006 Regulations (SI 2006/714, regs 2(e) and 3(e)). Many commercial providers appear to satisfy that definition without difficulty. It asks only that the scheme rules not vest the power of appointment solely in one employer and that one third of directors be independent or independently selected, so a provider can often meet it simply by appointing independent

professionals, with no member involvement at all ([SI 2006/714, reg. 1\(2\)](#)).

The government could amend the 2006 Regulations to narrow the "relevant centralised scheme" exemption so that commercial master trusts could no longer rely on it without providing meaningful member representation. Section 242(10) of the Pensions Act 2004 provides that the member-nominated director duty "does not apply in relation to an occupational trust scheme if the scheme is of a prescribed description" ([Pensions Act 2004, s.242\(10\)](#)), which is the power under which regulation 3 was made. Therefore, the government could modify the prescribed cases to exclude large commercial master trusts from meeting the requirements for a relevant centralised scheme and subject them to section 242 by mandating member-nominated directors of a corporate trustee in charge of the pension scheme. Furthermore, amendments to the 2006 Regulations are made under the negative resolution procedure, which means the change becomes law unless Parliament votes to annul it ([Pensions Act 2004, s.316\(1\)](#)).

Option Four: Require representation from future consolidator pension schemes

A fourth option is to attach a member representation requirement to the new consolidation system. The Pension Schemes Act 2026 creates a system under which small dormant pots will be moved automatically into a limited number of approved schemes, which the Act calls "consolidator schemes" ([Pension Schemes Act 2026, s.30](#)). The Act provides for an additional authorisation process for schemes that want to act as consolidators. Section 29 requires small pots regulations to permit eligible master trusts to apply to TPR for that authorisation, while section 30 identifies the types of schemes and arrangements that can operate as consolidators ([Pension Schemes Act 2026, ss.29–30](#)). Authorisation is split between two regulators: alongside master trusts authorised by TPR, section 30(1)(b) admits FCA-regulated pension schemes included on a list published by the FCA ([Financial Services and Markets Act 2000, s.137FBC](#)).

Consequently, the framework, which is currently being determined, should impose a requirement whereby master trusts and FCA-regulated

consolidators may receive automatically consolidated pension savings only where at least one third of their governing body consists of member representatives. The government's [roadmap](#) places a DWP consultation on draft regulations, alongside parallel TPR code and FCA rules consultations, between April and June 2027, with eligibility criteria and exemptions explored in the preceding policy consultation.

The fairness argument is particularly strong in this context. Workers whose small dormant pots move automatically have not necessarily chosen the receiving provider. They may also be relatively disengaged from their pension savings. Requiring representation could therefore provide an additional source of accountability. This approach would also allow the government to introduce reform gradually. It would not initially impose the requirement on every master trust. Instead, member representation could become a condition of receiving assets through a government-created consolidation mechanism.

Recommendations and conclusion

The UK faces an important choice about who should govern workers' pension wealth. Automatic enrolment has brought millions more people into workplace pensions. At the same time, government policy is encouraging schemes to consolidate into a smaller number of larger institutions. These reforms could improve scale, investment capability and value for members. However, they could also concentrate considerably more economic power in the hands of a relatively small number of professional trustees, providers and financial intermediaries.

The case for member representation is particularly strong in DC pensions because members bear all of the financial risk. Unlike a traditional DB pension, a DC scheme does not promise the worker a specified retirement income. The value available in retirement instead depends heavily on contributions, investment performance and charges. Members therefore provide the capital, depend on its performance and ultimately absorb the consequences of poor outcomes. It seems reasonable that they should also have a meaningful voice within the institutions that govern those savings.

Member representation does not require government to choose between adequate expertise and economic democracy. The two can complement each other. Pension governance has become increasingly complex, which means boards can benefit from professional trustees with specialist financial, legal and regulatory expertise. Yet member representatives can contribute different knowledge. Interviews with professional trustees of DB schemes conducted by LCP [found](#) that properly supported member-nominated trustees can add value and help boards avoid groupthink. The AMNT similarly [argues](#) that member-nominated trustees can bring perspectives that are difficult to reproduce through professional appointments alone, particularly in DC schemes where members carry the investment risk.

The Government should therefore treat pension consolidation as a question of governance as well as scale. The objective should not be to weaken

professional management or require members to make day-to-day investment decisions. It should instead be to ensure that professional expertise remains accountable to the people whose capital it manages since pension savings are one of the principal ways through which ordinary workers own financial capital at scale.

Therefore, this paper argues that the government pursue reform in four stages with the aim of ensuring that workers do not lose meaningful representation in the governance of their pension savings simply because their employer selects one legal form of pension rather than another:

- Firstly, the government should consult on reforming the 2006 Regulations. The objective should be to ensure that commercial master trusts cannot remain outside the one third MNT principle simply because they qualify as relevant centralised schemes. This consultation should also examine how nominations can work across schemes containing millions of members;
- Secondly, the government should make member representation a condition for master trusts and FCA-regulated schemes that receive automatically consolidated small dormant pots;
- Thirdly, the government should require the FCA to reform the current IGC system by mandating member representation and granting greater compulsory powers to IGCs over pension scheme providers;
- Fourthly, a new Pensions Bill should establish these changes on a permanent statutory basis. It should make meaningful member representation an explicit condition of master trust authorisation. It should also establish an equivalent minimum standard for contract-based schemes and modernise sections 241 to 243 of the Pensions Act 2004.

Methodology

The 30 authorised master trust schemes are those recorded by The Pensions Regulator. The count of schemes without member representation is the Fairness Foundation's own, based on the trustee board composition published by each authorised master trust on its website and any published governance statements/documents, reviewed in August 2026. A scheme was treated as having no member representation where none of its trustee directors is identified as member-nominated or as representing scheme members. As section 2.2.1 notes, there is no published, system-wide dataset recording which schemes have member-nominated trustees, so the count relies on schemes' own disclosures and may understate

representation where board composition is not published.

Only three master trust schemes were found to have explicitly confirmed having member-nominated seats (Railway Pension Scheme, The Pensions Trust, USS). Four others were employer/sector-linked master trusts which were highly likely to have member-nominated seats (e.g. Combined Nuclear, Oxford FCA etc.). Five of the remaining 23 explicitly noted that they did not have any member seats, whereas the remainder were silent on this point. Schemes were counted as having no member representation if none of its trustee directors were identified as member-nominated or as representing members.



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