

## Master Trust Schemes

This briefing note considers workplace defined contribution (DC) pension provision delivered through master trust schemes – explaining why they are being increasingly used and how Barnett Waddingham’s independent consultancy services can support companies.

“”

UK’s largest independent provider of pension consultancy services.

### Background

A master trust is a trust-based DC pension scheme used by non-connected participating employers. The administration, communication and investment management services are provided by the master trust provider and the trustee services are provided by a collective trustee board, largely or fully independent of the master trust provider.

### An independent approach

Barnett Waddingham is the UK’s largest independent provider of pension consultancy services to corporate and trustee clients. We are committed to being free from the conflicts that come with offering our own platforms or products (such as master trusts). In addition, we are not tied to any provider, vehicle, product, ideology or platform. As a result, Barnett Waddingham is able to provide advice on the suitability of a master trust as a pension vehicle and also advice in relation to the capabilities of each master trust provider. We have widened our provider research to include vertically integrated solutions provided by a number of consultancy firms who offer their own master trust schemes.

### Why are companies/trustees looking at master trust schemes?

#### As the main pension vehicle

The reasons why companies consider master trusts vary, but common themes include:

- competitive running costs for companies
- comfort of trustee governance but without the management time and costs for the company
- use as the company’s auto-enrolment pension scheme, with access to support tools/resources
- comprehensive online services to support members with retirement saving
- access to off-the-shelf governed investment strategies (although some allow participating employers to use appropriate bespoke investment strategies)
- access to a wide range of retirement options – often including allowing members to remain invested and drawdown benefits over time
- increasing regulatory burden on traditional trust-based DC schemes, e.g. annual value for members assessments and chair’s statements

## “”

Our provider research is both a quantitative and qualitative process.

## “”

Trustees are also using master trust for wind up exercises and as preferred solutions for accessing retirement options.

- ease of transition from traditional trust-based DC schemes – transfers of existing DC benefits can often be made without requiring member consent

### The different types of master trust providers

Master trusts provided by insurance companies



Traditional insurance company pension providers.

Master trusts offered by consultancy firms



Some consultancy firms have built their own master trust schemes.

Mass market master trusts



Launched to provide auto-enrolment solutions for employers of any size.

Industry/sector specific master trust



These are usually only available to companies that operate in specific industries.

Others



These include schemes run by not for profit organisations.

### Other uses of a master trust

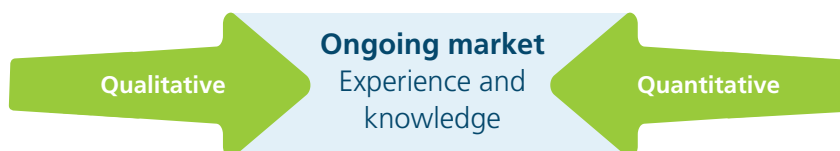
We have seen trustee boards of traditional trust-based DC schemes looking at master trust schemes for specific groups of members. For example:

- for discharging groups of deferred members, so keeping the membership closely aligned with the sponsoring company's workforce
- as the buy-out vehicle where legacy schemes are winding up
- signposting an appropriate master trust scheme to which members may transfer to gain access to wider retirement options such as drawdown

## Barnett Waddingham capabilities

### Master trust provider research and selection

Our provider research is both a quantitative and qualitative process. We measure providers across a range of criteria, such as financial strength, administration performance, investment options and auto-enrolment support services. We also take a qualitative view on matters such as investment strategy and communications.



““

Regulatory governance responsibility lies with the master trust scheme's trustee board.

## Supporting companies with governance

One of the key influencing factors in employers electing to use a master trust scheme is that the regulatory governance responsibility lies with the master trust scheme's trustee board.

We have supported many of our corporate clients who participate in master trust schemes with additional governance, i.e. with consideration for the employer's particular circumstances and workforce, to advise on current and emerging legislation and for an independent view of the master trust scheme's continued suitability. For some companies, we have supported the set up and running of Pension Governance Committees (PGCs) to oversee pension governance, without the regulatory responsibilities of a trustee board.

““

We rank providers against our clients' key criteria, with the most appropriate providers being shortlisted and recommended.

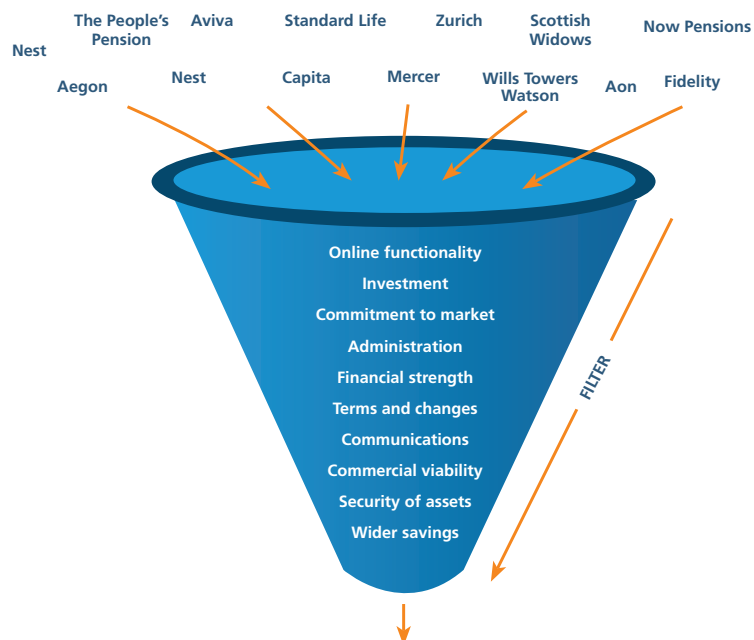
## Other areas Barnett Waddingham supports clients with master trust schemes

- Contract negotiation with preferred provider
- Project management on behalf of the company
- Asset transition oversight
- Support in drafting member engagement material
- Participation in member presentations, webinars, videos etc.

## We pride ourselves on the quality of our independent research through:

- regular research meetings and site visits
- involvement in strategic discussion
- 1,000 + point questionnaires
- news monitoring
- dedicated provider contacts
- regulation impact assessments

Our selection process enables us to recommend those schemes (be that traditional trust, master trust or contract-based schemes) and providers that best suit our clients' needs. We rank providers against our clients' key criteria, with the most appropriate providers being shortlisted and recommended.



“”

Uniquely positioned to support employers in identifying the best type of pension arrangement for their needs.

## Master trusts – default investment strategies

As part of our experience on advising companies in selecting master trust schemes, we have a deep understanding of the default investment strategies adopted by master trust trustees.

## Summary

As an independent consultancy, which is not seeking to promote its own master trust scheme, Barnett Waddingham is uniquely positioned to support employers in identifying the best type of pension arrangement for their needs. If this is a master trust, we can help employers with provider selection, implementation of schemes and added value additional governance, consultancy and engagement services.

---

Please contact your Barnett Waddingham consultant if you would like to discuss any of the above topics in more detail. Alternatively contact us via the following:

 **Mark Futcher,**

Partner for Workplace Health and Wealth

 01494 788116

 [mark.futcher@barnett-waddingham.co.uk](mailto:mark.futcher@barnett-waddingham.co.uk)

 [www.barnett-waddingham.co.uk](http://www.barnett-waddingham.co.uk)

---

Barnett Waddingham LLP is a body corporate with members to whom we refer as “partners”. A list of members can be inspected at the registered office. Barnett Waddingham LLP (OC307678), BW SIPP LLP (OC322417), and Barnett Waddingham Actuaries and Consultants Limited (06498431) are registered in England and Wales with their registered office at Cheapside House, 138 Cheapside, London EC2V 6BW. Barnett Waddingham LLP is authorised and regulated by the Financial Conduct Authority and is licensed by the Institute and Faculty of Actuaries for a range of investment business activities. BW SIPP LLP is authorised and regulated by the Financial Conduct Authority. Barnett Waddingham Actuaries and Consultants Limited is licensed by the Institute and Faculty of Actuaries in respect of a range of investment business activities.