



Pensions  
Management  
Institute

ACHIEVING PENSIONS EXCELLENCE

# PMI MASTER TRUST REPORT

WORKING COLLABORATIVELY TO OVERCOME  
BARRIERS TO GOOD SERVICE DELIVERY



# INTRODUCTION

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MASTER TRUSTS HAVE GROWN SIGNIFICANTLY IN INFLUENCE AS A PROVIDER OF CHOICE FOR AUTO-ENROLMENT AND ARE EXPECTED TO HAVE AN INCREASINGLY IMPORTANT IMPACT ON THE RETIREMENT SAVINGS INDUSTRY AS DC PENSION CONSOLIDATION PICKS UP MOMENTUM.

Through the Pensions Management Institute's role as educator and thought-leader, a working party was created to debate and discuss the most effective way to help PMI members in their understanding of the evolving pensions and retirement environment, including Master Trusts.



# ABOUT THE PMI MASTER TRUST WORKING PARTY:

**The working party, as part of a suite of deliverables including press articles, checklists, research and knowledge sharing, decided to carry out a survey of the Master Trusts to try and understand what barriers there are to delivering a good service to members.**

With representatives from administrators, lawyers and fintech companies, this collaboration provides wide ranging views and expertise to help Master Trusts overcome barriers to good service delivery.

The working party consists of representatives from:



Origo is the FinTech company dedicated to improving connectivity between financial services companies, boosting efficiencies, improving performance and reducing integration costs for industry participants, while significantly improving financial outcomes for members. Thanks to our Options Transfers service, pensions transfer times have dramatically reduced from c.50 working days to an average 11 calendar days, providing smooth, safe and faster transfers for members. The new Options Bulk Transfers service delivers faster, safer transfers for the bulk movement of members and schemes by ensuring that throughout the process all data remains agreed. All changes and communications are visible, recorded and fully auditable in the Options Transfer service, enabling performance monitoring and reporting, and most importantly an improved service for your members. Origo is also responsible for a range of industry solutions from prototyping and developing pensions dashboard technology and online security services.



The Atlas Master Trust is one of the UK's leading defined contribution master trusts, with c.£1 billion of assets under management and around 100,000 individual members (at 31st December 2018). Atlas is run by a highly accomplished and experienced independent Board of Trustees and full-time Executive Management Team. It holds all of the major accreditations for a quality master trust.



The Bluesky Pension Scheme (Bluesky) is a non-profit arrangement and one of the largest Master Trusts in the UK. Bluesky completed the Master Trust Assurance Framework (AAF02/07) in December 2015 and as a result of this features on the Pensions Regulator's list of approved Master Trusts. In addition, Bluesky is an Auto Enrolment qualifying workplace pension scheme. Operating for over 30 years, Bluesky is the chosen pension scheme for many industries and partnerships covering over 1 million employees and prides itself on innovation and value for money offering Target Date Funds as a member default and the opportunity to drawdown pension benefits in the UK's first Trust based drawdown scheme, Crystal, operated by Evolve Pensions UK Ltd. Any employer is able to join Bluesky using the automated SUN (Sign Up Now) process and there is a beneficial no cost option to join for partnership employers.

## EVERSHEDS SUTHERLAND

Eversheds Sutherland is one of the largest global combinations of firms in the world. It is known for the quality of its legal advice, ability to service complex, multijurisdictional mandates and focus on client service. The firm operates from 66 offices across 32 countries in the major financial centres of Europe, the US, the Middle East, Asia and Africa. It is widely recognised as being at the forefront of the centralised multijurisdictional delivery model helping clients realise cost control, consistent quality and transparency of spend.



Smart Pension is the only FinTech company operating a Master Trust in the UK, also providing technology solutions to the broader DC pensions market. With continuous innovation at our core, we provide employers with a well-governed and simple-to-administer pension scheme that empowers employees to understand and take control of their retirement savings.

## NOW: Pensions

NOW: Pensions is a multi-employer trust serving tens of thousands of employers and over a million employees from a wide range of sectors. A company wholly owned by Danish pension scheme ATP, one of Europe's largest pension funds, NOW: Pensions offers a simple and cost effective workplace pension designed specifically with the auto enrolment market in mind. The master trust structure enables employers of all sizes to benefit from independent governance without incurring the costs normally associated with establishing and running a single employer trust based scheme.

NOW: Pensions works with independent financial advisers and the payroll sector to help serve their clients as well as supporting employers directly.



### Pinsent Masons

With decades of experience as leading pensions consultants in the occupational space and with an impressive track record of working with pension providers across the industry, we are uniquely placed to advise in more traditional areas as well as on cutting edge changes. Supported by a full-service firm, we understand pensions from every angle and can find solutions to all of your pensions problems.

### SCOTTISH WIDOWS

Scottish Widows was founded in 1815 and today has over 5 million customers offering a product range including individual and workplace pensions, savings and investment and protection. Scottish Widows currently sits as one of the most recognised and trusted brands in the Life, Pensions & Investments market.

Scottish Widows is committed to supporting employers and their employees and do this by providing market insight and continually innovating and improving their service, support and propositions. The brand forms an integral part of LBG's three-year strategy, giving focus to growing Financial Planning and Retirement to provide customers with a holistic proposition to meet their needs.



Founded in 1976, the Pensions Management Institute (PMI) is the UK's largest and most recognisable professional body for employee benefit and retirement savings professionals, supporting over 6,500 members in 32 countries.

PMI's members, represented in 8 regions, are responsible for managing and advising some of the largest institutions in the world accounting for £1trillion invested in pensions. We promote excellence through a range of services for the benefit of members, the wider economy and with over six million now saving as a result of automatic enrolment, society as a whole.

The purpose of the Institute is "To set and promote standards of excellence and lifelong learning for employee benefits and retirement savings professionals and trustees through qualifications, membership and ongoing support services". To achieve this, PMI:

**Promotes** and embeds professional standards, setting the benchmarks for best practice

**Produces** qualifications that have a reputation for excellence and ensure that employee benefits and retirement savings professionals, whether they are scheme managers, consultants, administrators or trustees, are educated to the very highest standards and the latest legislation

**Provides** continued lifelong learning designed to strengthen the knowledge and skills of employee benefit and retirement savings practitioners in performing to the best of their ability

**Plays** a pivotal role shaping the industry, working with Government and collaborating with other bodies on research and thought leadership on key issues

**Presents** an annual conference and a wide range of technical seminars from entry-level to those for highly experienced professionals

**Provides** industry-leading insight, including Pensions Aspects, PMI TV, Insight Partner insights, newsletters and blogs to keep practitioners abreast of the very latest developments in a rapidly-changing industry

**Proactively** has a voice in mainstream and social media with a presence on Twitter and LinkedIn

# ABOUT THE SURVEY:

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The PMI Master Trust Working Party created a survey consisting of 18 questions asking the Master Trusts their views on issues/barriers.

The responses have been collated to provide this report setting out the barriers which the industry believes need addressing, with both quantitative and qualitative research findings.



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WE WOULD LIKE TO THANK ALL PARTICIPANTS FOR THEIR TIME AND INPUT.<sup>1</sup>

<sup>1</sup> and to further anonymous respondents

# SETTING THE SCENE

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IN UNDERSTANDING THE IMPORTANCE OF MASTER TRUSTS TO THE PENSIONS INDUSTRY AND THEIR GROWING INFLUENCE, IT IS PERHAPS BEST TO START WITH WHY THERE HAS BEEN A RESURGENCE IN THEIR POPULARITY. THE INTRODUCTION OF AUTO-ENROLMENT (AE) HAS SEEN AN INCREASE IN MEMBERSHIP OF PENSION ARRANGEMENTS OF CIRCA 10M.

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The Pensions Regulator's (TPR) publication 'DC trust: presentation of scheme return data 2017 – 2018'<sup>1</sup> shows that as at December 2017, Master Trusts' active membership accounted for nearly 6m members and looked after assets of £16bn. Figures which the industry is expected to have increased significantly by the publication of this report.

In order to ensure the continued security and protection of members' benefits, Master Trusts are being held to a higher standard of governance and October 2018 saw the introduction of the Master Trust Authorisation regime. This move is expected to see the exit from the market of smaller, less profitable and potentially riskier entities, looking to and ensure those that remain can provide scale, service and affordable good governance. However, will the increased scrutiny lead to barriers getting in the way of servicing clients? How can Master Trusts work together to increase standards of service delivery, demonstrating proactive leadership in good governance?

The PMI undertook the 'Master Trust: working collaboratively to overcome barriers to good service delivery' survey in an attempt to understand the view of the providers. 18 questions provided both quantitative and qualitative responses, and now the insight has been brought together in this report.

<sup>1</sup> DC trust: presentation of scheme return data 2017 – 2018  
(<https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/dc-trust-2018>)

## OBJECTIVES:

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THIS REPORT SETS OUT TO DEFINE WHAT EXACTLY IS CAUSING SERVICE ISSUES AND WHAT AREAS NEED TO BE CHALLENGED TO ENSURE THAT MASTER TRUSTS DELIVER ON PROMISES AND WHAT, IF ANY, ACTION CAN BE TAKEN TO HELP ADDRESS THESE BARRIERS.

There were a number of messages that came through in our findings but three stood out:



**There is overwhelming support for the Master Trust authorisation regime** but with a caveat on how it is implemented; compliance should not be allowed to stifle innovation that improves member outcomes.



**There is general recognition that going forward Independent Trustees must be ready and prepared** to forcibly press the case for member interests under a shared governance model with a commercial Funder.



**Advice and guidance regulations, and communications regulation generally,** are felt to be the most difficult, potentially hampering the Master Trusts' ability to harness technology to deliver improved service to members.

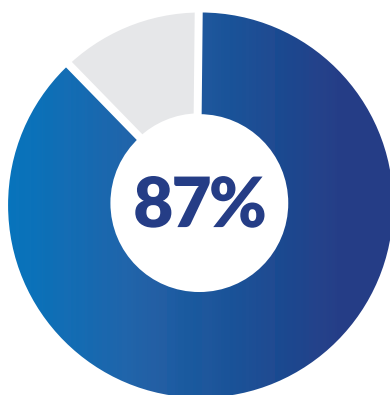
The report explores the survey results in greater detail but the resounding message from the Master Trust respondents was a desire to work collaboratively to create an environment where the standard of service to members could continue to improve, recognising that by working together barriers can be overcome.

# SURVEY RESULTS

The survey highlighted current thinking on barriers being regulation, costs, systems limitation and skill shortages. This report focuses on the most important findings from the survey.

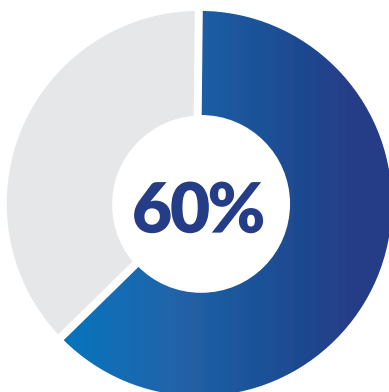
All of the responses including representative comments are provided on the PMI website: [www.pensions-pmi.org.uk](http://www.pensions-pmi.org.uk)

## COLLABORATION AND CONSOLIDATION



**87% would support** future collaborative efforts to overcome barriers to good service delivery and member outcomes (**13% were not sure**).

The consensus was that collaboration was a **'no brainer'** and it was welcomed by the providers. Others felt it needed to be across financial sectors with a **cautionary note of time and resources required to create policy/codes etc.**



**60% of providers felt that there will be no more than 20 Master Trust providers in five years**, with a further 20% feeling the number will be 25-30 and 13% opting for 40.

**87% of providers felt that the authorisation regime would accelerate the consolidation of the providers.** This is already being seen as TPR announced 30 providers will not go through the authorisation process, leaving 58% that will either need to become authorised or exit the network. Whilst the larger players would dominate in terms of membership size and assets, some niche providers may remain.

“

We are already seeing consolidation in the market - we expect to see a lot more in the next 5 years as the new authorisation standards start to bite

”

“

Perhaps only 5 being full service, 5 for large employers and 5 in niche areas such as drawdown or industry specific

”



## GOVERNANCE



+ **40%** believe the funder should appoint professional independent trustees.

+ **33%** think the trustee board should appoint.

The views were split, as can be seen here. Views were also split on the concern that balance of powers issues will arise whether a trustee or funder is appointed. In this new environment of trustees having governance and oversight of a scheme run on a commercial basis, many believe that trustees must prepare for potential future conflicts early so that they are ready to stand up for members' interests should the need arise.

**We believe this will be a growing issue, and one to watch.**

”

“

**We recently undertook a search for a new trustee and generally found good quality candidates. The Independent Trustees are on a learning curve and will need to ensure that their CPD is more focussed.**

+ **27%** felt there were not enough Independent Trustees with the right mix of experience of commercialism and DC.

+ **60%** Felt these were sufficient.

Perception or reality, as 'Male, pale and stale with a DB bias' was one comment; is this demonstrating that there is still some way to go in achieving diversity of trustee boards? Others felt that some trustee boards lack experience of the commercial aspects of the new Master Trust environment. A more positive note was struck with a view that cross-fertilisation with Investment Governance Committee roles with personal pensions providers, went some way to help.

## REGULATIONS

All respondents welcomed Master Trust Authorisation as a good thing...



+ **93%**  
strongly agree

+ **7%**  
agree

Overwhelming support is demonstrated for the authorisation regime but some concern was expressed around the level of TPR's supervision and how prescriptive it may become. 27% expressed some preference for a more principles based approach whilst 73% were content with TPR's detailed approach. Comments made by providers showed concern for the inadvertent outcomes of the prescriptive approach, e.g. eliminating good providers, short term-ism affecting long term gains, and effort focused on the wrong areas.



Some of the prescriptive detail which Master Trusts could fail on does have a significant immediate impact on the sustainability and quality of the scheme. By being overly prescriptive TPR could eliminate some good Master Trusts for no good reason



Master Trusts have seen significant growth since the start of automatic enrolment and it is essential that they are well run by competent individuals, by firms that can demonstrate they have the appropriate financial capability to ensure sustainability and reduce risks to members that would be present in ineffectively governed schemes that do not have the appropriate financial support. The new authorisation regime will address that



Advice and guidance regulations impede good service delivery:

**ONLY  
20%  
DISAGREE**

+ Similar views are held on communication regulations generally.

+ **53%**

Agree that the rules around advice and guidance impede current and future delivery of services to members that would provide better outcomes.

+ **47%**

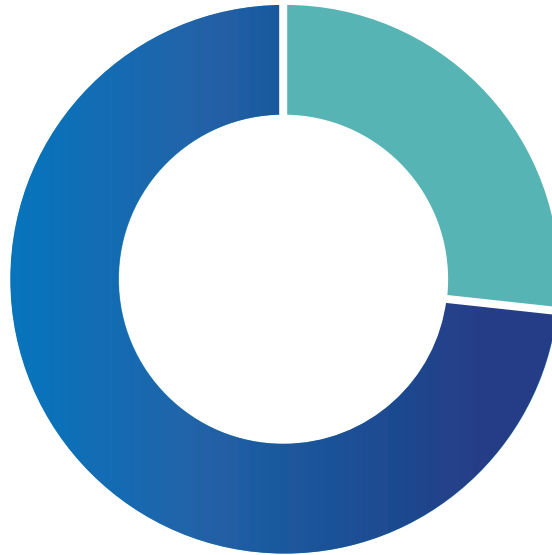
Felt the same about rules on communications generally.

Comments included some strong feelings that members were not getting a good service because of regulations put in place to protect them. Is this an example of where regulations put in place to protect members is inadvertently preventing effective member communications?

## SKILLS

+ **73%**

Believe there was a DC skill **shortage at TPR.**



+ **27%**

Believe there are DC skills **shortages in almost all areas**, (professional independent trustees, communicators, consultants, system providers and administrators).

However concerns raised reflect the position when the survey was conducted (August 2018) and since then TPR has announced measures to address this concern. Anecdotally participants have now expressed greater confidence in this area.

Whilst the providers felt there were sufficient resources and skills elsewhere, there were concerns that the pool of senior management and trustees was quite small, but others felt scale and consolidation would lead to any issues being straightened out.

“

For the regulator, they are increasing their skills in the DC arena but the new authorisation regime will be challenging and it is important that they hire people with the right skills and capability to understand how different Master Trust business models work to ensure that the authorisation and supervisory frameworks work effectively

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“

Finding good quality Master Trust expertise in senior level management is like fishing in a puddle

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There isn't necessarily a skills shortage, it's more that this area could be improved

## MEMBER SERVICE AND TECHNOLOGY

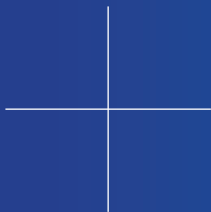
+ **87%**

of respondents felt Master Trusts should **focus on member experience** and proposition improvements rather than cost reductions



+ **47%**

disagreed that the desire by **funders to recoup their significant initial outlay** will slow the pace of investment in service delivery



**The general consensus was that costs were low enough and that trustees will continue to strive for service improvements.**

Many felt that providers understood that pensions were a long term investment but the business model may impact the view of the funder (i.e. commercial model versus not-for-profit model) in reinvesting in the member proposition.

+ **60%**

Agree that **insufficient system integration and technology is a barrier** to good member outcomes.

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**This is an area that the industry needs to focus on.**

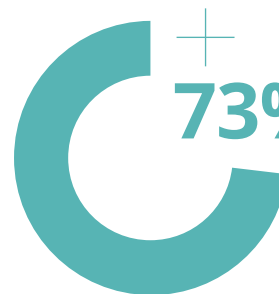
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**The problem is around the member journey and overlapping and competing platforms**

+ **80%**



The Master Trust providers felt that **cost was the main reason for the adoption of technology being slow**



+ **73%**

closely followed by **limitations of current systems**

+ **ONLY 80%**



felt that adoption was due to **overly cautious trustees**, but views were evenly split on whether lack of awareness is a factor.



+ **53%**

felt that a pension dashboard **will drive adoption of technology**

+ **40%**  **were unsure**



Without a doubt. But non-commercial schemes, including the public sector schemes won't necessarily adopt pension technology unless the Government makes it compulsory for them to release data to the dashboard.



+ **47%** felt that Master Trusts are starting to move forward in **driving the member experience closer to the customer experience from financial and retail sectors**

However, **40%** + feel the industry still **lags behind other sectors** and only **13%** felt that Master Trusts are moving quickly enough.

“ Some innovation is coming out of Master Trusts, certainly more than other schemes but the focus is on compliance at the moment. TPR needs to be careful not to smother Master Trusts in compliance which stifles innovation.



Social media and pensions have not yet been integrated. We need to bring in the preferred chat bots such as WhatsApp and others to improve customer experience. We also need to make pensions more fun. We need to tear down the traditional image of the big dinosaur businesses and drop jargon and speak in simple language. We need to stop using all of the regulatory and provider terms...



# CONCLUSION AND NEXT STEPS

## The report is a call to arms to the Master Trust providers.

Virtually all of those who took part agreed that working collaboratively would enable the identified barriers to good service delivery and member outcomes to be overcome.

## ADDRESSING THE BARRIERS

**+** **Skills and conflict of interest:** The survey shows, and the PMI Master Trust Working Party believes, that the new era of DC Master Trust Governance will lead to a different set of knowledge requirements, notably being a Trustee in a commercial world. We can see division on whether there are enough of the right skill sets and who should appoint independent trustees given whichever side appoints them will lead to some form of conflict.

**+** **Technology:** Greater investment and standardisation is needed in terms of technology. Whilst DC systems capability has developed significantly over the last 20 years, there is still much work to be done. No longer can systems purely be utilised as record keeping engines, working in isolation. Demands for improved system capabilities continue to grow and closer integration through standardisation can only help. The advent of the Pensions Dashboard is seen as a catalyst for raising the priority of data provision and technology capabilities in member engagement.

**+** **Member communication:** How do we overcome the regulatory burdens placed on providers when it comes to communicating with members and offering help without breaching communications, advice and guidance regulations? Through working collaboratively, can consensus be achieved on what is needed that overcomes Government's valid concern on miss-selling the benefits of pensions?

The survey may not provide the answers but perhaps by collaboration, the Master Trusts would have a voice to find the solution to the problem regulation has created.

**+** **Authorisation:** The survey found it is strongly welcomed but there were concerns over how and to what degree TPR may become too prescriptive and could cause more harm than good. As a body of providers, representation as one voice will go a long way to helping address any concerns TPR has over standards, security and desire to deliver good member outcomes.

### Questions arise such as:

- What do they need to think about and be aware of in order to manage potentially new types of conflicts and calls on their time?
- Can they ensure there is a balance between investment returns to the funders of Master Trusts with the need to continually improve and develop services and value to members?
- How can the group help articulate this and help trustees?



# ADDRESSING THE BARRIERS – A CALL FOR COLLABORATION: LAUNCH OF THE PMI MT GROUP

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AS A COHESIVE GROUP, THERE IS AN OPPORTUNITY TO WORK COLLABORATIVELY TO PUT FORWARD SOLUTIONS TO THE IDENTIFIED BARRIERS. ONLY BY COMING TOGETHER CAN THE INDUSTRY PREVENT FURTHER BARRIERS CAUSED BY MIS-UNDERSTANDING AND THE LAW OF UNINTENDED CONSEQUENCES DOING MORE HARM THAN GOOD.



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The PMI is delighted to be asked by the working party to continue to provide support for this embryonic movement. For those wishing to join the group please contact:

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