

Summary

- Increased uptake in master-trust membership has led to a distancing between employers and scheme members.
- Enrolling staff into a master trust relieves employers of a number of duties, however, communications are still encouraged.
- Employer-led internal groups could help to monitor and report on the value that these schemes are providing for members.
- Resultantly, engagement and communications between employers and employees shouldn't cease once enrolled into a multi-employer scheme.
- Working with the provider is key to ensuring best outcomes for members.

Building bridges

▶ **With record numbers of employees in master trusts, the relationship between employers and scheme members can become distanced. Talya Misiri questions the impact of this and what employers can do to plug the gap between employer-member relations**

The increased uptake in master trust membership, adding an additional party to workplace pension provision, has inevitably led to a distancing between employers and scheme members.

For many employers, the demands of auto-enrolment has meant that it is neither cost effective nor sustainable to introduce or build on individual pension offerings and solutions. Rather, employees are passed onto multi-employer schemes for pensions to be governed and issued externally.

While this means that employers have less oversight over their auto-enrolled staff, workplace engagement and ongoing communications with members are still regarded as beneficial in the retirement saving process.

Benefiting employers

The demands of auto-enrolment requiring even the country's smallest micro-employers to enrol staff into a pension plan has meant that master trust membership has rocketed in the last few years.

As it is estimated that 61 per cent of schemes will be in a master trust by 2026, the majority of the pensions relationship, including communications with members, is likely to pass on to master trusts rather than employers.

"Engagement and communication plays a key part in ensuring members save enough for their retirement and master trusts are well placed and well-resourced enough to help do this," State Street Global Advisers senior client relations manager Sophie Ballard says. "Crucially, how the master trust engages and communicates with members will become a key USP when employers choose which master trust to use," she comments.

In addition, master trusts can be favoured by employers as they offer the benefit of a governance function with generally low operating costs and greater simplicity. "Master trusts offer added peace of mind for employers," says Ensign pensions director Ivan Laws.

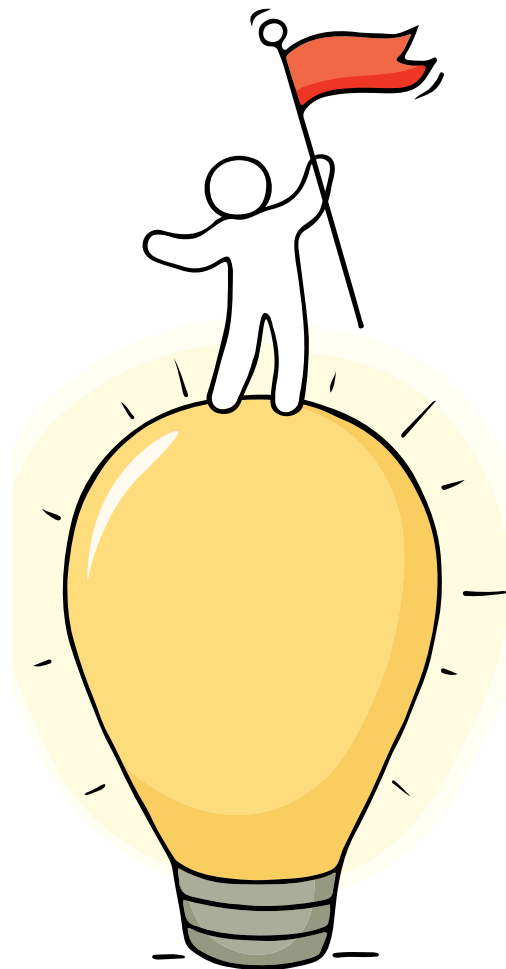
Nonetheless Laws argues that enrolling members into a master trust does not mean lower levels of

engagement from employers are advocated. Instead, it is important that employers partner with a provider that is "looking out for employees' best interests", he says.

Distancing relations

With employer-run schemes, trustee boards generally include employer representatives of whom are influenced by the concerns of the company and resultantly act on behalf of its members. With master trusts, however, this is not the case.

JLT Employee Benefits benefit consulting principal Stephen Coates emphasises: "The trustees of a master trust can be responsible for thousands of employers and millions of members. Local decisions are simply not possible.



“Moving from own-trust to master trust will inevitably see a distancing of local responsibility.”

With this, employers are relieved of a number of scheme considerations and duties. These include having direct involvement in strategies for scheme leavers, members nearing retirement, members at retirement, new entrants, the selection of appropriate investment options, holding providers to account and monitoring performance.

Therefore masters trusts will always be a ‘one size fits all’ philosophy. “It has to be,” Coates states.

Nonetheless, employer duties are not completely removed. The decisions relating to benefits and contribution levels usually remain with the participating employer, therefore, employer-member communications can be beneficial.

Internal employer groups

Ballard highlights that “despite outsourcing the pension provision, often members still associate their workplace pension with their employer, meaning it is key that the employer continues to engage with their chosen master trust”.

As a result, while transferring the majority of scheme responsibilities

“Working together will be key for the success of both the master trust and employers to ensure members can afford to retire”

to master trusts, some employers still demonstrate an ongoing commitment to good quality pension provision. This can be shown through the establishment of internal groups that sometimes include employee representation, to monitor and report on the value that these schemes are providing for members.

Coates explains that employer-led stewardship groups can plug the gap between employers and master trust scheme members. To do this, a “pseudo trustee committee” can be introduced to cover decisions relating to the scheme and its members.

“It can be relatively informal; is not subject to regulation or formal legal duty, but can bridge the gap between the trustee board and the needs of the organisation. This can offer an attractive compromise to trustees and employers alike, who are looking

to reduce costs, de-risk but, at the same time, are concerned about the impact upon their membership,” Coates adds.

Association of Member Nominated Trustees co-chair David Weeks agrees that some form of member representation is also crucial for these schemes to prevent from potential losses. “If members don’t have a seat at the top table, they’re likely to lose out,” he notes.

“If and when a problem arises, the consequences of not having it [*member/ employer representation*] would mean there is no one to take ownership,” Weeks adds.

Workplace engagement

Resultantly, engagement and communications between employers and employees shouldn’t cease once enrolled into a multi-employer scheme. With an increased focus on workplace wellness, including financial wellness



and understanding, employers are encouraged to engage and educate members around their savings, particularly pensions.

“It is not particularly accurate to characterise master trusts as removing the relationship between employers and members,” Arc Pensions Law partner Rosalind Connor states.

In order to maintain this responsibility, therefore, Ballard comments that: “Employers are often still providing basic information around the pension scheme within their financial education programmes, signposting

members to their chosen master trust for more detailed information.”

Ascot Lloyd corporate financial adviser Anthony Palmer notes that although it is not necessarily an issue that enrolling into a master trust causes the employer-member relationship to change, many still want continued engagement in some form. He argues that regardless of their arrangement, members and employers still want to be able to directly engage with their pension provider.

“Many of our clients still want ongoing engagement with their provider both for benevolent reasons and to mitigate the risk of future complaints,” Palmer finds.

He echoes the view that while the scheme is not the employer’s sole responsibility, they recognise the

importance of having governance processes in place to demonstrate that member benefits are secure and member borne charges are competitive. There is also the desire to guarantee that their employees’ funds are appropriately managed, in addition to enabling employees to make informed and educated retirement decisions.

“It’s not a matter of being less engaged, but partnering with a provider that is looking out for your employees best interests,” Laws says.

Ultimately, it is arguable that enrolling employees into a master trust does not completely remove the duties and relationship of the employer with scheme members. Rather, it is largely beneficial to develop internal processes that can help to assist and educate members and ensure engagement is not reduced when enrolled into a master trust.

Ballard concludes: “Working together will be key for the success of both the master trusts and employers to ensure members can afford to retire and therefore enable effective workforce management.”

 **Written by Talya Misiri**

