Switching on to a master trust

Schneider Electric pension manager, Jerry Gandhi, and pensions administration manager, Richard Taylor, tell Francesca Fabrizi about the DC scheme's recent move to a master trust, and the positive changes it has meant for the scheme going forward

Why did you move to a master trust?
Gandhi: The reason for going down the master trust route was, when we were evaluating all the work we were doing, we felt that the costs being incurred on the DC side were ever increasing, while the ability to focus spend on member outcomes was ever reducing.

The culture of the organisation is about empowering people – our strap line is 'Life Is On', and that means life is on for those working for the organisation even into retirement. So, we wanted to look at how we could truly make that happen. Owning the pension scheme was a really important part of what we wanted to do but ultimately, after much deliberation between the trustee and the company, the decision was made to look at all the options available in the marketplace. We wanted to see if there were better ways of delivering our DC scheme, for the benefit of our members.

Ultimately, master trust provided us the best of all the things we wanted.

Taylor: We didn't just look at this from a pension scheme point of view either – we wanted to take a holistic approach and consider financial wellbeing as a whole. The pandemic has highlighted the importance of financial stability, so we wanted to make sure we had the best technology, and that our members had the best tools, to be able to understand and manage their pension in the best way possible, but alongside their overall financial wellbeing.

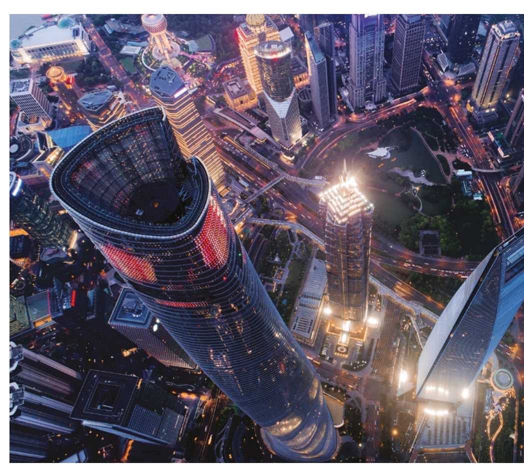
How did you choose which master trust to go for?
Gandhi: With the help of an independent consultant, we created a substantial and meticulous wishlist of everything we wanted, then went to market. We wanted every master trust out there to have the opportunity to pitch for it, on a no names basis initially, and that led to a list of approximately 16 potential providers.

Following further dialogue with those providers, we distilled that list down to six who we then met with in person. After those initial meetings, we drew up a shortlist of three, and carried out site visits where we met their teams and learned about everything they could offer us. They were all excellent but, in the end, we went for an offering that we felt our members could most relate to, and a company that we felt was the most capable and suited partner, not just a provider – and that was Aon. That partnership was critical.

With Aon, it was very much about how we could work together on the process and where that would lead us – having a common vision for helping our members achieve quality financial outcomes into retirement. To ensure the trustees and the company could feel confident with the change, a robust transition plan for the move to the master trust was provided. This underpinned the relationship that we'd have with them, not simply as supplier and customer, but very much a partnership including the future development plans and the option to integrate financial wellbeing into the offer to our members.

Taylor: It's important to note, when we went to market, we didn't go out thinking we were going straight into a master trust. It was only when we got the initial responses back that we realised everything we wanted to do, i.e. spend less time on compliance issues and more time helping our employees, would be best matched to a master trust, and we would still have the control and partnership that we wanted.

How involved were the trustees?
Taylor: At the very beginning, we set up a working group which included some of the trustees, so they were involved right from the start. We also put in place a project plan, which they were also involved in, so they could fully understand what was going to happen



with the existing funds that we had, what their responsibilities were, how it was going to work and so on.

We involved everybody that we needed for the journey right from the very start – that meant we also had buy-in from the start. That was important – to make sure we didn't do all this work and then suddenly fall down at the last hurdle because nobody wanted to do it.

The trustees were truly empowered – and so our trustee board and indeed the management of the company felt positive about the change because they were involved from the outset.

How did Covid affect your plans?

Gandhi: We had planned to do our consultation in April 2020 and launch in June but, because of the pandemic, we put everything on hold. The last thing we wanted to do at a time when people were really feeling personal and work-related pressures was add to that. The change to the pension scheme was going to be a positive move for them – the members were going to get better value and truly benefit from the new pension scheme, and we wanted them to see it as a positive.

Towards the end of the year, in October, we decided it was the right time to get things moving again. We had planned a whole circuit of onsite meetings which had to of course go online, but we had a phenomenal attendance to those. The debate was very intense, a lot of the scepticism at the beginning turned into a lot of positives about the value-add that we would be gaining.

Then, on the 31 December, we closed the old scheme, and on 1 January 2021 launched the new one.

Taylor: Also, during that period between April and October, we didn't sit back and do nothing. We knew the change was going ahead, we knew it was the right thing to do, so we used that opportunity to make sure our comms were absolutely perfect, and all anticipated questions could be answered, to ensure everything was well prepared.

We're a digital company so we wanted to make sure that we used the digital tools that are available. We updated our website with a special master trust page that hosts all the information. There were certain documents that we had to send out by post but everything else, where possible, we did electronically.

Gandhi: Because we paid for the administration costs, the servicing costs, and the governance costs in the old world, all those costs were being transferred into the new scheme. However, ultimately, the AUM charges for members under the new structure were more competitive than under the old scheme and it covered our administration costs.

So, we were upfront and honest – it was saving the company money, yes, and the member was not going to be paying more, so it was a win-win. However, that allowed us as a company to refocus some of that spend on engagement and member communications over and on top of what the site would provide.

What made the move a success?

Gandhi: Communication and accessibility have been key to the success of the scheme moving to a master trust – online Q&As and factsheets being updated regularly; questions posed being responded to within days. Sustainability was also vital – part of our ethos is to minimise the use of anything that has a detriment to the environment or people, so that was also part of the equation.

Having clarity of what we wanted to do also assisted in the success – being very open about trying to understand who and what out there could provide that for us and being very clear that going forward it had to be a partnership. We weren't looking to just pass the scheme off to a master trust – we needed co-branding and co-capability to communicate.

Taylor: Also, we have very good member engagement. We have a communication plan that goes all the way through to the end of 2022, and we keep adapting that.

We're doing all sorts of information sessions. We're trying to hit our new joiners so that they don't miss out on the important information. We're recording videos to go into the induction programme for pensions. We are planning early, mid and late career webinars. There's a lot that we're trying to do. I sit down with our graduates within a couple of weeks of them joining to talk pensions and you'd think that they wouldn't have much engagement, but actually they are extremely engaged particularly on issues relating to ESG – they are interested in how can they responsibly invest. So they are very engaged. So it's working well. There's a lot of positivity.

Gandhi: That brings us back to my original point – 'Life Is On' and that sustainability of life while working is imperative. We want to look after our people, we want to ensure that they can enjoy the many years of working with us into retirement and do it in a sustainable way. What we have now with the master trust is something which, building on it, will allow for full financial wellbeing for all members.

Written by Francesca Fabrizi