What makes a good master trust?

Anish Rav from Atlas Master Trust reveals how, despite authorisation, not all master trusts are the same, and what needs to be considered when selecting one

The growth of master trusts has been well documented and the requirement for them to be authorised by The Pensions Regulator means they will meet the minimum standards for operating. But that doesn't mean that all master trusts are the same. The way they operate and the outcomes they provide for members can vary significantly.

If you're an HR, pensions or finance manager considering using a master trust, what should you look for to ensure that it delivers the best possible outcomes for your members and your organisation?

It's all about members

Pension scheme members in the UK are the beneficial owners of more than £3 trillion of assets[1], but those with workplace pensions have almost no say in what happens to their money – those vital decisions are made by trustee boards, providers, asset managers and consultants with very little input from members, if any at all.

This results in a disconnect – according to recent research by Capita Employee Solutions, *The Future Face of Retirement,* 72 per cent of employees aren't engaged with their company pension and 77 per cent don't understand enough about pensions to make considered decisions. People typically feel indifferent or powerless about retirement, and they're confused about pensions: they don't understand the differences between the diverse types that are available and don't know how much they've saved or what they should contribute.

But they want to engage more because they accept that they're responsible for ensuring they have a decent pension, with or without their employer's support. The vast majority – 84 per cent – want to understand better how much they need to save to be able to enjoy a comfortable retirement.

A master trust that's designed primarily around members and not centred around the preferences of the provider, the employer, the associated consultant or the adviser will generate better outcomes for its members. Everyone has the right to take control of their financial future and make something of the money they've worked hard to save throughout their working lives. Putting them at the centre of everything you do is crucial to running a good master trust scheme – something that we've already recognised at Atlas. We work tirelessly to achieve one ambition: to ensure that none of our 100,000+ members get any surprises when they retire.

This is not at odds with employers' needs – they want the best outcomes as well. If members understand their pensions, they will have one less thing to worry about and will thank their employer for selecting a quality scheme.

To ensure that pension scheme members are fully engaged with their retirement plans, a master trust must focus on creating great customer experiences that engage members in a non-patronising, grown-up way, with total realism, by really listening to them and addressing their needs.

Members should be able to expect personalisation (understand my particular needs and tailor what you tell me accordingly), efficacy (make the interactions and communications simple and easy) and empowerment (give me the tools, help and support to own my own financial future), so that they actively participate in their pension rather than just passively receive information about it.

Driving innovation

Master trust trustees play a vital role in making sure that members' interests are prioritised through innovation and strong leadership.

Good governance goes beyond authorisation by The Pensions Regulator; it's about having a proactive, effective and relevant board that's actively involved to ensure the best possible outcomes for members.

A master trust that focuses as much on enhancing members' experience as it does on protecting them is critical to ongoing innovation, improving outcomes for members and creating effective pension provision for all parties.

To achieve this, a board of trustees must have expertise and an understanding of their role and be suitably qualified and experienced. The most effective boards will also have a diverse range of knowledge and skills. They must function as a dynamic, cohesive team, with members able to challenge one another's views robustly but still take collective responsibility for decisions.

Trustees should have a clear, mutually-agreed and widely-understood vision, objectives and set of beliefs, dedicating significant time and effort to understanding the strategic issues that

affect governance, performance and member outcomes.

Sub-committees – covering areas such as investment or engagement – should hold joint meetings that integrate different areas of oversight seamlessly and effectively and share this holistic approach across support and delivery partners and advisers.

So, what should you look for in a master trust board?

Is it effective? Is it collegiate? Does it operate as one and is it capable of making swift decisions?
With an emphasis on dynamism rather than bureaucracy, a successful governance team maintains continuous oversight of processes and investment performance rather than deferring consideration until the next quarterly governance meeting.
It ensures that all materials and communications are comprehensive, clear and well-documented.

Is it proactive? Does it strive constantly to do things better, aiming to enhance what already works rather than just fixing what's broken? A successful governance team is agile and empowered, with a clearly-articulated vision of success.

Does it stay relevant? Does it empathise with members' hopes and fears, while understanding and responding to their needs? A successful governance team gets to know members and communicates clearly and simply with them.

Checklist
I've highlighted some of the key considerations above, but there are others to take into account.

While price is a consideration, it shouldn't be the main one. Nor should the name nor size of the trust. It can be easy to choose a trust simply because it's big or cheap but the key thing to think about is the ultimate outcome for members and how they're taken on the journey. This means assessing:

- The master trust's cultural fit with your organisation
- The master trust's ability to meet your objectives
- The quality of the investment solution, especially the default strategy
- The level of interaction between employers and the master trust – are employers fully involved with the scheme and able to ensure that members' needs are being met?
- How the master trust takes members' views into consideration and acts on them – does it really listen to the members' voice?
- The amount of skill and expertise that the people who would be running your pension scheme have – is there a dedicated team in place, focusing solely on the master trust?
- The commitment of the master trust's funder to ensuring it is there for the long term. Moving to a master trust is not something you want to do often, so having a long-term commitment is crucial.

But, of course, the main thing is how the master trust puts members front and centre of every decision with the sole aim of getting the best possible outcome for them.

Written by Anish Rav, head of clients, proposition and strategy, Atlas Master Trust

In association with

atlas
The considered choice of master trust

[1] Financial Conduct Authority, February 2019