

Master Trusts – Coming Full Circle

Vincent Boyle
Chief Executive

APT Workplace Pensions Limited



IORP'S II

- Early 2019
- “effective system of governance”
- “principles of prudential supervision”



Bridging the Gap

Schemes will

- Meet the new standards
or
- Look for alternatives



Master Trusts – A New Concept?

Master Trusts

- Year is 1975
- First “modern era” Master Trust is launched
- Template for today’s MT’s

Master Trusts – An Appropriate Alternative?

What is a Master Trust?

- Employers who are not connected
- Join a single trust (for DC provision)
- Each in ringfenced sections



Master Trust- Components

- Professional Trusteeship
- Compliance Structures
- Administration
- Investment Strategies
- Member services



Master Trust – Key Features

- Legal responsibility rests with Master Trustees
- Master Trustees take on compliance burden



Master Trust – Other Features

- Valuable Client time saved
- No employer indemnity
- Value for money



What does IORP's II Mean for Master Trusts ?

Master Trusts & IORP'S II

Pension Authority

- Fewer schemes
- Role of Master Trusts
- Consider additional obligations



Master Trusts - Additional Obligations

Trusteeship

- DAC – only one MT
- Majority Directors independent
- Qualifications

Master Trusts - Additional Obligations

Business Plan

- Long term viability
- Detailed assumptions
- Re-submitted every year



Master Trusts - Additional Obligations

Capitalisation

- Access to sufficient capital
- Sustain for 2 years
- Satisfy PA annually



Master Trusts - Additional Obligations

Risk Assessment

- Undertake own risk assessment

Conflicts of Interest

- Best interests of members

Master Trusts - Additional Obligations

Dealing with Members

- Different dynamic
- Arrangements in place to communicate



Master Trusts - Additional Obligations

Transparency

- Charges

Marketing

- Trustee input



Master Trusts - The UK Experience

Master Trusts

- Over 70 MT's in the market
- Grew as a result of auto enrolment

Auto enrolment (AE)

- 10m people since 2012

New Rules

- 30 MT's will exit market
- New rules

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