

HEALTH WEALTH CAREER

# MASTER TRUST

## A BUYER'S GUIDE



MAKE TOMORROW, TODAY



# FOREWORD

Choosing a quality master trust means an employer no longer has to worry about compliance issues in a climate of increasing pension regulations. The regulatory responsibility for running the scheme passes instead to a professional trustee, easing the burden of administration and governance – making a master trust a smart solution for many employers.

However, choosing the right master trust is critical to avoid exposing members to other risks. You need to be confident you are considering the right solution for your needs – one that will solve your current and future automatic enrolment requirements, is reliable and committed to the market, and includes investments that can facilitate better outcomes for your employees.

Additionally, a master trust should deliver overall savings, reduce risk, and improve or maintain the quality of your existing arrangement.

This guide will help you assess the many choices that are available to you. It provides key questions to ask when deciding whether a master trust is a good solution for your business and offers important criteria for selecting the best option for you.



# WHY DO EMPLOYERS CHOOSE MASTER TRUSTS?

Employers who choose master trusts fall into two broad categories, which are served by different sections of the master trust market:

**Employers with an existing DC arrangement** who are concerned about the increasing time, cost, risk, and complexity of running their DC plan.

A master trust gives them the opportunity to outsource the operation and governance of their pension plan to experts, significantly reducing time, cost, and risk – without sacrificing quality.

**Employers who haven't previously made pension arrangements** and are seeking a low cost and low effort way to ensure a new pension plan complies with pension regulations.

A master trust offers clear advantages to smaller employers by providing a simple-to-manage solution to their compliance requirements that helps them reduce risk.

# WHAT SHOULD YOU CONSIDER WHEN SELECTING A MASTER TRUST?

## HIGH-QUALITY TRUSTEESHIP:

- Does the trustee board comprise high quality professional trustees?

## COMMITMENT TO MARKET:

- Does the provider have enough clients and is it focused on the master trust market?
- Does the provider have the financial resources to deal with problems or expensive new regulatory requirements should they arise?

## QUALITY ADMINISTRATION:

- Does the administrator have a proven track record of providing quality service at the right cost?
- If administration is poor, can the administrator be changed within the trust?

## BESPOKE PRICING:

- Will you benefit from bespoke pricing? Is your scheme of sufficient size to benefit?
- Are investments priced depending on their type (active or passive)?

## INVESTMENT DECISIONS:

- Does the master trust offer a fully delegated solution?
- Is the cost of investment advice included?

## AT-RETIREMENT FLEXIBILITY:

- What support is given to members in the approach to retirement?
- Will members be given holistic advice at the point of retirement?
- Will members be given whole of market advice on annuity and/or ARF purchase?

## INVESTMENT CAPABILITIES:

- What default investment solution is offered by the master trust?
- Does it offer investment glidepaths to cash, ARF and annuity?
- Does the master trust offer a range of investment options that members will be able to understand?
- Does it offer target date or lifestyling capabilities?
- Are the funds continually monitored to ensure they evolve with changing conditions? If so, how often are they revised?
- Can the master trust deliver lifestyling arrangements that are flexible from the member's viewpoint, for example allowing for the self-selection of a target retirement age?

## COMMUNICATIONS:

- Will you receive high-quality communications and services for your employees?
- What is included within price and what is subject to an additional fee?
- How much tailoring and flexibility is provided?
- What tools are available, and how can they be accessed?

## FUTURE-PROOFING:

- Is the administration and technology provider committed to maintaining market-leading products and services? How are they reviewed?
- Are the investments offered communicated simply and engagingly?
- Are the investments continually monitored to allow for underlying fund manager substitutions?

# KEY QUESTIONS



The following questions can help you understand what type of master trust is right for you and identify appropriate suppliers:

- What are your scheme metrics (for example, number of employees, contribution levels)? What existing funds do you have?
- What level of support, communications, and servicing do you require?
- What services are included?
- Do you want proposals and prices from a number of providers or just a single provider?
- What support is given to members at, and through, retirement? Is open market advice on ARFs and annuities included? Can members get guidance on their options at retirement?
- How will you make sure you are comfortable with the trustee arrangements? Keep in mind that a master trust is a delegated solution – you will not be responsible for scheme governance; the trustee will. Is this what you want to achieve?
- What reporting will you receive in terms of investments and operational servicing?

# A SMART CHOICE

If the situation is right, a master trust can provide a lower-cost, high-value, time-saving solution. If you would like to learn more about master trusts, please contact your usual Mercer consultant or [marketing.ireland@mercer.com](mailto:marketing.ireland@mercer.com).

[www.mercer.ie](http://www.mercer.ie)

