

DC Master Trust Report 2022

Go Pensions carries out an annual survey of DC master trusts. The survey complements our ongoing research activities into the DC master trust market, with a focus on current topics of interest.

For 2022, small schemes and the Value for Members assessments continue to be a focus. The survey also touches on master trusts' progress towards Pensions Dashboard readiness and developments in their member facing technology.

We asked some searching questions and there were some fantastic responses. This report shares a summary of the results.

19 commercial master trusts participated in our survey. A summary of the participants can be viewed on page 13 of this report.

You can view our interactive DC master trust league table online:

<https://go-group.co.uk/latest-insights/>

This is updated twice a year with key metrics from our ongoing research with DC master trusts.

How do master trusts measure up in the new world?





INDEPENDENT INSIGHT

As the master trust market contracts post authorisation and smaller schemes evaluate the benefits of consolidation – the value of independent, expert insight is clear.

Not all master trusts are created equal – the benefits smaller schemes can realise for their members has many variables.

It's our job to keep our finger on the pulse of the master trust market to provide the most comprehensive independent overview.

HIGHLIGHTS

9/10 master trusts think more guidance or a template for VFM from TPR would help small schemes.

47% of master trusts have received fewer small scheme enquiries than expected.

Only **42%** of master trusts allow paperless ID verification on pension transactions.

More master trusts can accept transfers from schemes with <£10m AUM

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- Member technology developments

Market Strategy

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Participants

Small Schemes and VFM

There are around **1,800 small DC pension schemes** in scope for VFM assessments. At this stage, we would expect a reasonable number to be well on their way to compiling the data for their assessments.

Almost half of respondents tell us they have received **fewer VFM enquiries from small schemes** than they would have expected.

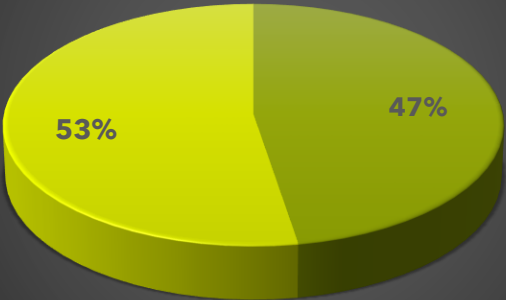
The highest number of VFM enquiries that was reported as being received by a single master trust was **32**.

Master trusts report that over half of small schemes who have contacted them use **independent third party evaluator** to help them with their VFM assessments.

89% of master trusts expect to be able to **provide better value for members** than a single employer trust.

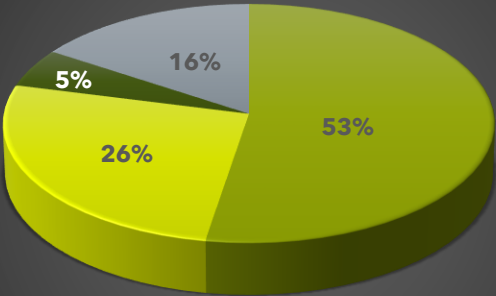
Many master trusts **commercially assess each scheme** on a case by case basis, so charges for schemes may vary.

How has the volume of enquiries from small schemes in relation to VFM assessments compared to your expectations?



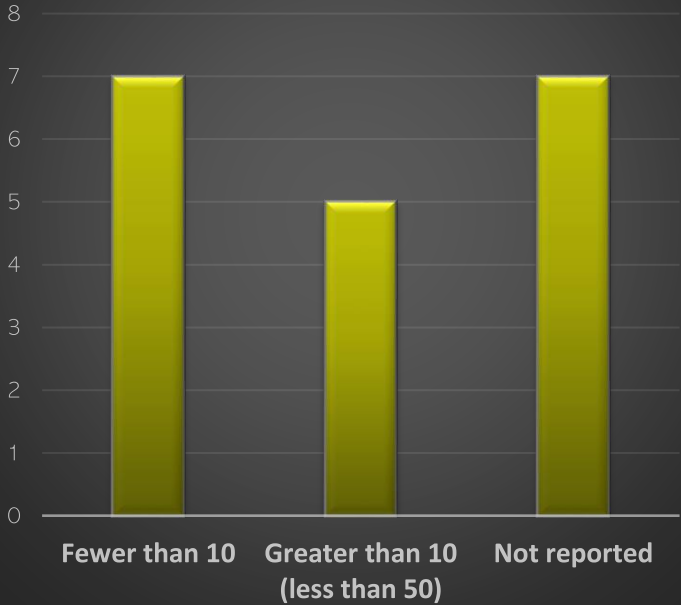
- Fewer than you expected
- About the same as you expected

How are most small schemes reaching out to you about VFM assessments?



- Via an independent third party evaluator
- Via their existing scheme adviser
- Directly (from a sponsor representative)
- Other (please specify)

If possible, state the exact or approximate number of VFM assessment enquiries that you have received

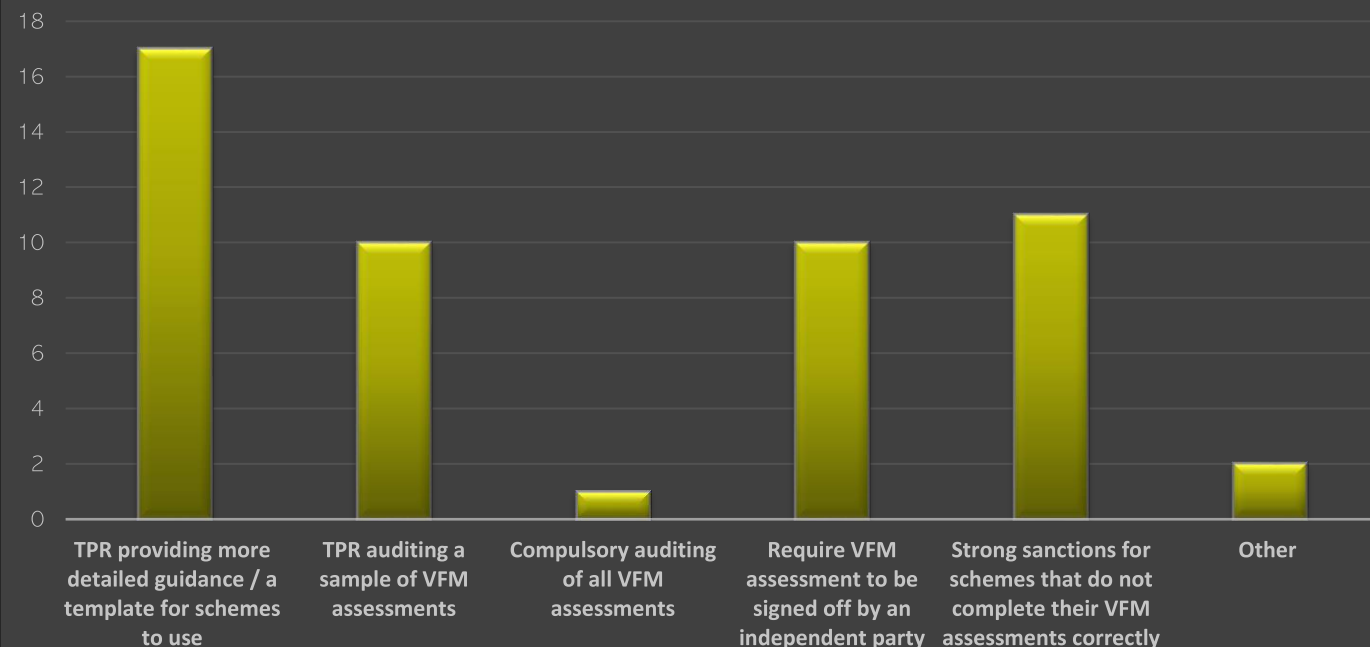


Would you expect your master trust to be more competitive than a single employer trust scheme in a VFM assessment?



Which of the following measures would have most traction if introduced by TPR?

(participants selected top 3 answers)



GO INSIGHTS



Help for small schemes to understand the requirements under the VFM assessments:

Are you value for members ready?

Bigger is better! DC schemes under pressure to consolidate



What could TPR do to help small schemes with VFM

Assessments?

What our participants said.....

"....a template would certainly help with completion of the VFM assessment...."

"Easy to understand comparator information that is published so members/employers can understand. At the moment it is all subjective by each Trust."

"We're aware that TPR are planning to undertake targeted action to help ensure compliance with the value for members requirements. Any action needs to be proportionate and in line with TPR's approach to education and enforcement. "

Barriers to small scheme consolidation

Our respondents think the two biggest barriers to small scheme consolidation into a master trust are:

Market confusion (small schemes do not know how to make the move) and **resistance from trustees**.

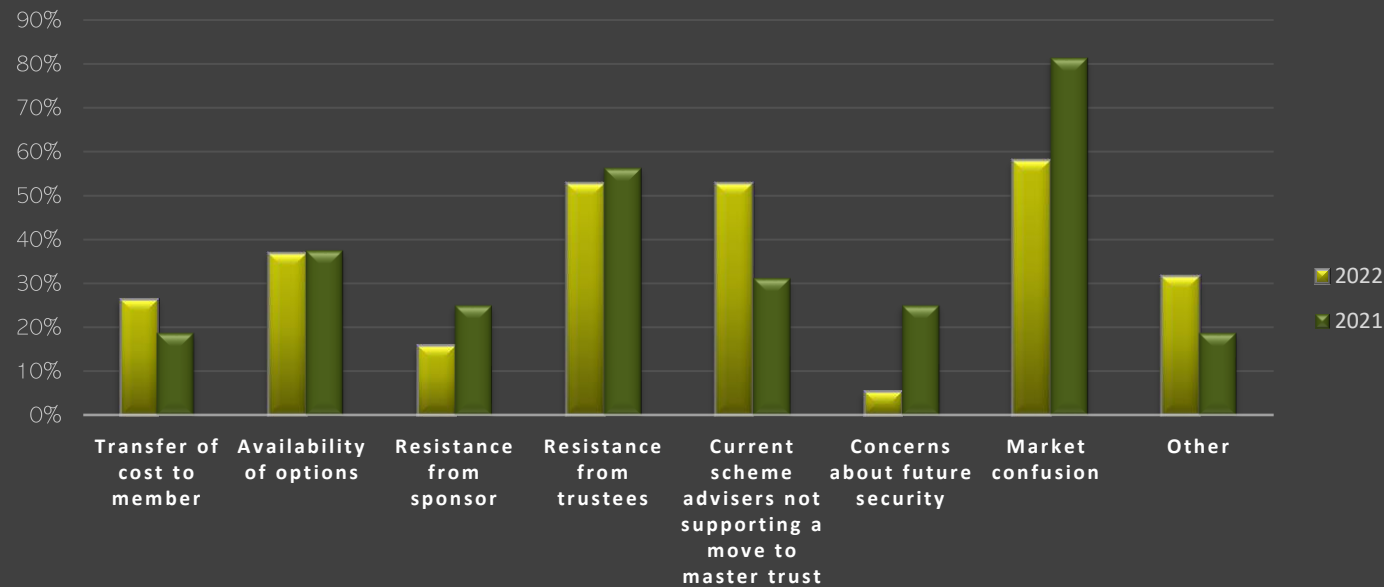
This is the same as last year.

However, this year more respondents believe that **current scheme advisers not supporting a move to master trust** is a barrier.

53%
in
2022

31%
in
2021

What, in your opinion, is the biggest barrier to small scheme consolidation into a master trust? (participants selected top 3 answers)



There is still a strong theme that **small schemes do not feel supported** in making the move to a master trust. In many cases this is down to **not understanding** how to make the move. Often due to a **lack of awareness** of the available options. As an industry we need to raise awareness for small schemes of the options available and the pitfalls to look out for when considering a move to a master trust.

Other potential barriers identified by participants were:

- Complexities of hybrid schemes
- Resource time
- Costs of the selection and implementation exercise
- Loss of control
- Lack of trustee knowledge and understanding, particularly in very small schemes

Supporting small schemes

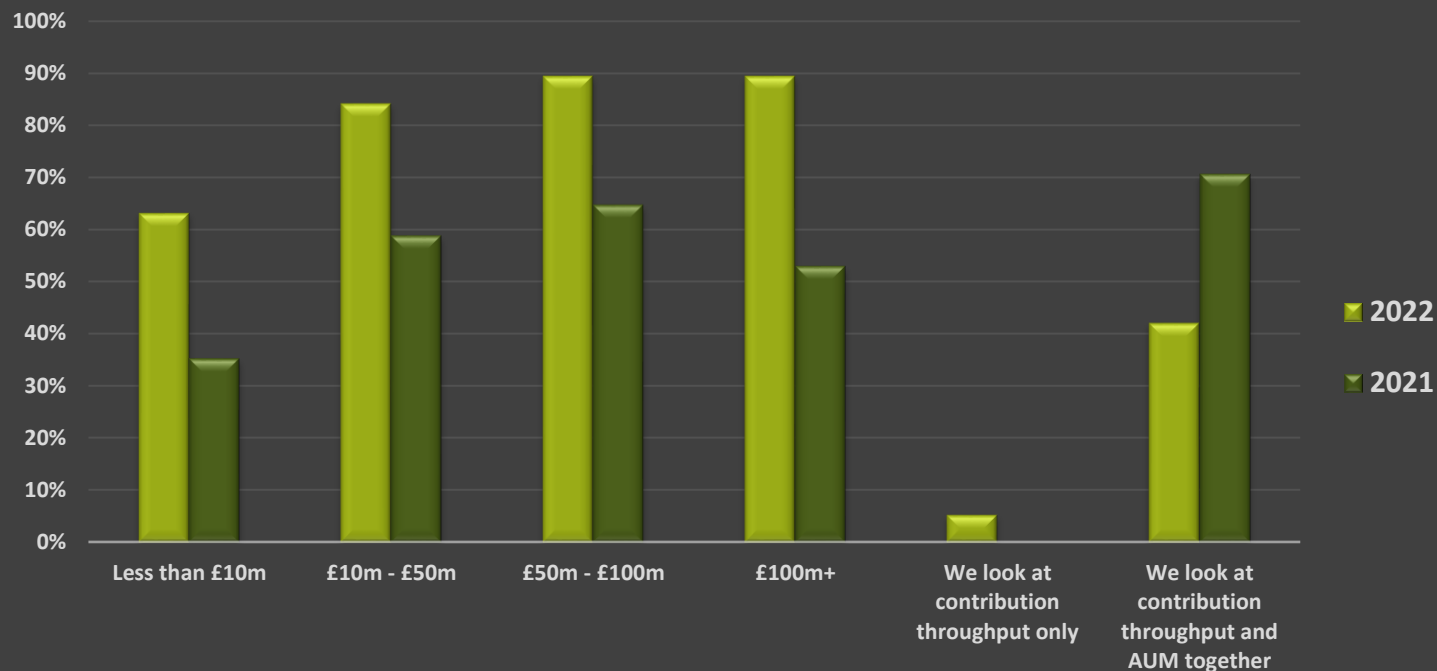
For the second year running almost **40% of participants believe that availability of options** for small schemes in the master trust market is a barrier to consolidation.

MYTH BUSTER

However, this year **63%** of participants tell us they can support schemes with **assets under management of below £10m**, compared with **35% in 2021**.

The total number of master trust solutions available to small schemes has **increased by over 50% in each of the size categories**.

Generally speaking, which of the following scheme sizes would you consider?



Did you know.....

- ✓ Some master trusts are developing their solutions to support hybrid schemes or DC schemes with a DB element.
- ✓ Although the best value from a master trust is derived by adopting the standard model, there is often the opportunity to retain an oversight role, and options exist to maintain the scheme's branding and identity.

GO INSIGHTS

The Government is pushing for consolidation of small DC Schemes (those with assets under £100m) into master trusts. But why are some small schemes holding back and what can be done to address this? You can read more in our insights article.

DC Master Trusts: overcoming barriers to consolidation



Pensions Dashboards

All participants are **on schedule** or **ahead of schedule** to meet the Pensions Dashboard requirements.

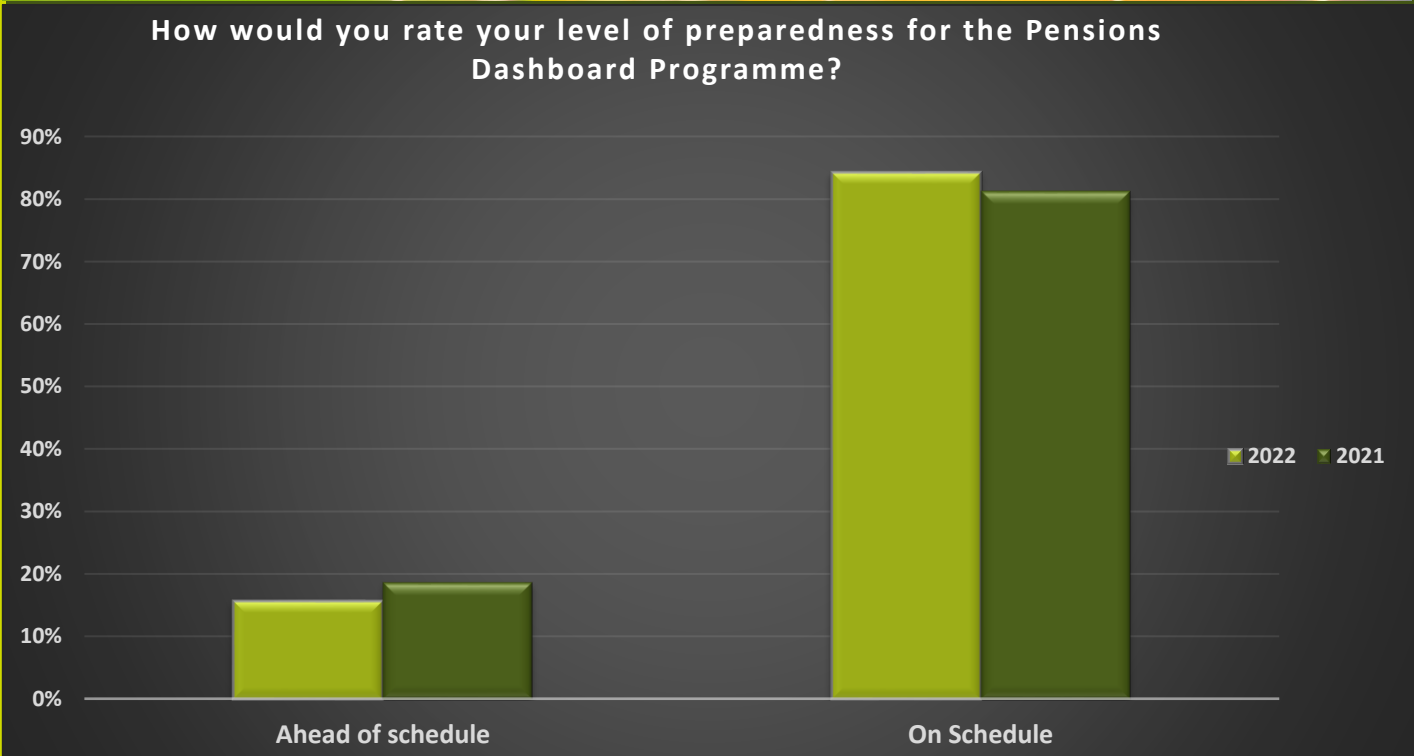
Master trusts are supportive of the initiative and many are participating in the beta test phase later this year.

Some **participants say....**

*"...the dates are **too ambitious** for our industry"*

*"Expecting **further delays**"*

Learn more about the Pensions Dashboard Programme [here](#)



Member portals are developing.....

All participants allow members to **update personal details** with secure log-in.

Paperless ID verification is more prevalent, but still only made available by **42%** of master trusts for pension transactions.

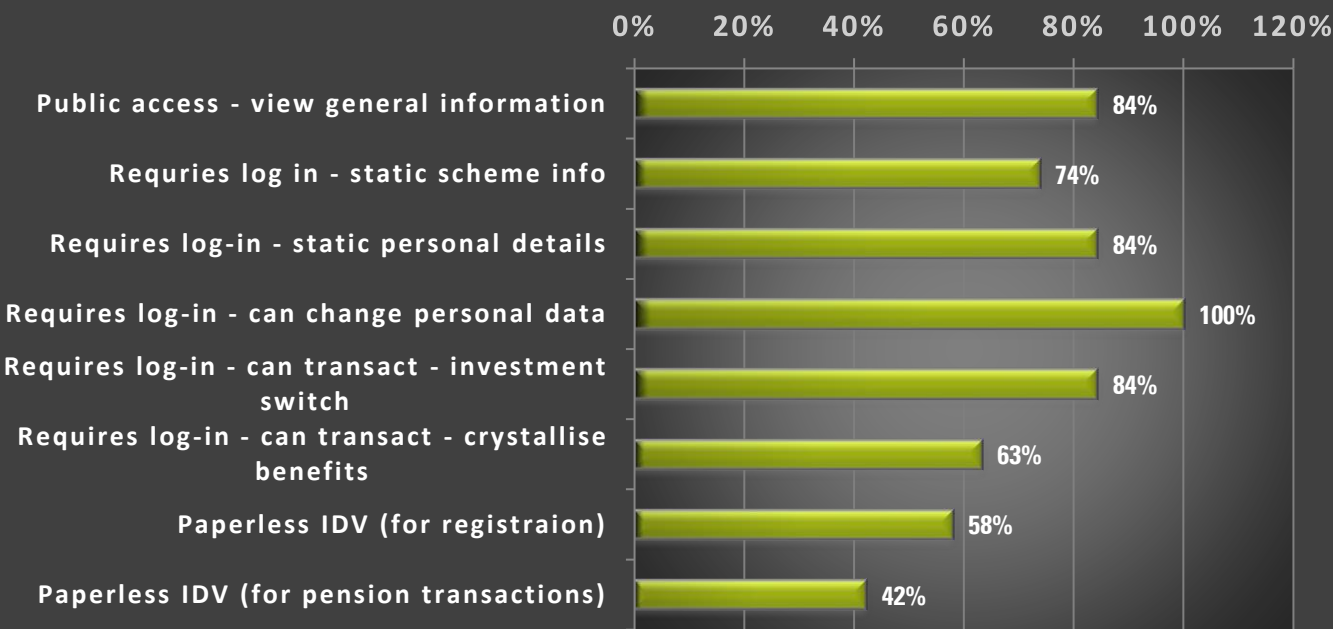
63% of master trusts allow members to **crystallise benefits** from the member portal - we'd like to see this increase.

26% of master trusts have seen the usage of online member portals increase faster than expected.

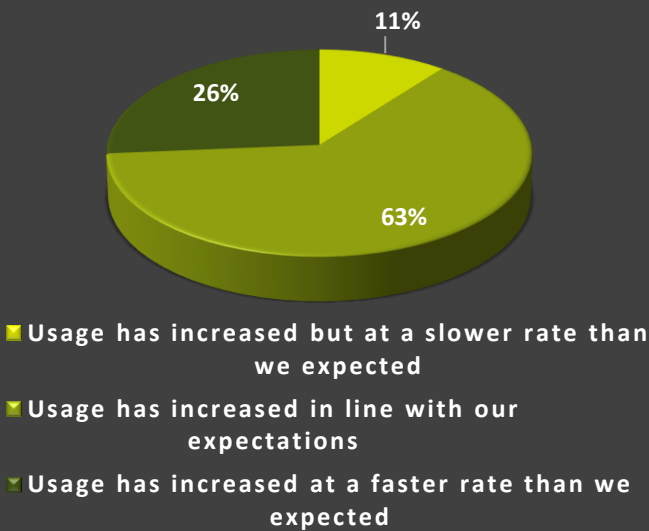
...and member usage is increasing



Which of the following do you offer now?
(participants selected all that applied)



Over the last 12 months, how has the usage of your member portals and/or apps changed?



Market Strategy

Member engagement remains the **top priority** for master trust clients.

Over half of master trusts have **improved technology** available to members.

One-fifth of master trusts opened their scheme up to **deferred only schemes** or sections of schemes.

**84% of
master
trusts**

**53% of
master
trusts**

**21% of
master
trusts**

Master trusts continue to innovate in response to market forces



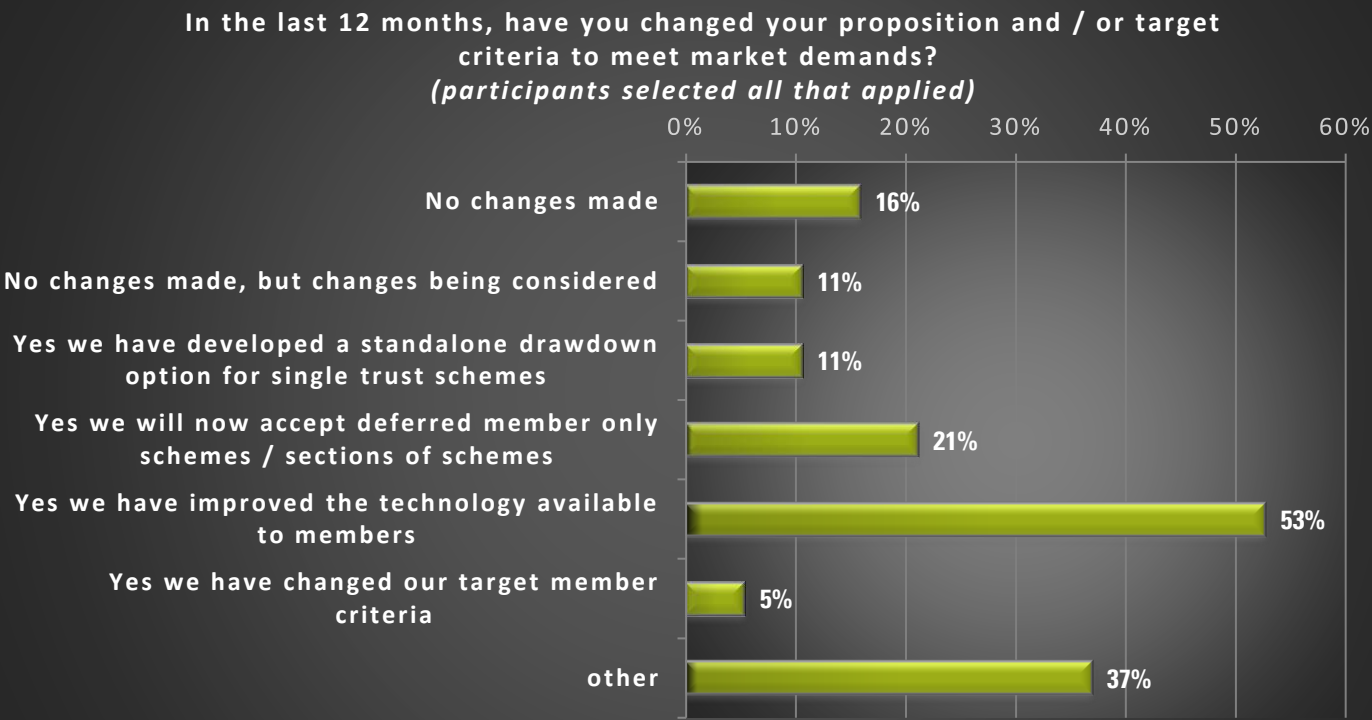
Proposition development

84% of master trusts have made changes to their proposition or target criteria in the last 12 months to meet market demands.

It's encouraging to see that many of these developments are made with the **member in mind**.

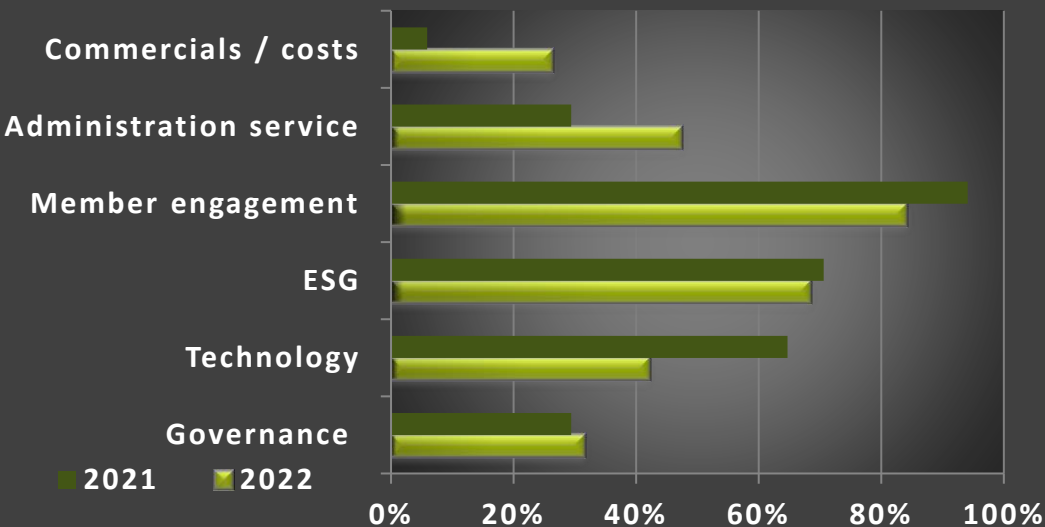
There's an increase in master trusts making **financial advice more accessible** to a wider range of members.

In general, master trusts are making changes to **support a wider range of clients**.

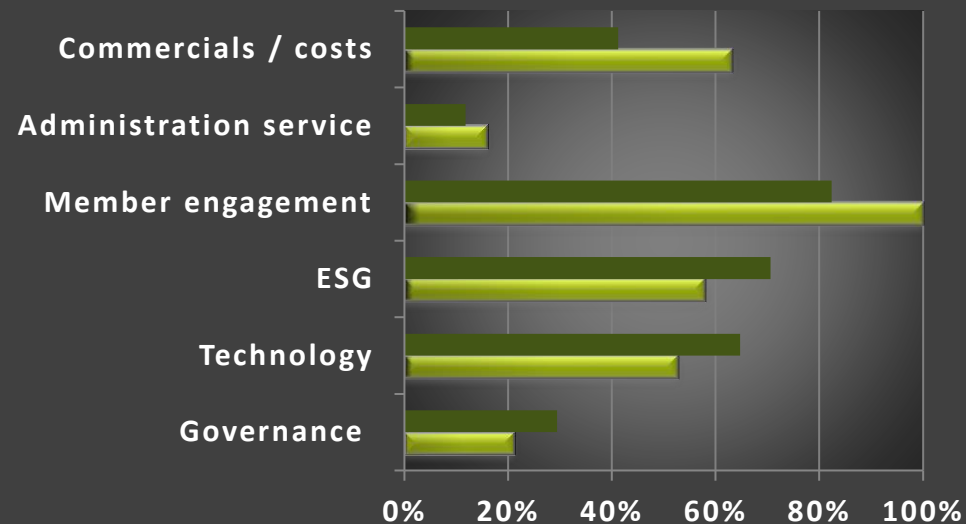


Client Priorities

What are your current clients most interested in?
(participants selected top 3)



What are your prospective clients most interested in?
(participants selected top 3)



CURRENT CLIENTS

1. Member engagement
2. ESG
3. Administration Service

PROSPECTIVE CLIENTS

1. Member engagement
2. Commercials / cost
3. ESG

Not surprisingly, given value for members requirements, the focus on **commercials and costs** has increased for prospective clients.

It's interesting to see that the focus on **technology** has dropped off slightly, whilst the focus on **administration service** has increased. Either way, the **member experience** remains the main focus.

What might the future hold?

We asked master trusts about their appetite for future consolidation. Based on the responses, our view is that we will see more consolidation in the next 5 years.

Whilst some master trusts believe that too much consolidation is a risk to the DC master trust market, it is not seen as the biggest risk.

26% of master trusts consider the **burden of regulation** to be the biggest risk to the DC master trust market.

Others highlighted the following risks:

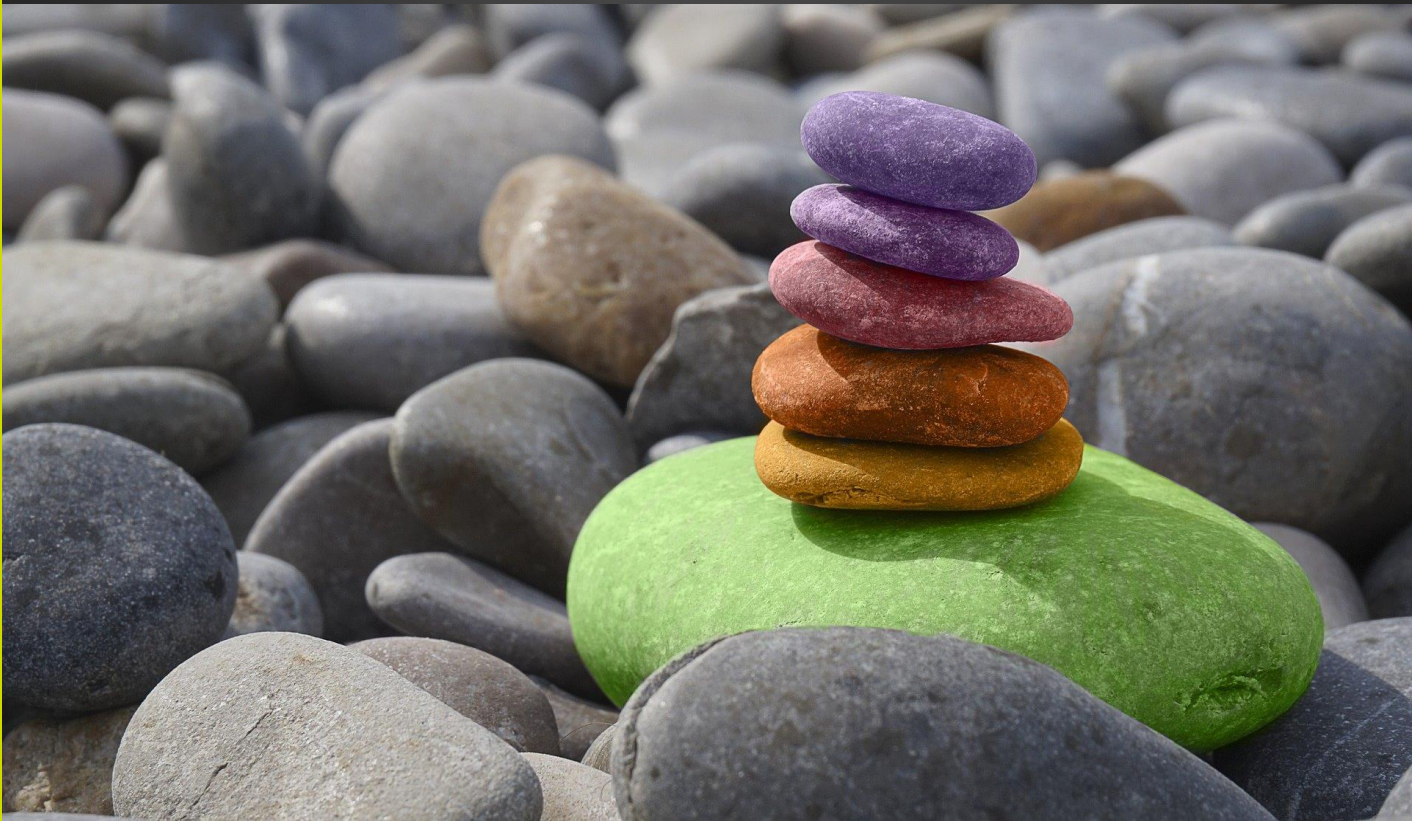
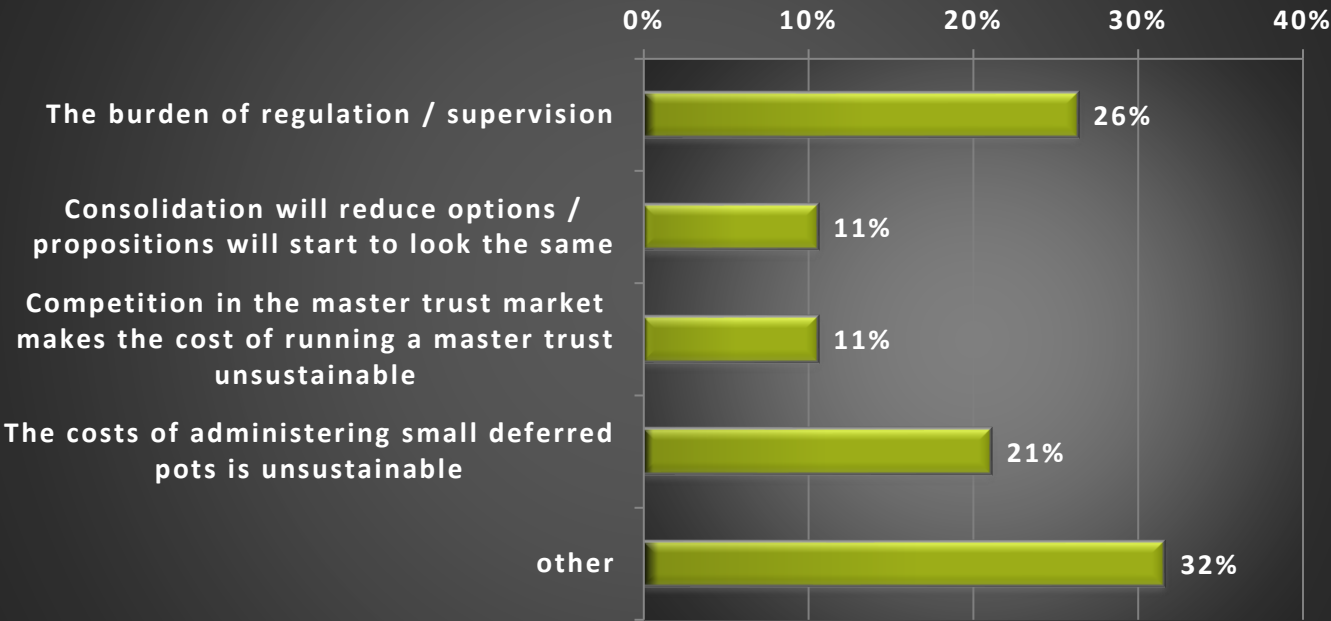
*“...**ability to match current price** when including transition cost coverage.”*

“The risk of smaller providers offering unsustainable pricing in a bid to win scale.”

*“A **focus on absolute fees** rather than net of fee outcomes potentially limiting investment solutions and innovation.”*

*“Consumer **trust**, pension scams and (for some providers) strain of new business.”*

What do you think is currently the biggest risk to the DC master trust market?

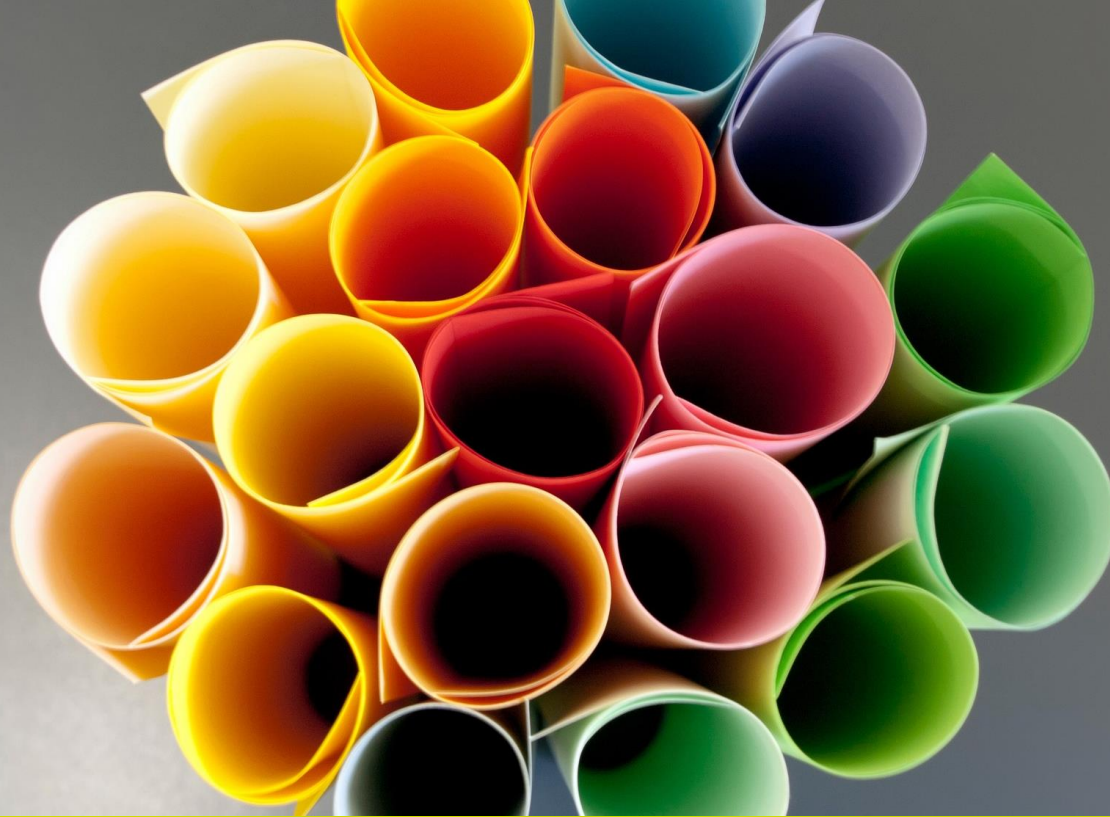


Participants

With thanks to the
participants in our 2022 DC
master trust survey:

Aegon Master Trust
The Aon Master Trust
Aviva Master Trust
The Crystal Trust
The Cushon Master Trust
The Fidelity Master Trust
Legal & General Worksave
Mastertrust
The Lewis Workplace
Pension Trust
LifeSight
The Mercer Master Trust
Nest
Now: Pensions Trust
The Options Workplace
Pension Trust
The Peoples Pension
Scottish Widows Master
Trust
SEI Master Trust
Smart Pension Master Trust
Standard Life DC Master
Trust
TPT Retirement Solutions





HELP IS ON HAND

If you are considering a step towards a DC master trust and require independent advice, we're here to help.

We'd be delighted to have an initial chat to understand your situation.

CONTACT US

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Go Pensions

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