

MasterTrusts – where to from here?

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AGENDA

- UK Master trusts
- Australian Master trusts
- Is **consolidation** good for savers?



UK Master trusts



- Re-emerged to satisfy auto-enrolment market
- 100+ providers and growing
- Life companies, consultants and IFAs
- Transfers of DC legacy schemes (20k+)
- Employers wishing to outsource due to increasing governance requirements
- Minimum 3 independent trustees

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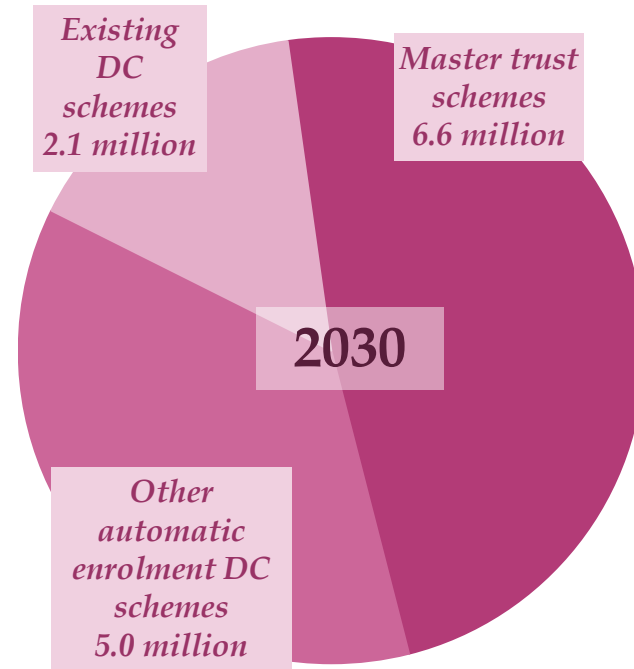
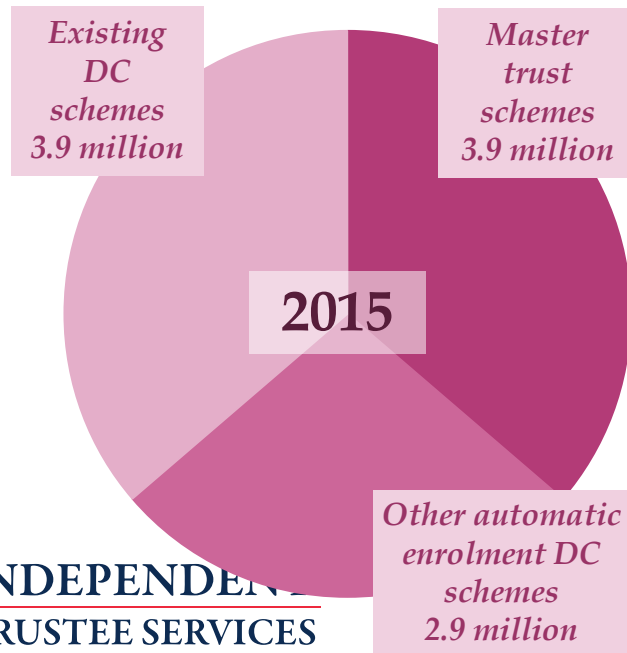
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New Pensions Bill

- Stronger legislative barriers to entry for master trusts (lower than contract-based)
- Mandatory Master Trust quality assurance?
- Avoid members bearing costs of “disorderly exit”
- Policy pro-**consolidation**, but complex costly transfer process



2030 – market consolidation towards master trusts and contract providers





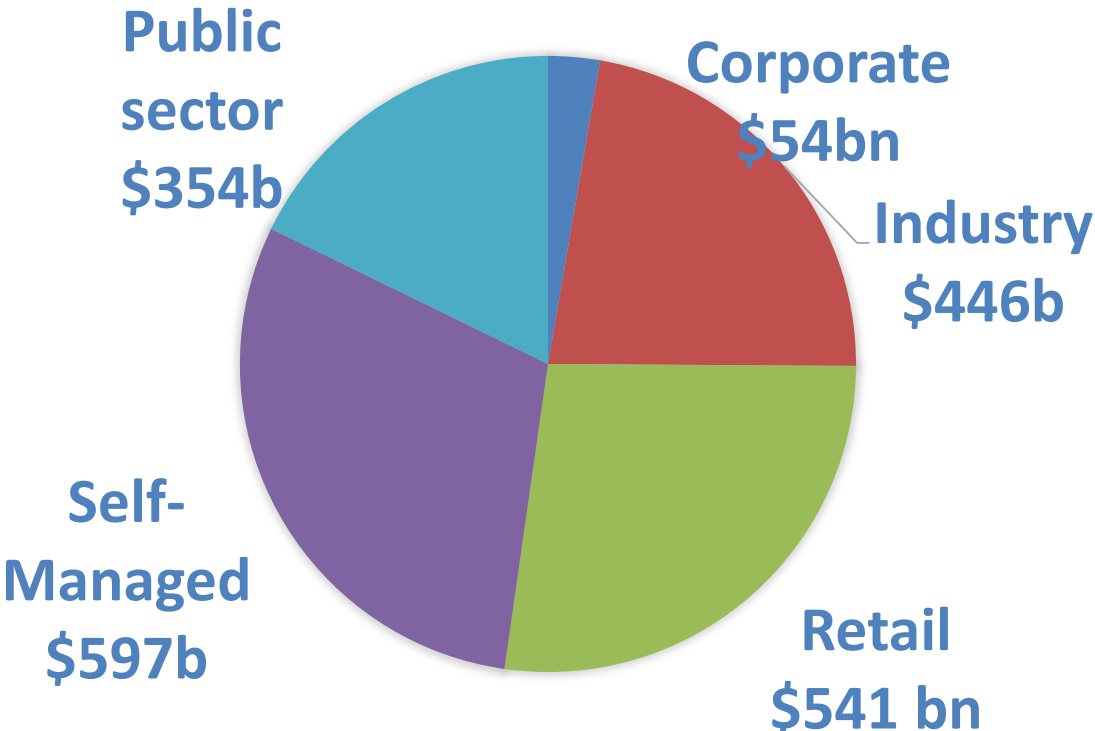
Australian super consolidation: number of schemes

Year	Corporate	Industry (not for profit)	Retail (incl MTs)	Self- managed (<5 MBRS)
1996	4,100	169	372	100,000
2006	555	81	174	326,000
2016	54	43	148	569,000

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Super is a \$2 trillion financial services market





Different origins: now all public offer

Industry Funds

- Not-for-profit, union-based
- Aligned to industries/awards
- Low per-member fees
- Simple products, low choice
- Portable
- Mass-market, lower balances

Retail



- Commercially driven
- Target corporate market
- Higher per-member fees
- More choice and extras
- Portability
- Focus on high-balance customers & advice

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Consolidation of providers – lowers costs & improves services to members

- Bulk investment management purchase
- Spread fixed costs of advice, governance, compliance
- Investment in technology, back and front office
- Extra services:
 - Advice
 - Insurance



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How to protect members against excess provider power?



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Looking after members



- **Competition** – 146 licensees/116 Super (default) licensees for 30m accounts
- **Choice of Scheme:** master trusts portable
- Robust, **uniform disclosure regime** for all providers: eg \$fees
- **Default fund focus:** net performance and standardised information

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LESSONS

- Lost super \$14bn – now with Tax office
- 2007: cost of multiple accounts \$300m+ pa, leads to consolidation services from providers and regulators
- Low account balance protection – nil fee threshold

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Mastertrusts UK & Australia



- Master trusts will grow in AUM and members, but shrink in numbers
- They are part of a broader trend for **consolidation** of both providers and member accounts
- **Provider** consolidation is good for savers in lowering costs, **IF** balanced with a clear competition policy and member safeguards
- Regulatory environment needs to support a low-cost, efficient consolidation/transfer process