



Society of Actuaries in Ireland

Master Trusts – why and what next

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Master Trusts – why and what next

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New answers.®



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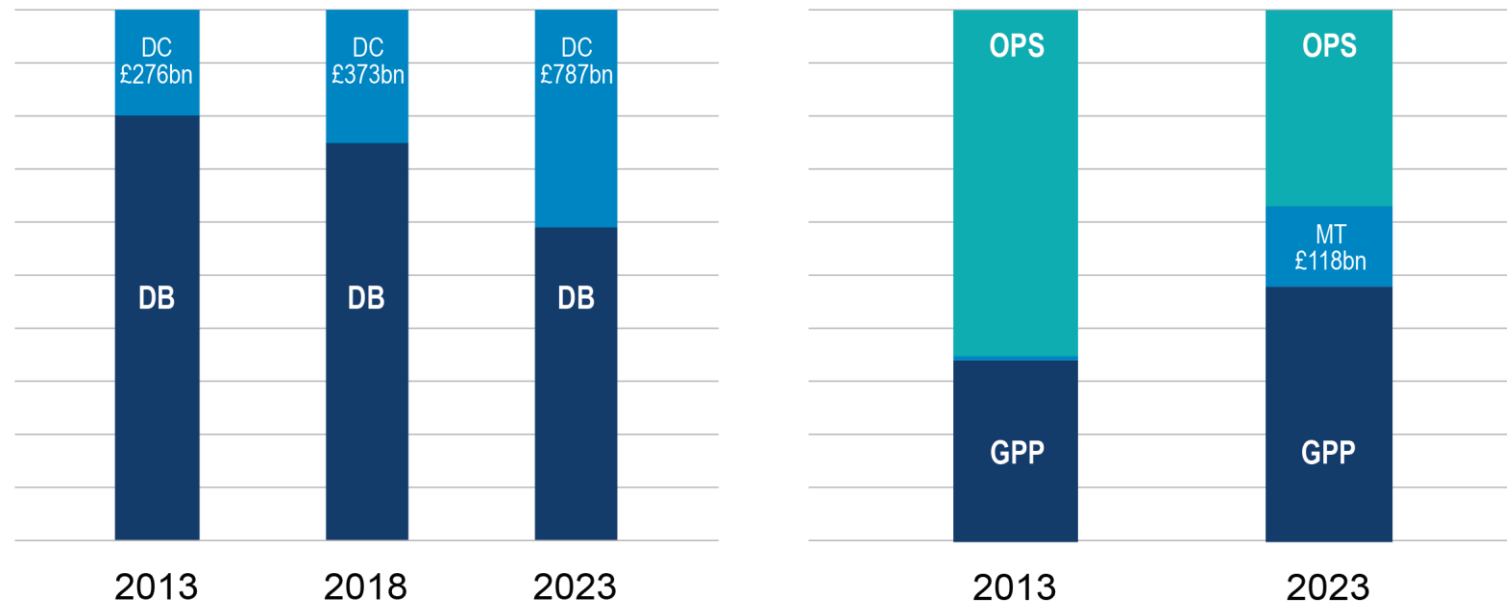
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Agenda

- Emergence of Master Trusts in the UK
- The regulatory framework
- The new authorised environment

Emergence of Master Trusts in the UK

Emergence of Master Trusts in the UK



Emergence of Master Trusts in the UK

	Mega >5,000	Large >1,000	Medium >100	Small <100	Master Trusts (incl.Nest)	
Trust-based Unbundled	6%	1%	0%	0%		8%
Trust-based Bundled	5%	2%	3%	2%	27%	38%
Contract-based	8%	10%	19%	16%		54%
	19%	14%	22%	18%	27%	100%

Expected to be 41% by 2023

The regulatory framework

The regulatory framework

Auto-enrolment – driver of contributions

All employers required to auto-enroll majority of employees in a pension scheme since 2012

Over 20,000,000 members now enrolled in pensions

Minimum contributions increased in April 2018 and will again in April 2019

Pressure for contributions to increase beyond 8%

The regulatory framework

Pension freedoms – driver of choice

2014 Budget introduced freedom and choice

Removed the need to
buy an annuity

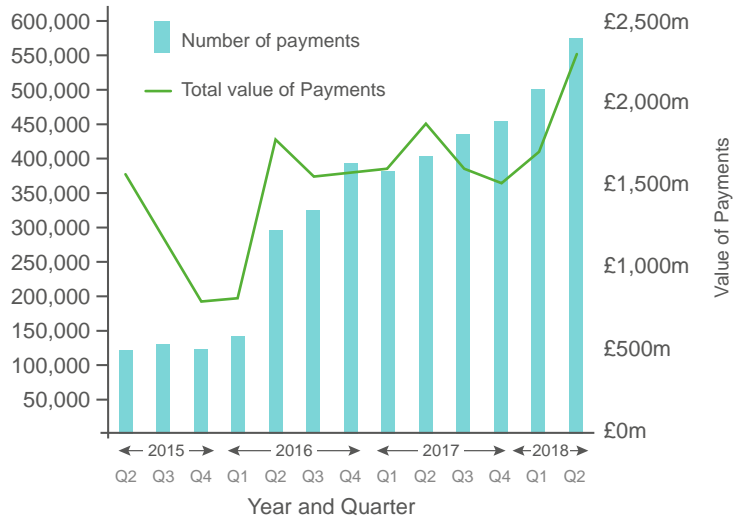
Cash

Drawdown

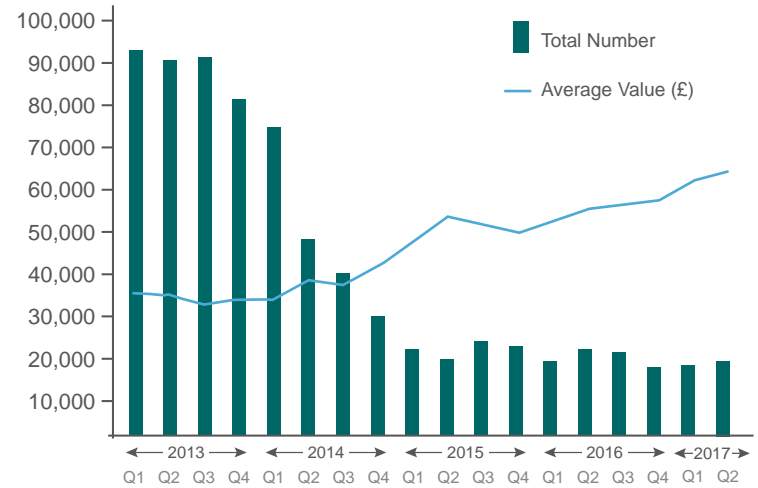
Do nothing

The regulatory framework

Flexible payments from pensions by Number of Payments and Total Value of payments



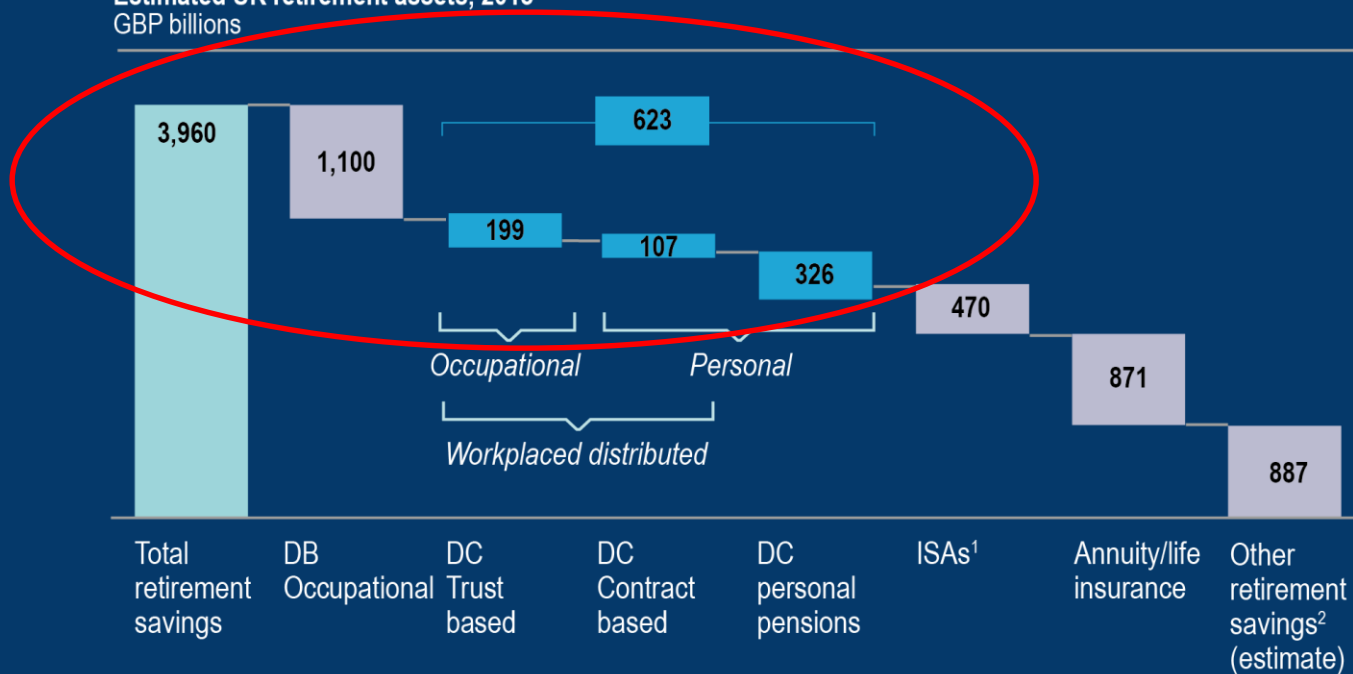
Volume and value (£) of annuity sales per quarter (2013 Q1 – 2017 Q2)



Source: HMRC Pensions Flexibility July 2018 & ABI state of market publication

The regulatory framework

Estimated UK retirement assets, 2013
GBP billions



And it's not just Workplace DC

Aggregation potential from DB and personal pension

Retail products are expensive

Source: McKinsey In the Eye of the Storm: Transformation in the UK Retirement Market April 2015

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**The new
authorised
environment**

The authorisation criteria

From 1 October 2018 master trusts will need to apply for authorisation.

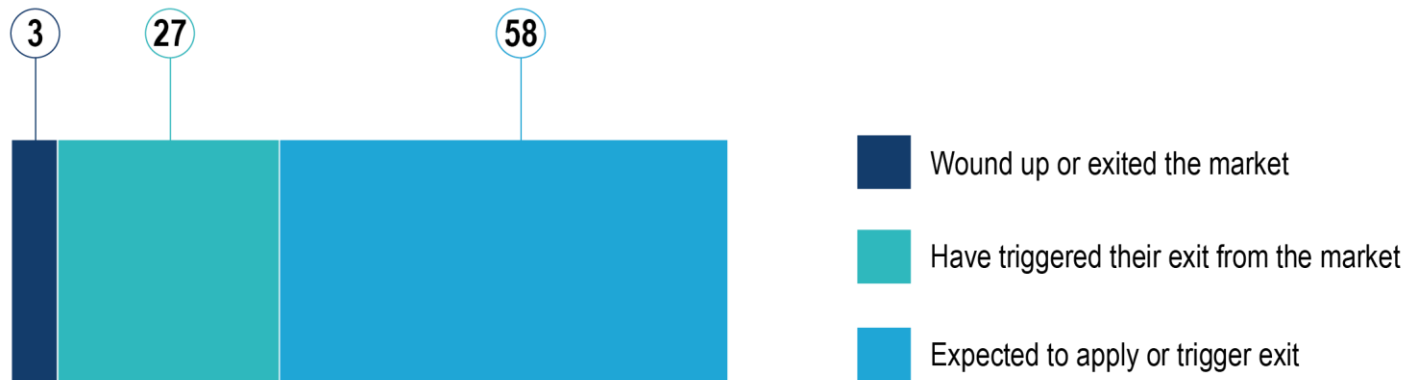
Required to demonstrate that they meet a required standard across:

1. Fit and proper
2. Systems and processes
3. Continuity strategy
4. Scheme funder
5. Financial sustainability

All wrapped in a satisfactory business plan

Application fee £41,000

The authorisation criteria



Source: The Pensions Regulator , The current master trust market Latest facts and figure October 2018

Conclusions

Master Trust sector
has seen massive
growth in adoption by
employers, members
and AUM

The legislative
landscape has
accelerated growth
and introduced a
perceived risk

The Master Trust
environment will
change

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Thank you

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