



# DB Master-Trusts and Pension Platforms

Alternative governance models

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**The trend for pension schemes to appoint professional independent trustees has been accelerating for several years. Alongside this, alternative operational models such as Master-Trusts and Pension Platforms have become more mainstream, whilst newer financial consolidators are trying to get off the ground. In this article we look at the differences between DB Master-Trusts and Pension Platforms.**

As the demands of running standalone DB pension schemes increase, many sponsors and trustees are looking at alternative operating models, in order to improve governance or reduce costs.

A number of these operational models work on the principle of consolidating schemes to gain economies of scale and tend to fall into two main camps:

1. **Operational consolidators** (e.g. Master-Trust or platform solutions like our own Enplan) that run schemes collectively but retain the financial link to each sponsoring employer.
2. **Financial consolidators** which in addition to operational consolidation, allow an employer to walk away from any future financial responsibility, in return for a premium. The new “superfunds” fall into this camp. More information on financial consolidators can be found [here](#)

There are a number of variations in terms of how operational consolidators work, however, these themselves broadly split into two approaches:

1. **Master-Trusts** – where assets and liabilities are legally transferred into a single ‘umbrella’ trust but each scheme is operated within its own section of that trust.
2. **Pension Platforms** – schemes are operated collectively on a ‘platform’ approach using common governance and service providers but each scheme retains its own original, legally separate, trust.

There are a number of advantages and disadvantages of the operational consolidator route. On the positive side, operational consolidation brings efficiencies in services and governance created from running a group of schemes collectively. Service efficiencies arise from harmonising scheme processes and pooling assets to achieve lower fund manager costs. At the same time, using common governance (in some cases) and advisors to speed up decision making brings governance efficiencies and reduces time spent on trustee education.

“Continuous” governance models are employed in some cases to further improve decision making efficiency.

However, there are two main perceived disadvantages of operational consolidation. Firstly, under some models, links to historic trustee knowledge can be lost. Secondly, employers can perceive a loss of control in transferring the governance of a scheme from a long-standing trustee board to a new professional trustee. Both of these issues can be mitigated through choosing the right model for you and agreeing certain ground rules upfront with your new provider.

## The table below summarises some of the key differences between Master-Trusts and Pension Platforms.



### Master-Trusts



### Pension Platforms

#### Advantages

Master-Trusts offer some minor operational efficiencies over platform approaches. The single trust nature of the arrangement means, for example, that one set of scheme accounts can be produced.

The necessary wind-up of the transferring scheme can facilitate the payment of winding-up lump sums to members with small liabilities. This slightly reduces the administration burden of the scheme.

Schemes generally maintain their existing legal identity and status on a Pension Platform. Rather than legally merging into a Master-Trust arrangement, schemes are run collectively using common advisors, processes and governance. This means:

- No complex transfer or wind-up process is required; and
- Members do not need to be informed of any transfer (although you would probably inform members of the change in governance).

Schemes retain their existing legal status. This means that reversing a decision to join a platform is a much simpler process in case the employer's views change in future.

Platform solutions can also provide access to full-time continuous governance solutions.

#### Disadvantages

Joining a Master-Trust involves a bulk transfer (without consent) of members from the existing scheme to the Master-Trust. This is a significant exercise involving both legal and actuarial advice for both ceding and receiving schemes.

Members will also need to be informed that they are transferring from their existing arrangement and the old scheme will ultimately need to be wound up.

Exiting a Master-Trust cannot be done easily given the complicated process required to join.

The Master-Trust will have its own set of governing rules. This may change the balance of powers in terms of the running of the scheme compared to the existing scheme.

There are some minor operational inefficiencies compared to a Master-Trust. Schemes retain their own trust and, for example, therefore must prepare individual accounts.

As schemes are not wound up, the ability to pay winding up lump sums in the short-term is not available. However, collective exercises to remove certain small liabilities can still be run.



## Why have we set up Enplan as a Pension Platform?

Our own operational consolidator, the Enplan Pension Platform, has been deliberately set up using the Pension Platform approach as we believe this offers the more attractive proposition for employers and outgoing trustees.

Enplan is different to Master-Trust solutions. It provides nearly all of the operational efficiencies of a Master-Trust, by governing schemes collectively, but each scheme retains its original independent legal structure and identity. This means you have no exposure to other schemes' liabilities, no new sets of rules and you also retain full control over the future governance structure of the scheme. It's also very simple to join, and the decision to join is reversible.

If you are interested in finding out more about Enplan watch our video [here](#).



### Get in touch

Please get in touch with your usual Isio contact or a member of our Enplan team if you would like to discuss any of the detail set out in this article or explore further whether a Master-Trust or Pension Platform approach is right for your pension scheme.



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