An tÚdarás Pinsean
The Pensions Authority

Employer guide to defined contribution master trusts

Introduction

Significant changes were made to Irish pensions legislation in 2021[1]. These changes impose significant additional obligations on the trustees of pension schemes, including the directors of companies acting as trustees. As a result, many employers may be considering whether or not it is cost-effective to run their own pension scheme. They may also be considering who has the necessary skills, qualifications and commitment to meet the new fit and proper requirements for scheme trustees.

These changes are leading many employers to consider the alternative of master trusts for future pension provision. A master trust is a pension scheme for multiple employers. The employer will decide what benefits the pension scheme should provide for their employees as they would for their own pension scheme. In the case of a master trust, the trusteeship and management of the scheme will be undertaken by a third party.

Issues to consider when choosing a master trust

If you are considering a master trust for your employees' pension savings, the following are issues you should consider and questions you may find it useful to ask of a prospective master trust:

- Are the trustees of the master trust well qualified to carry out the responsibilities of the role? Ask whether the trustees meet the requirements of the Pensions Act, 1990, as amended, and the Pensions Authority's Code of Practice for trustees.

- Ask about the master trust charges. Are they clear and well explained? It is particularly important that you and your employees understand the master trust charges.

- Is the master trust offering good value for money? How do their charges compare to their competitors?

- Are the investment choices that are offered to members clearly explained? Are the investment choices appropriate? It is important to remember that too much choice may not be a good idea and may lead to confusion. Is it made clear what the investment objectives of each choice and of the default investment are?

[1] More details are available in the Pensions Authority's transposition announcement and the information note for trustees published on its website.

- Ask for examples of the communications that will be provided to members. Do you find them clear and easy to understand without help? Do you think that all of your employees will understand them? Ask how member enquiries will be dealt with.

- Does the master trust have enough capital to protect member interests? The Pensions Authority has set out its expectations in its Code of Practice.

- What policy do the trustees have for dealing with any conflicts of interest that they or key function holders might encounter? Does this policy meet the standards of the Code of Practice?

Conclusion

It is important that employers with existing pension schemes engage with the trustees and their advisors as soon as possible to understand the impact of the recent legislation. Where it is unlikely that the trustees can meet the new obligations in the current pension scheme, or the cost is prohibitive, employers and trustees need to take action. If a decision is made to move to a master trust it is important that employers shop around and choose a well-run master trust that offers value for money for their employees.

The Pensions Authority will continue to provide information and support to employers and trustees. Employers should refer to the Authority’s website for further information.