

Information update for master trusts



Table of contents

Overview	3
Compliance deadline of 1 July	3
Further information for master trusts	3
A. Trustee	3
1. Can the trustee DAC operate as a trustee to multiple master trusts?	3
2. Can a director of the trustee DAC act as a director of multiple master trusts?.....	3
3. What are the criteria to qualify as an independent director of a trustee DAC?.....	4
4. Can consultancy experience be taken into account for the purposes of meeting the minimum trustee experience requirement?	4
5. Are there alternative qualifications that meet the qualification criteria aside from those published on the Authority website?	4
B. Capitalisation	4
6. Can the requirement for capitalisation be waived if the master trust has the backing of a financially secure founder?.....	4
7. Can projected income be offset against the reserve requirement?	5
8. If the master trust founder is already required to hold capital by the Central Bank or another financial services regulator, is there still a need for the master trust to be capitalised?	5
9. What forms of capitalisation are acceptable?	5
C. Continuity plan	5
10. What is the trustee's role in relation to the master trust continuity plan?	5
11. Does the Authority intend to approve master trust continuity plans before 1 July 2022?	6
D. Charges	6
12. Can the notice period in relation to an increase in charges be waived in certain circumstances if it is in the best interests of members?	6
E. Marketing of the scheme and new members	6
13. What role should the trustee have in approving the marketing material for the master trust?	6
F. Reporting to the Authority	6
14. How should the trustee notify the Authority of events such as breaches to capital requirements, wind-up decisions and changes in control of the trustee DAC?.....	6
15. Where a key function holder is appointed from within the founder organisation, is this considered to be outsourcing?.....	7

Overview

This update provides information for master trusts in relation to the impending 1 July compliance deadline. It also provides further information for master trusts arising from questions posed to the Pensions Authority (the Authority) by trustees, founders and service providers of master trusts over the last 12 months.

Compliance deadline of 1 July

The Authority has previously advised it expects all master trusts to be compliant with the new provisions of the Pensions Act, 1990, as amended (the Act) (following the transposition of the IORP II Directive in April 2021) and the Code of Practice for trustees of occupational pension schemes and trust RACs (the Code) by 1 July 2022. The Authority will be actively monitoring the compliance position and reserves the right to take any action that it deems appropriate in the event of non-compliance.

The Authority will publish its findings on master trust compliance as soon as practicable post-July. In addition, the Authority is considering the publication of an up-to-date list on its website of compliant master trusts post-July 2022.

Further information for master trusts

This information should be read in conjunction with the Act and the Code.

A. Trustee

1. Can the trustee DAC operate as a trustee to multiple master trusts?

No. The trustee must be incorporated as a designated activity company (DAC) with the sole purpose of carrying on the business of being a trustee of one, and only one, named master trust.

2. Can a director of the trustee DAC act as a director of multiple master trusts?

Yes. An individual can act as a director of a number of master trust DACs on the basis that each are separate legal entities. However, the Authority reminds directors of their obligation to avoid any potential for conflicts of interest that may arise from acting on the boards of more than one master trust.



3. What are the criteria to qualify as an independent director of a trustee DAC?

The Code provides that an independent director or chair is someone who has no interest in the assets of the master trust other than as trustee, and who is not currently or recently connected or associated with the shareholder of the trustee company or the service providers to the master trust other than in their capacity as trustee. 'Recently' in the above context means a minimum period of three years. However, this period may be extended at the discretion of the Authority. Further, the Authority will, if it deems appropriate, continue to monitor the independence requirement on an ongoing basis.

4. Can consultancy experience be taken into account for the purposes of meeting the minimum trustee experience requirement?

No. The Code provides that all directors of the DAC must satisfy either the qualification or the experience requirement. There must be a minimum of one director with experience and one with a qualification. For the experience requirement, only trustee experience or trustee director experience is suitable: consultancy experience is not deemed suitable experience to meet this requirement. However, consultants may be appointed as directors of a trustee DAC if they meet the qualification requirement.

5. Are there alternative qualifications that meet the qualification criteria aside from those published on the Authority website?

No. Only the trustee qualifications listed on the Authority website meet the qualification criteria in the Code. The Authority continues to monitor trustee qualification offerings and will add to this list as appropriate.

B. Capitalisation

6. Can the requirement for capitalisation be waived if the master trust has the backing of a financially secure founder?

No. The purpose of having capital is to ensure that if the founder goes out of business or withdraws its support for the master trust, the master trust will have sufficient funds to continue to run its affairs and organise an orderly wind-up without having to deduct wind-up costs from members' assets.



7. Can projected income be offset against the reserve requirement?

No. The Authority does not envisage a scenario where projected income generated from assets under management or other sources may be offset against the reserve requirement as this income is not guaranteed.

8. If the master trust founder is already required to hold capital by the Central Bank or another financial services regulator, is there still a need for the master trust to be capitalised?

Yes. Capital held by the founder for the purposes of compliance with other legislation is not sufficient as there is no certainty that the funds would be specifically earmarked for the costs of winding up the master trust. Further, any such capital would be held by a separate legal entity that has no obligations to the master trust.

9. What forms of capitalisation are acceptable?

The quantum of capital required is set out in the Code. The capital reserve can be made available by the founder either as a capital contribution to the trustee DAC or via an escrow account with a legally binding letter of credit from the founder to the trustee DAC. It is not the Authority's intention to set out all possible capital arrangements, but the Authority will consider alternatives on a case-by-case basis. In any case, it is essential that the trustee DAC has access to the capital reserve at all times.

C. Continuity plan

10. What is the trustee's role in relation to the master trust continuity plan?

The trustee must be centrally involved in the development and approval of the master trust continuity plan. The trustee must have a clear understanding of how their master trust will grow and how this growth can be accommodated in a way that ensures that member interests are protected.

The trustee should engage with the founder in relation to plans to transfer existing clients to the master trust and the timeline associated with this and must also be satisfied that there is operational capacity and sufficient capital to cover increased membership. The trustee must also be satisfied that the underlying assumptions and the overall robustness of the plan are reasonable.

11. Does the Authority intend to approve master trust continuity plans before 1 July 2022?

No. The Authority will not endorse or approve individual draft business plans before 1 July and does not intend to engage in a process of routinely endorsing or approving business plans after that date. The review and approval of the business plan remains a matter for the trustee. If the Authority identifies any specific issues with the business plan over the course of engagement with the master trust, these issues will be raised with the trustee directly.

D. Charges

12. Can the notice period in relation to an increase in charges be waived in certain circumstances if it is in the best interests of members?

The Code provides that a six-month notice period must be provided in the event of an increase in charges. However, there may be some instances where it would not benefit members to delay strategic decisions if the impact of such a decision would only result in a marginal change to the annual management charge.

E. Marketing of the scheme and new members

13. What role should the trustee have in approving the marketing material for the master trust?

The trustee must be sure that information in any marketing material is consistent and not misleading for members with respect to the terms of the master trust. Trustees must also agree, in general terms, to the admission of new members and be satisfied with the terms on which any new members are admitted to the master trust (especially with regard to charges). The trustee must also be satisfied that what is being communicated to members/employers is accurate and that in particular, there is sufficient capacity to manage any large numbers of incoming members.

F. Reporting to the Authority

14. How should the trustee notify the Authority of events such as breaches to capital requirements, wind-up decisions and changes in control of the trustee DAC?

This information should be submitted in writing by the trustee to the dedicated lead supervisor within the Authority.

15. Where a key function holder is appointed from within the founder organisation, is this considered to be outsourcing?

Yes. The Authority should be notified of such an appointment in accordance with the Code.