An tÚdarás Pinsean
The Pensions Authority

Defined benefit scheme consolidation

Consultation paper issued by the Pensions Authority

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Table of contents

Introduction 3
How to respond 3
Section 1 – Model of DB consolidation 4
Section 2 – Potential impact of DB consolidation 4
Section 3 – Operation of DB consolidation 5
Section 4 – Regulation of DB consolidation 6
Section 5 – General comments 6

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Consultation on defined benefit scheme consolidation

Introduction

Under section 10(1) of the Pensions Act, 1990, as amended (the Act), the Pensions Authority's (the Authority) functions include monitoring and supervising the operation of the Act and pensions developments generally and to advise the Minister for Social Protection on matters relating to pensions generally.

As part of fulfilling these functions, the Authority is seeking views on the consolidation of defined benefit (DB) pension schemes, whether a DB master trust market could function well, and how it could best be regulated.

Currently, master trusts in Ireland are largely defined contribution (DC) arrangements and this market continues to grow as trustees and employers respond to obligations under IORP II. The nature of DC benefits lends to the pooling of assets of multiple employer schemes, governed by a single trustee board, in a manner that allows for efficiencies and economies of scale.

By contrast, the nature of DB benefits, schemes and regulation is more complex. It is important to identify and examine DB-specific risks that could arise in a DB master trust market, should one be facilitated. To date, legislative amendments necessary to regulate DB master trusts have not been introduced and careful consideration is needed before doing so.

Therefore, the Authority is seeking views from relevant stakeholders in relation to:

- A potential model for DB consolidation (Section 1),
- The potential impact of introducing DB consolidation (Section 2),
- How DB consolidation would operate (Section 3), and
- How DB consolidation should be regulated (Section 4).

How to respond

A submission form in Microsoft Word format is available on the Authority's website.

Submissions not submitted in the form provided or received after the deadline will not be processed. Please send submissions by 5pm on 4 July 2025 by email to: consultation@pensionsauthority.ie

Section 1 – Model of defined benefit (DB) consolidation

DB consolidation in this paper refers to DB master trusts, which would have the following characteristics:

- a single trustee board,
- more than one participating employer scheme,
- all participating employer schemes are funded DB (although these schemes could also contain some DC members/benefits),
- each participating scheme assets and liabilities are segregated, with no cross-subsidisation of same between schemes or employers,
- for the purposes of certain parts of pensions legislation, each participating scheme is treated as if a standalone scheme, and
- participating employers may be related or unrelated.

Q.1 Please provide views on the above model of DB consolidation.

Q.2 Should other consolidation models in operation in other jurisdictions be considered? If so, please provide views on other consolidation models that could be appropriate for DB pensions in Ireland.

Section 2 – Potential impact of DB consolidation

A clear and strong justification is required when proposing the introduction of a new regulatory framework. Unlike in the case of DC, the likely level of demand for DB consolidation in Ireland is not clear.

Q.3 What impact would the introduction of DB consolidation likely have on the wider DB market?

Q.4 What are the potential benefits of DB consolidation? Please explain the potential benefits in relation to different types of members (pensioners, deferred and active) and employers.

Q.5 What are the potential risks of DB consolidation? Please explain the potential risks in relation to different types of members (pensioners, deferred and active) and employers.

Q.6 What type of DB schemes would most likely benefit from DB consolidation, and why?

Q.7 What type of DB schemes are unlikely to benefit from DB consolidation, and why?

Q.8 What barriers would limit access to consolidation for some DB schemes? For example, would small schemes be able to access a DB master trust?

Q.9 What measures could be put in place to help reduce barriers to DB consolidation?

Q.10 What measures could help avoid or mitigate the risks associated with the following:

(a) Lack of competition in the DB consolidation market.
(b) Failure of one or more DB master trusts.

Section 3 – Operation of DB consolidation

This section is aimed at prospective providers of DB consolidation. Please provide detail, where possible.

Q.11 What level of demand do you anticipate for DB consolidation? On what basis is your assessment made, e.g., carried out market research?

Q.12 What type of eligibility criteria would apply to schemes wishing to join your DB master trust? For example, scheme size, funding position, etc.

Q.13 Would benefit structures of the joining scheme be replicated or is some form of restructuring of benefits intended after joining the DB master trust?

Q.14 How would the DB master trust avail of economies of scale in relation to investments?

Q.15 How would the ongoing employer costs (such as administration, actuarial, investment management, etc.) of standalone DB schemes complying with IORP II obligations compare to employer costs participating in a DB master trust? Would the potential cost savings vary depending on the joining employer scheme size, membership profile, benefit structure?

Q.16 What assumptions are these cost savings based on? (e.g., a certain number of participating employers joining and remaining in the scheme, certain sized schemes joining, etc.)

Q.17 To what extent are employer cost reductions in a DB master trust dependent on certain provisions of the Pensions Act, 1990, as amended (the Act) applying at the master trust level, rather than participating employer scheme level? If these assumptions do not hold, how much impact would this have on employer costs?

Q.18 What upfront costs would be associated with joining a DB master trust? Would the participating employer pay all of these costs, or would the master trust pay a portion?

Q.19 Please describe the charging structure that you would likely apply in the DB master trust. Would this differ across employers?

Q.20 How would employer costs be impacted by other participating employers leaving the master trust?

Section 4 – Regulation of DB consolidation

An appropriate regulatory framework for DB consolidation will need to be provided for in legislation. Legislation could be introduced to prescribe which parts of the Act and related regulations apply at the master trust level and which other parts apply at the participating employer level (as envisaged in section 5(3A) of the Act).

Q.21 What provisions of the Act and related regulations should apply:

(a) to the DB master trust only,
(b) to the participating employer section only, and
(c) to both participating employer sections and DB master trust?

Q.22 What, if any, additional statutory obligations should apply to trustees of a DB master trust?

Q.23 What, if any, regulatory measures could be put in place to help mitigate the risk to the master trust or other participating employers if one or more participating employers' funding position becomes tenuous?

Q.24 A serious risk to members would arise if a decision was made to wind up a DB master trust (for commercial reasons for example) and no other master trust was in operation or could take the members. How should these benefits be dealt with?

Q.25 If a master trust winds up, how should the section 48 priority order be applied?

Q.26 What, if any, additional reporting requirements to the Authority should apply to DB master trusts?

Q.27 What notifiable events should be reported to the Authority by a DB master trust?

Section 5 – General comments

Please provide any additional comments.