

IAPF Observations on Pensions Authority Response to Consultation on Obligations for Trustees of Defined Contribution DC Master Trusts

We welcome the publication of the Authority's response to the original consultation and the additional clarity it provides. We would like to make some observations on the response and, also, highlight some areas where we feel additional clarification might be required.

1. Trustee

As we had outlined in our response to the original consultation, the trustee is unlikely to be the funder or instigator of the Master Trust and therefore it does seem somewhat surprising that the trustee is the only party that is regulated.

Regarding the requirements for trustees, it would be useful to know what qualifications and level of expertise would be required. We agree that the requirement for independent trustees is important, however, the requirement that they must not be connected or associated with the trustee's shareholders or the MT's service providers could exclude a significant number of people from acting as trustees. This is dependent on what is meant by "connected or associated" and further clarification of this is essential. Additionally, the requirement that the trustee may only be involved in one Master Trust may further limit the availability of trustees and would require new trustees to be appointed to currently existing Master Trusts.

It is also unclear who determines that the directors must be proper. While it is stated that the Authority must be notified in advance of the appointment of a new director, there is no indication as to whether the Authority will approve that appointment.

2. Continuity Plan

There is no indication of the action the Authority might take when differences arise between forecasted projections and actual outcomes.

3. Capitalisation

It would be useful to understand how the wind-up cost of €70 per member has been calculated.

4. Risk Assessment

Presumably, the Authority will also issue more general guidance on what is expected for all schemes undertaking Own Risk Assessments.

5. Conflict of Interest

The clarification on this issue addresses the points we made in our response to the consultation.

6. Member/employer communications

Further clarification on the expectations of the Authority in relation to the policy of engagement with members would be welcome.

7. Charges transparency

It would be important that the requirement to give six months' notice for an increase in charges only applies to an increase and not to decreases. There may also be some instances where an increase in charges would be more in the members' interests than, for example, remaining in a seriously underperforming fund for six months.

We do not have any observations on the remaining requirements. On a more general point, it would be useful to understand how the authorisation process will work for new Master Trusts and whether there will be any specific arrangements for existing Master Trusts.

We have also separately highlighted some issues that would need to be addressed in current legislation and regulation in order to facilitate a smooth transition of existing schemes to Master Trusts.

8. Marketing of the scheme

No comment.

9. New Members

As Trustees would have to sign a Deed of Participation for new employers participating in the Master Trust, it is unclear if the requirements regarding new members are necessary.

General

On a more general level, we have separately highlighted the need to review the Bulk Transfer and Wind Up Regulations if a smooth transition from existing arrangements to Master Trusts is to be achieved. It would also be useful if consideration was given to the management of deferred members.