An Chomhairle Pinsean
The Pensions Council

Regulation of Defined Contribution Master Trusts
Consultation by the Pensions Authority

Response of Pensions Council.

In the time available for consultation, the Council has been able to consider only some parts of the consultation document, but we will continue to work on this issue at the request of the Minister until the end of the year.

This opinion is therefore only preliminary in nature.

1. Master trusts are one of the factors, among we hope many others, that will contribute to a sharp and much needed reduction in the number of pension schemes in this country.

2. We share the view of the Authority that master trusts require special regulation for various reasons, including the larger number of members in such trusts, the increased complexity of multi-employer schemes, because employers will not have the same involvement as in single employer schemes, and because of the close connection between master trusts and their facilitators or providers of capital, which may include pensions service providers, investment vehicles and other entities.

3. Given the circumstances described above, and the need for trust independence, Section 7 of the consultation document rightly identifies the importance of having a robust regime on conflicts of interest. While the principles set out in that section are reasonable they may be difficult to enforce in practice and may not be adequate in cases, for example, where the trust is run for profit and with a close relationship to a facilitator of capital which itself is run for profit. Among other points, there should be close scrutiny of the process by which a master trust is set up and of the relationship, contractual or otherwise, between the trust and the entity setting up the trust, and between the trust and any third parties.

4. Access to adequate capital must be assured not only for the ordinary operations of the master trust but also for special cases such as wind-up, or transfer of assets without charge to members. Here again, the on-going relationship, while it lasts, between the trust and the entity that set it up must be supervised closely.

5. Risk reduction and risk management must be a central feature of the capitalisation, business plans and operational programmes of master trusts.

6. Close attention must be paid to the manner and process of appointment/re-appointment and remuneration of directors of the trust company.

7. The obligation of master trusts to provide information and feedback to members will need to be comprehensively defined in regulation. Transparency of charges, important for all trusts, is particularly important for master trusts.

8. While trustees may see and approve marketing material they must also monitor, as best they can, the totality of marketing and promotion of the trust. It may be required, for example that certain pre-contractual information is always provided in a standard manner.

9. In developing a general regulatory regime for master trusts, consider what aspects of that regime might be applied, mutatis mutandis, to single trusts. END

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