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# Trusteeship Model of the Future Master Trusts IIPM / APLI Seminar

Brian Buggy, 7 December 2016

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## Master Trusts

- Why are we interested?
- What are they?
- What are the issues?

## Master Trusts – why are we interested?

- Universal Retirement Savings (auto-enrolment)
  - National Pensions Framework 2010
  - OECD Report 2013
  - Government policy to increase coverage
- Reform and simplification
  - Pensions Authority Consultation July 2016

## Master Trusts – what are they?

- *“Occupational schemes whose contributing members may be employees of unrelated employers”*  
(Pensions Authority: Reform & Simplification consultation document, 18 July 2016)
- No statutory definition in Ireland (because no specific regulation in Ireland)
- *“Occupational trust-based pension scheme established by declaration of trust which has been promoted to provide benefits to employers which are not connected and where each employer group is not included in a separate section with its own trustees”*  
The UK Pensions Regulator: DC Regulatory Strategy, April 2015)

## Master Trusts – what are they?

UK Pensions Bill 2016 definition of “*Master Trust*”

*“an occupational pension scheme which –*

- (a) provides money purchase benefits (whether alone or in conjunction with other benefits),*
- (b) is not used, or intended to be used, only by employers which are connected with each other, and*
- (c) is not a relevant public service pension scheme”*

## Master Trusts – what are they?

- Already have master trusts in Ireland
  - occupational pension schemes
  - trust RACs
  - Revenue approved
  - registered as schemes or trust RACs with Pensions Authority
- Promoted by industry bodies or financial services companies / consultancies

## Multi-Employer Schemes

*“a scheme which applies to persons employed by more than one employer” (s.2 Pensions Act 1990)*

Different to master trust eg, multi-employer pension plans (MEPP) common in Canada

## Trusts / Master Trusts

- Occupational pension scheme
  - strong link with employer
  - trustees may be lay trustees / scheme members
- Master trusts
  - employer provides (is required to provide) access to master trust
  - employer is not sponsor of master trust – agrees to pay contributions
- Promoted by financial institutions / consultancies
- Professional trustees
- Regulatory requirements

## What are the issues?

- Master trust approval – Pensions Authority(?)
- Prudential regulation
  - master trusts will require specific regulation (eg, APRA in Australia)
- Trusteeship – expertise / qualifications
- Conflicts of interest
- Financial stability
- Employer / member participation – become detached

## What are the issues?

- Remuneration and charges – transparency, publication
- Switches between master trusts
- Lost members

## Master Trusts - UK

- UK Pensions Bill 2016 prohibits the use of a master trust scheme unless such a scheme has been authorised by the Pensions Regulator
- Authorisation criteria include
  - that the persons involved in the scheme are fit and proper persons
  - that the scheme is financially sustainable
  - that each scheme funder meets the requirements set out
  - that the systems and processes used in running the scheme are sufficient to ensure that it is run effectively
  - that the scheme has an adequate continuity strategy

## Master Trusts - benefits

- Enhance coverage (linked to auto-enrolment)
- Reduce costs
- Increase consumer protection
- Improved outcome for members
- Simplification

## Master Trusts – reform and simplification

- Increase expertise / qualification requirements on trustees
- Introduce regulated master trust structures
- Expect existing small schemes (less than 100 members) wither over time

*“The raising of standards for the governance of pension schemes eg, in relation to authorisation and trustees, is good in itself and should lead to a substantial and desirable reduction in the total number of schemes on the market”*

(Pensions Council October 2016 submission)

*“We believe that members of all work-based DC schemes should be placed in quality products that are effectively governed by competent people, durable and offer value for money”*

(The UK Pensions Regulator, April 2015)

- Auto-enrolment when introduced will increase growth in master trusts
- UK experience
  - by March 2015 coverage of all employees had increased to 59% (2012 – 47%)
  - 94% of employers who chose a trust-based scheme opted for a master trust

## Further reading

- Ireland

- [Pensions Authority website](#)

- [2006 Report on Trusteeship to the Minister for Social and Family Affairs](#)

- [Consultation document on Reform and simplification of supplementary funded private pensions \(July 2016\)](#)

- [Response of the Pensions Council](#)

- [Response of the Irish Association of Pension Funds \(IAPF\)](#)

## Further reading

### ■ UK

- [The Pensions Regulator website](#)
  - [Automatic enrolment: Commentary and analysis \(July 2015\)](#)
  - [Strategy for regulating defined contribution pension schemes \(April 2015\)](#)
  - [Assurance reporting on Master Trusts \(Master Trust Supplement to ICAEW AAF 02/07\) \(September 2016\)](#)
- [House of Commons Report on Automatic Enrolment \(May 2016\)](#)

### ■ Australia

- [Australian Prudential Regulation Authority](#)
- [Australian Security and Investments Commission](#)

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