An tÚdarás Pinsean
The Pensions Authority

Consultation on defined benefit consolidation
Submission form

Please use this document to submit your responses to the consultation questions.

Please email your submission by 5pm 4 July 2025 to:
consultation@pensionsauthority.ie

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Section 1 – Model of defined benefit (DB) consolidation

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

The Society of Actuaries in Ireland (the 'Society') is very supportive of any solutions that will aid the continued provision of DB entitlements in the interest of scheme members. We are concerned about the future for small to medium sized DB schemes where the increased governance and costs are resulting in many of these schemes winding up before members are provided with their benefit entitlements in the manner promised. We believe that in most scenarios, it would be beneficial for members if these entitlements could be provided as promised rather than see their scheme wind up. We welcome the Authority exploring solutions to support DB schemes as they endeavour to provide these benefit entitlements. We believe the proposed DB Master Trust (MT) has many attractive elements in terms of efficiencies and economies of scale. However, there is a lot of uncertainty around whether the cost savings can be realised given the shape of regulation applying to MT is not yet known. The ultimate success of DB MT as a concept will depend on capturing efficiency which will in turn depend on regulation.

Reasonable savings could be made by small DB schemes if reasonable derogations could be made under IORP II.

The proposed model above benefits from closely mirroring the existing structure so schemes will be able to assess the viability of this option easily which may aid adoption. Given that funding and investment risks remain segregated, if cost savings can be demonstrated, it will be a relatively straightforward decision for Trustees to justify migration. Sponsoring employers would also likely be supportive unless it is deemed that there is a risk that, as a participating employer, they could end up needing to underwrite deficits for other sections of the MT.

The challenge will be in finding operational cost savings and if these will balance out against the costs of transfer to the MT. Suppose a €10M Scheme has €200k in annual running costs. In the normal course of events, wind up might cost €250k. If 30% annual cost saving can be found it would take c4-5 years to cover the wind up and transfer cost unless material additional operational cost savings can be found and/or the wind up and transfer to MT cost is materially lower than in the case of a standard wind up.

To demonstrate the difficulty in finding large-scale cost savings, potential illustrative savings for the scheme above with commentary are set out below:

	Share of Cost	**Potential Saving & source of savings**
Items that would be needed at a sub-scheme level • Funding valuation • Actuarial advice • Investment strategy • Scheme specific legal advice • Corporate reporting • Administration • Benefit calculations • Risk management • Pension payroll	**45%**	**10-20%** Economies of scale / Bulk buying power
Investment manager	**25%**	**15%-25%** Economies of scale / Bulk buying power
Items partially at scheme / partially at MT level • Secretarial / meetings • Trusteeship	**10%**	**40-60%** Efficiencies
Items that could be dealt with at a MT level • Internal audit • DORA • ECB reporting • Trustee annual report • External audit • Internal audit • Responding to new changes in regulation • Policies / governance • Supervisory review process • Oversight and review of administrator and investment manager	**20%**	**70-80%** Addressing requirement at overall MT level
Total	**25-35% savings. Assume €200k p.a. cost = €50-75k saving p.a.**	

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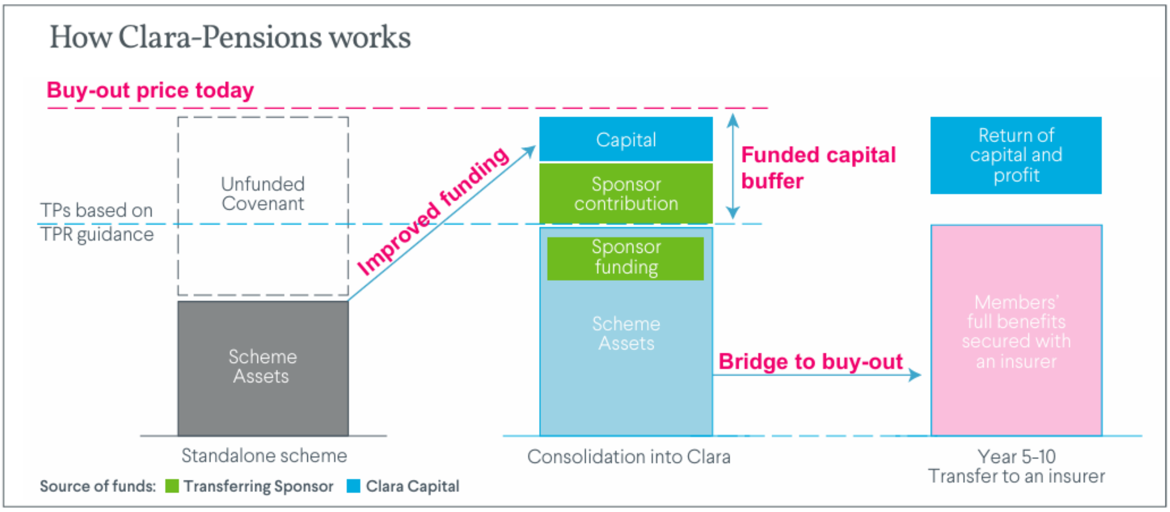
Q.2	Should other consolidation models in operation in other jurisdictions be considered? If so, please provide views on other consolidation models that could be appropriate for DB pensions in Ireland.

UK Superfunds:

The UK has introduced a regulated model for DB consolidation through pension superfunds. These are for profit pension scheme consolidators. One such example is the Clara Superfund. It is targeted at schemes that don't have sufficient funding to fully buyout and is marketed as a bridge to buyout with an aim to reach buyout in 5 to 10 years. Assets and liabilities are segregated by scheme. Before entering, the funded status of the Scheme needs to meet a certain level, this may require additional Employer contributions. A capital buffer is added on top of this funding level. This can be provided by the sponsoring employer or other third-party investor. The Scheme runs on for 5 to 10 years with the aim to buyout and after buyout residual funds are returned. This is illustrated in the chart below.



Possible strawman alternative:

A potential shortcoming of the proposed DB MT solution is that because it segregates assets and liabilities on a sub-section by sub-section basis it cannot fully pool risk which would lead to greater scope for economies of scale. A potential alternative approach to consolidation could be as follows:

- Could be made available to schemes that are closed, or even transfer of deferred and pensioner liabilities from open schemes.
- Standardised funding and investment approach to be set at outset and schemes are expected to meet these standards to be considered for acceptance into the MT.
- The funding requirement may involve a discount rate in the region of swaps plus 50bps with assets invested on a "low dependency" type strategy consistent with the funding basis. Funding basis would also need to include a reasonable margin from which to meet operating costs.
- Any scheme in deficit relative to this basis could enter into the MT in conjunction with a funding agreement to fund the deficit over a relatively short period.
- When a scheme enters the consolidator, the link to the sponsor is severed (apart from any residual deficit contributions agreed)

- Capital buffer could be agreed at a rate above this. Say swaps minus 50bps. This could be committed by the Company and/or a third-party investor. It would be possible for the State to fund this capital buffer.
- This would give a definite and quantified covenant for the Scheme (as opposed to the uncertain covenant provided under Irish regulation and so likely improving security for members).
- Scheme then runs as a normal DB pension scheme but with a facility to pay a dividend to its backers on an annual basis. The dividend could be set at something like surplus above swaps +0.50% divided by the future expected lifetime of the membership to give a slow rate of payout.
- Backers could be incentivised to commit capital to protect members benefits, while giving them a realistic chance of getting a long-term return on their investment by way of a dividend pay-out if liabilities ultimately settle at a lower cost.
- As schemes join, shares are issued to sponsors / partners. This rate of payback would increase if the funding level improves and would stop if funding level falls.
- Scheme can consider risk transfer on a regular basis by partnering with an insurer. As risk is transferred out, this would bring more certainty to the funding level and more certainty to the return to backers.
- By turning the scheme effectively into a single scheme with a standardised funding and investment strategy, it would benefit from economies of scale and pooling of risk.

Section 2 – Potential impact of DB consolidation

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

If DB consolidation products or DB MTs were available and delivered considerable costs savings whilst meeting regulatory requirements, it is likely to be considered as a favourable option, particularly with smaller schemes. Currently, many DB schemes have an uncertain future with the ever-increasing compliance and regulatory requirements, together with associated costs. A cost-effective consolidation option may extend the lifetime of these schemes and provide an alternative to wind up which almost invariably removes DB entitlements for non-pensioners members.

From a provider perspective, there may be hurdles to overcome if regulation is introduced to facilitate DB consolidation products. If a simplified regulatory framework like DC MTs applied, it may encourage more providers to launch DB consolidation products.
If DB consolidation products prove popular, but there are limited market participants there may be reduced competition which could lead to an increase in charges over time.

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.

The key benefits of DB consolidation would be cost savings, scale and improved member experience and outcomes. The potential for cost savings may be limited unless certain

overall governance and reporting tasks can be completed at a MT rather than sub-section level and the entry path into the MT is simplified compared with a regular scheme wind up.
In terms of individual categories the main potential advantages are:

Pensioners

- Cost savings associated with schemes may increase likelihood of discretionary awards.
- MT may be able to generate scale across sub-sections and use this to build a pathway to buy-out at scale leading to improved buy-out terms and pricing which in turn may increase benefit security
- Increased professionalism and oversight as scheme is likely to be subject to considerable regulatory scrutiny.

Active and deferred members

- Operational cost reductions should make for more viable schemes, meaning reduced risk of wind up and ultimate loss of DB benefits.
- Consolidation model should be better positioned to provide a centralised communications plan leading to better informed members.
- Consolidation model should be better positioned to provide member access to advice.
- Increased professionalism and oversight as scheme is likely to be subject to considerable regulatory scrutiny.

Employers

- Reduced operating costs and time commitment.
- Potentially improved annuity terms and pricing resulting in a reduction in the expected long- term cost of benefit provision.
  Increased professionalism and oversight as scheme is likely to be subject to considerable regulatory scrutiny.

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.

A major risk associated with DB consolidation is that cost savings do not materialise or are outweighed by the upfront costs of transition. Depending on the model of consolidation and the requirements for consolidation, any scheme considering the option is likely to have at least some costs. These costs may range from basic advice and member communications, right up to costs at a scale like those they would face in a wind-up scenario.

If there aren't enough market participants to drive competition, or there isn't critical mass of schemes that opt to join, there is a risk that the scheme is exposed to higher rather than lower costs and negotiating power may be limited if there are barriers to exit from the MT.
Many schemes have complex, bespoke, historical records and arrangements and there is a risk that these records and arrangements are not correctly transferred or interpreted in the new consolidated scheme. It is likely that a thorough data cleanse will be required before any transition to a DB consolidation scheme, which may incur additional upfront transitional costs. This may be mitigated in situations where the DB consolidation model is operated by the incumbent administrator and advisors.

Replacement of long-standing trustees may result in the loss of important scheme knowledge, history and perspective. A professional trustee is unlikely to have the same relationship with a scheme sponsor or its members.

In many cases, covenant is dependent on employer willingness to provide funding where required. There is a risk of a weakening covenant as the employer becomes more distant from the operation of the scheme.

Specific risks for the individual categories include:

Pensioners

- If the pension payroll provider needs to change, this can introduce transition risk associated with transferring tax credits and any bespoke or unusual benefit options such as optional purchase of reversionary benefits or pension increases.
- May feel removed from the DB consolidation model compared with the current arrangement.

Active and deferred members

- The move into a DB consolidation model may precipitate a closure to future accrual for active members.
- May feel removed from the DB consolidation model compared with the current arrangement.
- Existing relationships with advisers may be severed.

Employer

- Cost savings don't materialize, or transition costs are higher than anticipated.
- Less influence on the operation of the Scheme.

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

The schemes which are most likely to benefit from a DB consolidation scheme are:

Smaller schemes

Regulatory and compliance costs are a heavier burden on smaller schemes and so are more likely to benefit from cost savings and economies of scale.

Well-funded schemes

Well-funded schemes that are broadly self-sufficient and in run off will naturally represent lower risk for the sponsoring employer who may feel more comfortably ceding more of the day-to-day operation to a DB consolidation model. These types of schemes will also be more attractive to the DB consolidator.

Newer Schemes/those with simple benefit structure

Schemes with long histories and very complex benefit structures may face more transition risk if moving to a new DB consolidation model. This will be of less concern for more straightforward schemes (perhaps those with a slightly shorter history).

Schemes with significant pre-retirement populations or difficult to insure benefits

Standard risk transfer solutions (as may be available to more mature schemes) may be less viable for younger schemes or schemes with significant inflation exposure where annuity options are expensive. DB consolidation may be attractive in these circumstances.

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

Some DB schemes may see limited advantage in pursuing consolidation. These include:

Well-funded, well-managed schemes with strong sponsor covenants

For such schemes, consolidation may offer little added value. Where funding is secure, governance is effective, administration and investment capabilities are strong and member outcomes are already well-managed, stakeholders may reasonably conclude that "if it's not broken, why fix it?"

Very large schemes

Larger schemes may already benefit from economies of scale and have access to competitive pricing in the buy-in and buy-out markets. As such, they are less likely to see meaningful cost reductions or operational efficiencies from consolidation.

Schemes with long complex histories

These schemes may face transition risk and upfront costs to avail of a consolidation model (except perhaps where the incumbent administrator and advisors provide the consolidation model and sub-sections are clearly segregated). The cost and risk associated with transition may be deemed too great.

Schemes already on a clear path to buy-out

Some schemes are already well-advanced in preparing for buy-out (e.g. de-risked investment strategy, insurer engagement underway). For these schemes, consolidation may represent a detour rather than a more efficient route, and direct engagement with insurers may be more cost-effective and administratively straightforward.

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?

As off 2023, there are 211 schemes with less than €15M in AUM and of these 90 had AUM of less than €5M. For DB consolidation to be successful, it needs to be structured in such a way that these small schemes can access the solution. Potential barriers to prevent schemes from joining are:

Time / Cost

If onboarding costs are high and material ongoing cost savings can't be demonstrated, the proposition may be unattractive. Onboarding costs may be disproportionately high for smaller schemes even though they potentially stand to gain the most.

Depending on how the consolidation model is structured, onboarding may require extensive legal review, data work, benefit specification, actuarial and covenant advice etc. The advice that trustees are likely to need regarding this major decision may well be a barrier in and of itself.

If a decision is made to consolidate, all relevant aspects (for example background, process, impact, next steps etc) will may need to be communicated and explained to all affected members which will add to the cost.

Entry criteria

If the DB consolidator places high minimum thresholds for entry, perhaps focusing on minimum assets, funding level, data quality and/or membership numbers this will limit the number of schemes that can avail of the option.

Loss of control
Trustees and/ or sponsors may be reluctant to cede decision-making powers to an external body – particularly if they have a strong governance structure or specific investment mandates (e.g. ESG-focused strategies) that may not be replicated within the consolidator's framework.

Complex benefit structures
Features such as non-standard indexation, discretionary benefits or bridging pensions may not integrate into a MT model.

Employer covenant or guarantees
Where a scheme's value is underpinned by employer guarantees or contingent assets, these may be difficult to replicate post-consolidation.

Governance and legal constraints
Trust deed provisions or legal frameworks may limit a scheme's ability to transfer liabilities or may require trustee or member consent.

Jurisdictional complexity
Cross-border schemes may face compatibility issues with Irish-based MTs.

Asset allocation
Schemes heavily invested in illiquid or higher-risk assets may face timing and transition challenges when aligning with a consolidator's investment strategy.

Advisory conflicts
Existing advisers may be disincentivised to recommend consolidation where it would result in a loss of mandate, potentially influencing trustee decision-making.

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

To facilitate broader access and uptake of DB consolidation, the following steps could be considered:
Clear regulatory framework
A clear and consistent regulatory framework would help to enable consolidation, with clarity on areas including asset segregation, fiduciary duties, and the future role of scheme trustees. The Pensions Authority and, where relevant, the Central Bank of Ireland could play a key role in setting expectations around governance, fiduciary responsibility and member protections in a consolidated model.
If new commercial consolidators were to emerge, the Central Bank of Ireland may also have a supervisory role, particularly regarding financial stability, capital adequacy and systemic risk.

Funding flexibility
Allow for transitional arrangements or phased contributions to enable underfunded schemes to participate.

Standardised onboarding processes

Encourage consolidators to publish standardised legal templates, due diligence checklists and onboarding frameworks to streamline the entry process. **Flexible and proportionate fee structures** Offer incentives (e.g. reduced fees for high-quality data, government-backed or industry-funded data cleanse initiatives or grants/ subsidies/ public funding support) to ease entry for smaller schemes. **Trustee education and decision-making support** Provide practical guidance, training and access to independent advisory services to help trustees make informed, objective decisions on consolidation. **Governance flexibility** Enable limited scheme-specific governance within MTs to preserve distinctive features such as discretionary benefits or sponsor-specific investment requirements. **Centralised support platform** A national, centralised support platform (effectively a clearing house) for "consolidation readiness" could help schemes assess their eligibility, benchmark key metrics and navigate provider options more easily.	
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.
Measures to avoid/ mitigate the risks associated with lack of competition **Regulatory Controls** Introduce fee caps or benchmarking to prevent excessive charges and mandate transparent cost and performance disclosures. **Investigate market appetite** Before enabling the establishment of a DB MT regime, carry out a comprehensive market assessment to gauge the likely level of provider interest. This could include: - Engaging with potential consolidators, trustees and sponsors, - Identifying barriers to entry and commercial viability - Estimating the scale and diversity of schemes likely to participate. Based on these insights, appropriate regulatory guardrails could be designed - such as entry criteria, oversight mechanisms and consumer protections. **Encourage market entry** Offer incentives (e.g. grants or simplified authorisation routes) to encourage new providers to enter the market. **Data portability** Require standardised reporting formats and structured member data to facilitate future switching between providers. **Monitor concentration** Competition authorities (e.g. the CCPC) should actively monitor market share, with powers to intervene where dominance is emerging.	

Measures to avoid/ mitigate the risks associated with failure of one or more DB master trusts

Robust regulatory oversight

Require high governance standards at entry and rigorous ongoing oversight. A tiered authorisation regime (e.g. limited vs full licence) could be introduced to allow new entrants to build scale safely before taking on full fiduciary responsibility for large or complex schemes.

Financial safeguards

If the model proposed by the Authority in Q1 is to be adopted, it will be important to ensure the legal segregation of assets and liabilities by sub-section so that the failure of one sub-section doesn't have a knock-on effect on any others.
It may be appropriate to require the establishment of a small "common fund" built up from the sub-sections to provide as a reserve to help mitigate any extraordinary, common operational risk. This fund could be regularly tested for adequacy.

Contingency and wind-down planning

Oblige consolidators to develop and disclose credible wind-down and transition plans. These could be subject to assessment by the Pensions Authority to ensure credibility and feasibility. Clear protocols for transferring schemes to alternative providers or alternatively back into individual trusts in the event of failure. This could be accompanied by periodic "exit-readiness" assessments by the Pensions Authority to ensure that MTs could hand over members in a managed way if wind-down was ever triggered.

Independent governance

Require all DB MTs to have independent trustee boards with fiduciary responsibility to members, possibly with member representation.

Transparency and early warning systems

Introduce monitoring tools (e.g. regular public disclosures of funding, governance breaches or operational concerns) to flag emerging risks early.

Last-resort safety net

Consider establishing a State-backed safety net (like the UK's Pension Protection Fund).

Section 3 – Operation of DB consolidation

We are professionals working in the industry. While we cannot provide comment on what individual providers may put in place as entry criteria we have provided some general commentary and thoughts below.

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?

We note the general level of concern emanating from trustees and sponsors over the increase in governance cost, in particular post IORP II. These costs do not generally scale with size / complexity so in some instances, in particular where schemes are small, the operating costs can be a significant proportion of the scheme size / contributions. This has

led to the wind up of otherwise viable schemes. We believe there would be interest in any structure which could provide a more efficient mechanism to enable sponsors to fulfil the DB promises made to members.	
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.
We would expect that well-funded, simple schemes would be easier to manage via MT but would be further conscious that the most material benefit of the MT structure will be for smaller schemes where the % cost of governance is high. Given that there were 211 schemes will assets of less than €15M in 2023, any commercially viable MT would need to be capable of facilitating these.	
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?
We would not anticipate that benefits would be restructured as this would present an additional hurdle to ceding schemes / trustees. There may be some element of operational standardisation for efficiency purposes (e.g. aligning scheme renewal dates, or payroll frequency), but this would not materially impact benefits.	
Q.14	How would the DB master trust avail of economies of scale in relation to investments?
MTs would benefit from scale in negotiating with investment managers in relation to fees. The MT structure should also provide improvements in governance / oversight in relation to the selection and monitoring of investment managers as we would expect that the same managers would be used across all schemes in the MT providing efficiency and scope for more detailed review at the overall MT level (relative to what would be feasible for a standalone scheme). The certainty of timeline provided by a MT would also facilitate schemes adopting a longer-term approach to funding, investment and risk management which would benefit individual schemes.	
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?
Some detail on potential cost savings is set out in Q1 of this response. Based on the proposed structure set out under Q1 (namely segregated subsections rather than risk pooling) we could see potential BAU operational cost savings in the region of 25-35%. Given that the proposed model calls for segregated sub-sections, each with its own funding, investment and risk profiles, it is difficult to see material savings in actuarial, investment and scheme specific risk advice as these will continue to need to be met on a section-by-section basis. Given that the proposed model envisages retaining the same benefits rules and benefit structures on a section-by-section basis, it is also difficult to see material savings on the day-to-day administration of benefits. The best scope for savings comes from harmonising the	

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	governance, oversight, reporting and compliance requirements as well as utilizing scale of AUM to reduce investment management costs.
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.)
	Again, there is more detail under Q1 above, but cost savings are potentially available from harmonising compliance, governance, reporting, audit and oversight. To gain these types of savings you would perhaps need at least 10 to 15 schemes to come together to realise this level of saving.
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?
	It would be assumed that much of the governance requirements such as those under the IORP II guidelines would apply at the MT level. If this was not the case, then there would be no meaningful cost savings for employers.
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?
	It is likely that there would be upfront costs associated with joining a DB MT. Trustees would have to be satisfied that joining such a trust would be in the interest of their membership and would therefore incur advice costs in coming to their decision. If the MT involved a straight replication of the current scheme retaining the same rules and powers within the MT, a clear unambiguous segregation of funding as well as clear and transparent exit option this may reduce the level of advice cost required to join. If a decision was made to join a MT, depending on the approach taken and data onboarding requirements, there could also be potentially significant windup costs, separate to the costs noted above. Given that the potential transition to MT would likely be employer driven, it would be expected that most or all these costs would fall to the participating employer(s), not the master trust. Ensuring that transition costs are reasonable relative to the ongoing cost savings will be important for this to be a viable option.
Q.19	Please describe the charging structure that you would likely apply in the DB master trust. Would this differ across employers?
	Individual arrangements / employers would be subject to the costs specific to their arrangements, such as actuarial valuations, regular funding updates etc. Costs that may be shared across all arrangements would be spread, possibly in proportion to size of scheme or possibly equal share depending on how the costs may arise or how they would be fairly spread.

Q.20	How would employer costs be impacted by other participating employers leaving the master trust?
Likely that employer costs would rise, particularly the "shared" costs as mentioned in Q19.	

Section 4 – Regulation of DB consolidation

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?

Based on the proposed structure we expect that all provisions of the Act and related regulations that relate to a single employer sponsored DB scheme would apply to the DB MT. The important clarification for the proposed model to be successful is:

- Clarity that Part IV of the Act applies on a section-by-section basis rather than applying to the MT as a whole;
- Disclosure of Information Regulations and the over-arching governance requirements (IORPS II) would apply to the MT only.
- Preservation and equal treatment provisions would apply to both the participating employer sections and the MT.

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

The IORP code of practice places certain additional obligations on the Trustees of a DC MT, namely:

- Trustee needs to be a DAC with a sole objective of being a trustee to the MT only
- Minimum of two directors with at least one independent
- Authority to be notified within 21 days of the resignation
- Each trustee needs to either meet the qualification and experience requirements (or both)

It would be sensible to extend these obligations to the Trustees of a DB MT.

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?

Given that the proposed structure is to consolidate schemes such that their assets and liabilities remain fully segregated, with no cross subsidisation, operationally it would not be necessary to put any further regulatory measures in place. If it is accepted that compliance with the Funding Standard is on a section-by-section basis, then there should be no risk to the MT if one of the sections develops an unstable funding position.

Separately, it would be good practice for the MT to put some operational guardrails in place before accepting a pension scheme. This could involve requiring a certain minimum funding requirement and/or a certain investment risk profile. This would encourage potential participants to boost funding and dial down investment risk in anticipation of joining the MT. There is the potential risk of a systemic challenge to DB pension funding (for example a Euro debt crisis) that could see all schemes under the MT facing funding challenges at the same

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time. This may place a strain on the operational capacity of the MT if section IV of the Act applies in a segregated manner.	
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?
This would need to be dealt with under Section 48 of the Act or alternatively by the establishment of new stand-alone trusts. Given that the MT is set up as a collection of separate trusts, it should be possible to re-establish individual trusts for the individual sub-sections. This would put them back in the scenario they were in before they joined the MT. This could be a condition of entry into the MT and would require the support of the regulator. This would negate the need to apply section 48 on a sub-section by sub-section basis across the MT. Further to this, where an Employer triggers a wind up, there is often a condition that additional contributions, as agreed with the Trustee, be made as part of the wind up. If the wind up is triggered because the MT is winding up, this dynamic may be affected which is another reason why the re-establishment of individual trusts on wind up would be a reasonable approach to take. It should be a priority to ensure that the wind up of the MT for commercial reasons, doesn't precipitate the members under the MT not receiving their pension entitlements in the manner they expect. The best way to mitigate this would be to set up the trust with a facility to unwind it in certain circumstances. Like the capitalisation requirements for DC MTs, there should be a contingency in place to manage a wind up if one was necessary and a reserve should be held to manage this.	
Q.25	If a master trust winds up, how should the section 48 priority order be applied?
If the intention is for Part IV of the Act to apply on a section-by-section basis rather than applying to the MT as a whole, then the priority order should be applied section by section. So, ring fenced assets and liabilities would be considered for each section and the assets would be distributed in line with section 48 as if it the section was a standalone scheme. Having said that, it would be sensible to have a facility to allow for re-establishment of standalone trusts in the event of wind up or if the MT itself is required to wind up.	
Q.26	What, if any, additional reporting requirements to the Authority should apply to DB master trusts?
As per code of practice for DC MTs but no further DB related reporting such as master trust AADR / AFC / FSRC etc.	
Q.27	What notifiable events should be reported to the Authority by a DB master trust?

Like DC MTs, any decision to wind up or affect control by the trustee should be notified. A framework for capitalisation requirements should be agreed and any breaches of this should be notified to the Authority.
If a section fails the Funding Standard or goes into windup, this should be notified to the Authority by the MT.

Section 5 – General comments

Please provide any additional comments here.

As stated above, the Society is very supportive of any solutions that will aid the continued provision of DB entitlements in the interest of scheme members and welcomes this consultation on the benefits and risks involved in introducing Master Trusts for DB schemes.
We are available to discuss any of the above points in further detail if required.