PwC - 2025 Irish Master Trust report

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Section 1

Introduction

Over the past number of years, PwC has developed a market leading position in the provision of independent advice to employers who are assessing their options for the future of their defined contribution pension provision in light of changing pension regulations. We support a large number of employers who have moved to a Master Trust arrangement to maintain appropriate oversight of the pension arrangements that they provide to their employees.

The scale and pace of change has been significant, in particular, arising out of the increased regulatory burden that IORP II has created since being introduced in April 2021.

This 2025 report sets out our view of the defined contribution pension regime in Ireland, with a specific focus on the Master Trust market. The analysis in this report reflects insights gained from discussions with a significant number of client organisations in 2024 and previously, and looks forward and considers how the defined contribution pension market may change in the future.

The view that clearly emerges is the manner in which pensions are structured and communicated makes a difference to the value that employees attach to those benefits. This is an area where there has been - and continues to be - significant investment across the pensions industry.

The Master Trust market has matured significantly - and significant investment continues to be made by a range of providers, reflecting the competition for mandates.

We welcome engagement around the views set out in this report, and see Master Trusts as key to the development of a high end pension system in Ireland.

Munro O’Dwyer, Partner, PwC

Section 2

Market overview

Since regulatory changes were introduced in Ireland in April 2021, the growth of Master Trusts has been significant, and this trend continues on an upward trajectory.

There is competition across Master Trusts to achieve scale and to date this has been achieved by attracting employers who currently operate a single-employer trust scheme; this phase is likely to last a number of years more.

To date, the move to Master Trusts has been most focussed at the below €100 million scheme size - albeit there are a growing number of larger pension schemes who have moved, with a number of schemes in the €500 million+ category.

Larger Irish pension schemes tend to be better governed than smaller schemes, and as a result they are more able to cope with regulatory changes and provide better value for money. Against that, the attraction of Master Trusts is now well established - good governance, the reassurance that the Pensions Authority's regulatory regime brings, and the ability for employers to reduce their compliance burden and refocus pension spend towards issues that matter most for their employees.

This is encouraging an increasing number of larger pension schemes to reassess their thinking. These larger schemes don't simply demand a regulatory safe haven; they will drive up expectations around client servicing, competitive costs, analytics capabilities and the use of technology.

These improvements will benefit all pension savers, however this has the potential to put pressure on Master Trust providers who may be forced to compete to retain their existing single-employer mandates, while also driving a need for increased budget in areas such as customer service, governance, technology and data, which will all create pressure on margins.

Interest in pension fund performance is likely to increase towards the end of 2025, with the launch of auto-enrolment. With up to 800,000 additional pension savers from that date, and with more media attention anticipated about the performance of the State-run scheme versus private sector alternatives, over and under performance will likely get increased visibility.

To date there are no examples of Irish Master Trusts growing through the acquisition of other Master Trusts however this is likely to be a feature of the market in the coming years. Smaller or slower growing Master Trusts would be the most likely targets for consolidation, albeit the dynamic of the Irish pensions market is quite different to the UK market, where consolidation has been a greater feature. In particular, all Irish Master Trust providers were already existing market participants, which is in contrast to the UK position.

Relative to other countries this also means that all Irish Master Trust providers are focused on commercial returns for their founders so standardised pricing is not a feature like it can be elsewhere, increasing the need for due diligence in selecting a provider.

In a large single-employer defined contribution scheme, an employer effectively has control over every aspect of how the scheme is run, and a concern can be that this control is ceded in part when moving to a Master Trust. Where employers believe that their existing pension strategy is effective then this can be a reason not to wish to give up control.

The pendulum is starting to swing however. The scale, efficiency, and sophistication of strategy of Master Trust arrangements, especially as they continue to develop, will be greater than is possible in all but the very largest defined contribution pension schemes in the Irish market.

Comparisons of Master Trust performance and single-employer trust performance have historically tended to focus on investment outcomes and costs. Ultimately, what tends to drive the decision to move to a Master Trust is the sense that it is optimal for employees where governance and investment oversight are undertaken centrally, with focus at the employer level on service levels, member engagement and ensuring that employees are being appropriately supported in their retirement journey.

Will we see new entrants into the Irish Master Trust market?

A number of overseas providers have considered an entry into the Irish Master Trust market, however none have entered yet. Aside from the acquisition of an existing provider, it is not clear that the market presents an opportunity for a new entrant. The UK example (opposite) is informative also.

In 2023, HSBC abandoned plans to enter the larger UK workplace pension market after 4 years of development. HSBC considered expanding on its core banking services in the UK, and in 2019, obtained regulatory approval to launch a UK Master Trust. Senior hires were made and HSBC promoted the scheme to employers, with plans to launch in 2022. Ultimately, the lack of demand saw the plans dropped, after failing to gain sufficient traction with prospective clients.

Having had plans to be a top 5 player in the UK market within five years, the HSBC Master Trust closed without accepting any clients.

Given the scale of consolidation of single-employer trusts to date, it is hard to see a new entrant building scale organically in Ireland. Further, the relatively small scale of the Irish market is unlikely to attract any major international entrants.

Source: Financial Times

Secondary market

To date we haven't seen the emergence of a developed 'secondary market', where employers would move from one Master Trust to another, however that is largely a function of time. Legislation around the operation of Master Trusts will help in this regard, particularly where that legislation enables straightforward switching between Master Trust providers and addresses the ability to transfer out deferred member assets.

Where Master Trusts are longer established, there is evidence in other markets of employers being motivated to switch between providers, with key factors driving those decisions including:

01 Investment proposition and investment returns

02 Employer costs and member charges

03 Better technology and member supports

04 Decumulation offerings

05 Wider Master Trust offerings, for example, member apps, financial wellbeing tools and advice, and other savings vehicles.

It is to be expected that a similar dynamic will emerge in the Irish pensions market, and key initiatives are being introduced by Master Trusts all of the time.

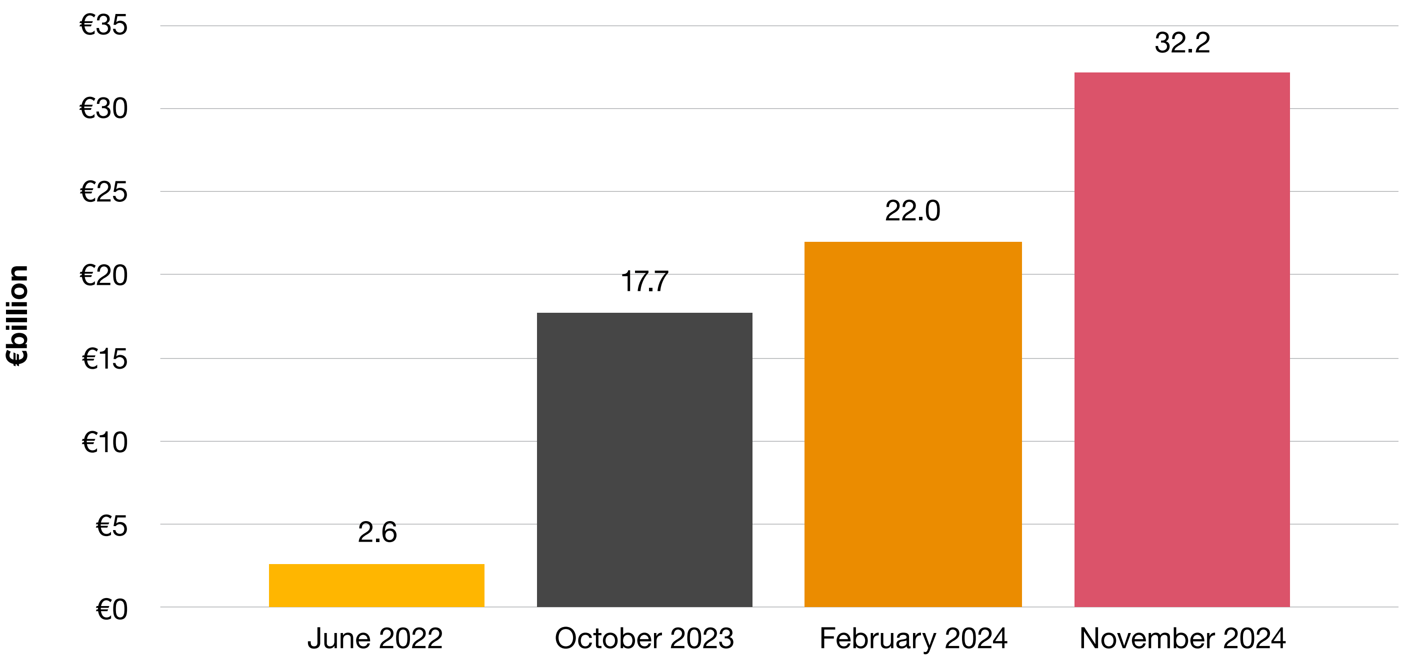
Technology is another key potential battleground, with initiatives across the market in developing better member engagement support in particular. The "to and through retirement" space is an area where the coming years will see the launch of better tools and at more cost effective terms. This is all timely, given the potential implementation of in-scheme drawdown, commented on later in this report.

Section 3

Master Trusts in numbers

The position held by Master Trusts has changed dramatically over the past number of years, and with this momentum carrying into 2025 Master Trusts are now approaching 50% of total defined contribution assets in the Irish market. It is now certain that Master Trusts will establish themselves as the primary defined contribution pension vehicle in Ireland.

Master Trust Assets Under Management



Sources: Pensions Authority and Government statistics, Department of Social Protection, PwC estimates

	06/2022	10/2023	11/2024
Assets under management	€2.6 billion	€17.7 billion	€32.2 billion
Participating employers	800	21,000	27,000
Members	74,000	401,000	562,000

While the growth trend will continue, the potential is ultimately finite - particularly given that auto-enrolment (which will sit outside the Master Trust market and will be State-run) is expected to take c. 770,000 participants out of scope, per Department of Social Protection projections. This is a theme to watch over the coming years.

For an overview of non-retail Master Trusts in the Irish market and their respective launch dates, please see the graphic below.

2022-06: Mercer - MT3 - administered by New Ireland

2020-03: New Ireland - New Ireland Master Trust

2019-01: Irish Life - The Irish Life Empower Master Trust

2017-06: Aon - The Aon Ireland Master Trust

2014-04: Mercer - MT2 - administered by Zurich

2006	2008	2010	2012	2014	2016	2018	2020	2022

2016-06: Invesco - Invesco Master Trust

2006-05: Mercer - MT1 - administered by Mercer

2017-02: Unio - Unio Master Trust

2019-06: WTW - LifeSight Ireland Master Trust

2021-11: Zurich - Zurich Master Trust

2022-07: Aviva - Aviva Corporate Master Trust

Section 4

Investment

Investment performance is an important feature of any long term savings vehicle - sustained investment outperformance has a significant impact on the financial outcomes for pension savers. In the Irish Master Trust market, the majority of default strategies are passive, and as a result the main investment differentiators will be asset allocation and the de-risking glidepath strategy.

Regular reviews of default strategies ensure they remain aligned with best practices, member interests, and current market conditions - for example, the change in the interest rate environment over the past number of years. In a Master Trust structure, these default strategies tend to be more dynamic and responsive to market conditions, reflecting the greater scale and governance resources of these arrangements and competitive pressures to remain best in class.

For example, a number of Master Trusts have changed their investment offerings in 2024:

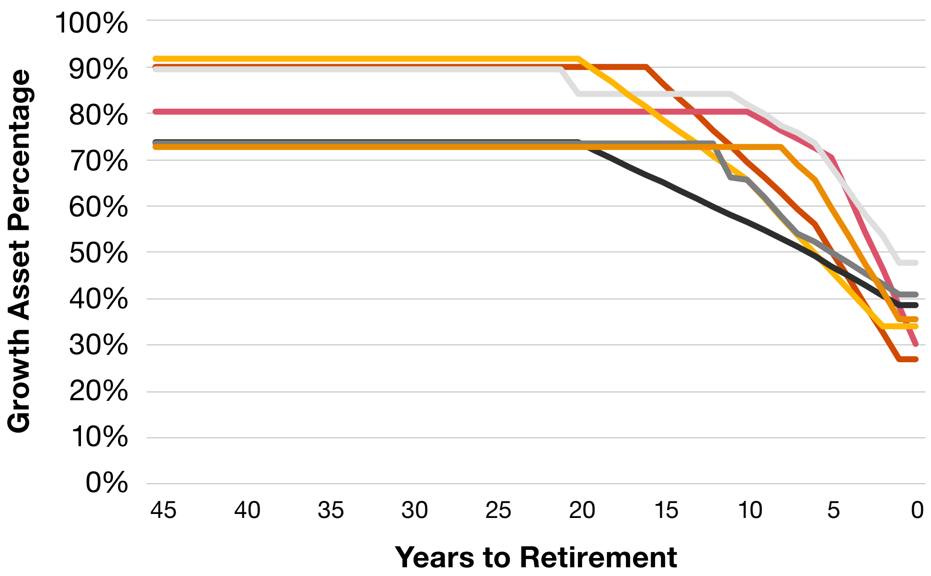
- the asset mix within default fund strategies is being revised,
- underperforming and legacy funds have been removed, and
- new funds have been introduced.

Asset mix within default strategies

The proportion of members in a default strategy will vary due to a range of factors, however 70% - 85% is typical. As such, the performance of the default strategy is key to the retirement outcomes of significant numbers of pension savers.

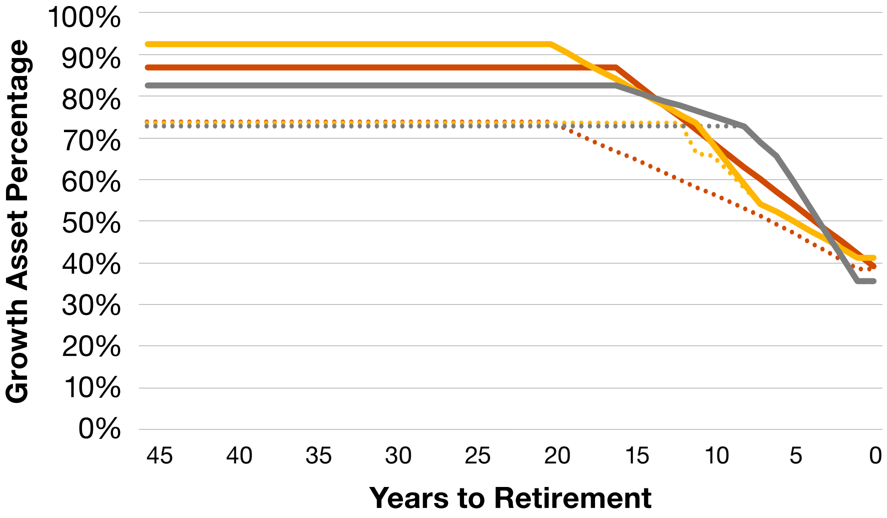
The chart below illustrates the allocation to growth assets of the default investment strategies of various Master Trust providers in the Irish market as of 1 January 2025. The proportion of assets allocated to growth assets varies at each stage, ranging from approximately 70% to 90% during the growth period and about 30% to 50% at retirement, under a glidepath that assumes that an Approved Retirement Fund will be purchased at retirement.

Default Investment Funds - Allocation to Growth Assets



In recent years, some Master Trusts have made changes to their default investment strategies, with more adjustments anticipated throughout 2025. The chart below shows how three providers have altered or are expected to alter their allocation to growth assets. The dashed line represents the original exposure, while the solid line indicates the updated position, reflecting a higher proportion of growth assets in the overall strategy. This increase in growth asset allocation is consistent with experience in other markets, such as the UK.

Default Investment Funds - Changes in the Allocation to Growth Assets



Glidepaths targeting annuity purchase at retirement across the majority of Master Trusts now include exposure to both corporate and government bonds. This is in response to the changing asset mix used by insurers in pricing and designing annuity products.

Auto-enrolment - how the default strategy will work

Investment managers will be appointed to provide funds that will form the investment strategy options for the investment of contributions, to include a low, medium and high risk strategy. The default strategy will see auto-enrolment participants move from the high to the medium to the low risk strategy, based on the number of years remaining until they reach the State Pension age of 66.

The allocation of the default fund is based on the time to the age at which the pension will be drawn down:

More than 15 years to pensionable age: High risk level	Between 5 and 15 years to pensionable age: Medium risk level	5 years or less to pensionable age: Low risk level

This will be a less graduated approach versus the private sector alternatives, where funds are transitioned gradually rather than in step jumps. While not necessarily a direct parallel, it is interesting to look at Nest in the UK. In March 2024, Nest's scheme membership had risen to 13 million according to its Annual Report and Accounts, with £40.6 billion being managed - and of these amounts 99% of funds were invested in the default strategy.

Removing legacy and underperforming funds

We are seeing a move by some Master Trusts to reduce the numbers of funds across which members are invested, particularly where existing schemes and existing fund choices were transferred in “as is”. This is an area that the Pensions Authority is raising with Master Trusts, and is also in response to Critical Investment reviews, which will have highlighted funds that have attracted limited levels of member interest or may be underperforming versus “core” funds.

We are also seeing some Master Trusts begin to add funds, where a gap in the range offered is identified.

Recent additions include Article 9 funds for those members prioritising ESG investing, and a Shariah-compliant fund, demonstrating how providers are adapting their offerings to meet members’ needs and objectives.

A key development towards the end of 2024 was an allocation to Private Equity within the default investment strategy of a Master Trust provider, with the stated objective of increasing returns, net of fees, and enhancing diversification, ultimately improving expected member outcomes at retirement.

Section 5

Engagement

Where employers use a Master Trust structure, the key advantage they identify is that member engagement becomes the focus - governance and addressing regulation are passed to the Trustee and founder of the Master Trust.

Member engagement is getting redefined as a result, however before looking at this in more detail, it is helpful to set out some thoughts around what member engagement means. The context here is that many members don't engage (at all) - so what is meant by member engagement, and what difference does it really make?

For many employees who are members of a Master Trust or a single-employer trust, these pension savings will be their main means through which they are making private savings for their retirement - however consistent experience can be that there is limited understanding of what these savings will deliver at retirement.

Attitudes to pensions can be characterised by detachment, fear and complacency which all act as a barrier to engagement. For example, there can be a reluctance to actively seek pension information, albeit it is recognised as important by employees. Motivation to proactively engage with information about pension benefits can be low.

Generally, pension scheme members do understand the information they are given about their pension - but a far smaller proportion of members are clear what to do with this information. It can be challenging to figure out whether what has been saved is "enough" or "good"; there can be uncertainty around what the outcome is going to be when pension benefits are accessed, and the impact of additional pension savings or different retirement ages on pension benefits payable can be unclear.

A key aspect of member engagement is to enable them to understand what their current pension savings levels mean for their income in retirement and how they can (positively) impact on those future outcomes.

Longer term, the ultimate goal is potentially for employees to value their pension assets alongside other savings and investments they have. This could be aided by the providers of Master Trusts also making available complementary investment products using the scale of the employer to achieve competitive prices.

Technology could be used to present the different pension and non-pension investments in a consistent manner.

Regulation may also prove supportive; the Department of Finance published Report of the Funds Sector 2030[1] in October last year, where it signalled that it was reviewing the complex position on non-pension investments, including recommendations to address barriers to retail investment and a review of the tax regime for investment funds and life assurance products.

1 https://www.gov.ie/en/publication/da341-funds-sector-2030-a-framework-for-open-resilient-and-developing-markets/

Central Bank Consumer Research report, June 2024[2]

The Central Bank undertook research to inform the wider debate on pension provision in Ireland. The research sought to understand the extent to which consumers understand the challenges they face when planning for retirement - and a number of conclusions of that research are set out below:

- There is a concern that the long-term nature of a pension combined with the complexity of pension products means some consumers do not sufficiently engage with the value of their pension or take meaningful action to address any shortfall.
- Many consumers are hesitant to confront retirement planning, with a significant portion either disengaged or uncertain about how they will fund their retirement.
- When consumers are saving for a pension, many are not actively involved in the process and are uncertain about their future income needs during retirement. Making decisions about pensions is challenging for consumers, who are often passive or disengaged.
- Even when consumers acknowledge issues with their future pension funding, there is a reluctance to take meaningful action.
- For many consumers, early pension participation tends to be prompted by an external influence such as one's employer, and the workplace is highlighted by those surveyed as one of the most likely sources of advice on pensions. Auto-enrolment will strengthen this influence.

2 https://www.centralbank.ie/docs/default-source/publications/consumer-protection-research/pension-and-retirement-income-july-24.pdf

So what does positive pensions engagement look like?

There are a number of layers to member engagement, with the most important being that employees join the pension scheme and make appropriate levels of contributions. Auto-enrolment is designed to start to address this issue, albeit it will take a decade before AE is fully up and running in terms of the level of contribution rates payable.

A key further test around engagement is whether employees are using the information sources available to them to make appropriate and informed decisions about their financial future.

Investment in technology by Master Trust providers has enabled the transformation of pension communications - and this trend can be expected to develop further over the coming years, reflecting employer demands of pension providers and competition in the Master Trust space. We have seen the development of Mobile Apps, employee portals and microsites, video benefit statements and a concerted move towards personalised and targeted communication.

A key area of focus and interest for employers is around the technology platforms available to support employees. Having online access to information is seen as the minimum level functionality that is required, and demands are increasing around what employers are seeking, including:

Future Retirement Fund/Income Projections: the ability for employees to run pension projections to assess their future retirement fund or income, with allowance made for the State Pension and other previous benefits, where relevant, to give an holistic view.

Risk Appetite Assessment: supporting employees to evaluate their risk tolerance, and in turn, to translate this risk tolerance across to an appropriate investment choice.

Savings Adequacy: assisting an employee around whether their current savings are sufficient to meet their retirement goals, and how they should draw down their benefits in retirement (whether an Approved Retirement Fund or an annuity).

Technology is only part of the engagement dynamic - data plays a central role in engaging with members also. With the move towards Master Trusts, significant additional pools of data are available, and providers are exploring how to leverage data to determine the best next step for individual pension savers, in turn, helping to nudge them in a positive savings direction.

Data also underpins efforts to personalise communications, and potentially allows the sharing of appropriate communications in a timely manner, and through a communication channel that reflects the preference of each individual.

Communications can potentially learn from a member's interactions and be developed to engage with them based on their preferences. Through the use of data analytics, Master Trust providers can send personalised notifications to members based on their behaviour. For example, if a member frequently checks their fund value via their pension app, it makes sense to communicate with the member via push notifications about market updates or tips on increasing their savings. Similarly, a member who engages with video content but not documents should receive future communications in video format.

Data can drive segmentation across a broad range of areas including:

- dividing membership based on variables like age, income, gender and occupation.
- focusing on location, such as country, region, or city.
- considering lifestyle, values, attitudes, and personality traits.
- looking at consumer behavior, including usage rate and benefits sought, based on their technology usage and preferences.
- employer characteristics such as industry, company size, revenue, and location.
- taking into account cultural factors such as language, religion, and social norms.
- assessing the level of knowledge members have in a particular area, such as beginner, intermediate, or advanced.

In this manner, over time Master Trust providers will tailor their communications to better meet the needs and preferences of different cohorts, leading to more effective and targeted communications.

The shift towards Master Trusts has both required and incentivised pension providers to invest in their technology and data capabilities, and over the coming years, the rewards from those investments will become ever clearer. We are entering a period when the digital capabilities that are being developed will transform the member engagement experience.

Section 6

Employer role

With the continuing development and increasing sophistication of Master Trusts, what role should an employer play?

Many Master Trusts offer detailed calendars of member engagement activities and support, which provide a basis for developing a structured communication approach. This helps to ensure that employees receive timely and relevant information throughout the year.

Employers have the flexibility to activate or deactivate specific content at various stages, based on the needs and preferences of their employees. This customisation allows employers to tailor the timing and nature of the content to seamlessly align with their broader HR communication strategy.

By integrating these engagement activities into the wider HR communication plan, employers can create a cohesive and consistent message that supports their overall employee engagement and retention goals. This alignment reinforces the importance of a well constructed, effective retirement planning program as part of the broader employee benefits package, ultimately leading to higher levels of member engagement and satisfaction.

How employers are deriving value from Master Trusts

Employers who have selected a Master Trust and who engage with and work in collaboration with their Master Trust provider are most likely to see a more significant impact on member outcomes. Combining employer knowledge of member demographics at the local level along with the suite of provider resources allows employers to target all of the employee population more effectively.

Employers have control around what communications should get issued, who to, in what format, and when - and effective use of this control can deliver real benefits.

Increasingly, Master Trust providers can provide data driven insights to allow an assessment of the impact of communications and engagement with members. Certain Master Trusts will bring insights from exercises run across other participating employers within the Master Trust, allowing employers to adopt best practices and innovations from a wider pool of experiences.

The fundamental risk in a defined contribution pension arrangement is that employees reach retirement age but have not accumulated a fund of sufficient size to allow them to have financial security in retirement.

In light of this, key areas for employers tend to be around transparency, information and member education (including the availability of appropriate digital supports), investment performance, and value for money as well as an appropriately supported decumulation and retirement process.

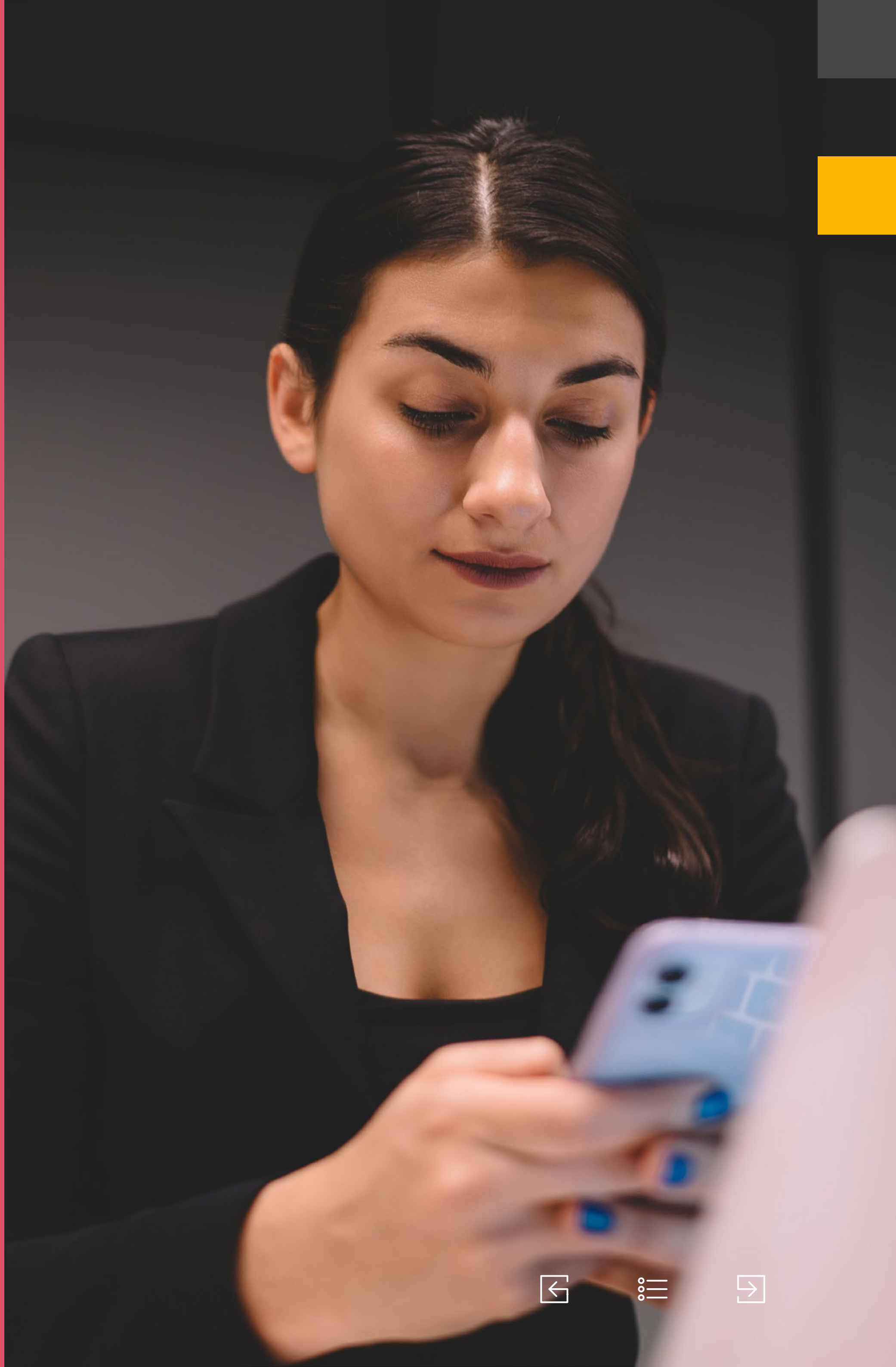
In moving to a Master Trust, employers should consider how they wish to oversee the operation of the pension arrangement into the future. While there are Trustees at the Master Trust level, there will be value in having focused local oversight and engagement, particularly where the pension benefits are a key part of that employer's reward proposition.

The Pensions Council have commented on the role of employers in their "Master Trusts: A Practical Guide for Employers and Trustees" publication[1]. The Council notes that having this oversight ensures that pension engagement, communications, service standards and overall performance are as expected by an employer who is participating in a Master Trust, and this would increasingly be seen as best practice.

1 https://pensionscouncil.ie/wp-content/uploads/2024/06/Master-Trusts-a-practical-guide-for-Employers-and-Trustees.pdf

Section 7

Technology



Technology is impacting every aspect of modern life - and pension provision is seeing significant innovation and disruption also.

The potential for technology to transform the pensions landscape is clearly immense. By leveraging artificial intelligence (AI) and other cutting-edge technologies, pension providers can improve their efficiency and performance - and Master Trust structures are in the vanguard in terms of use cases.

The business case is clear; Master Trusts that invest appropriately in technology can offer more efficient and effective services and encourage greater member engagement, and this can create a sustained advantage versus competitors.

As noted in Section 5, technology is only part of the engagement dynamic - data plays a central role in engaging with members also. Providers are exploring how to help pension savers in a targeted and personalised manner, and to nudge them in a positive savings direction.

With technology, it is now simply about the “here and now”. For employers making a decision on a Master Trust for pension provision for their employees, future investments in technology are important, as they indicate a Master Trusts’ commitment to innovation into the future, and the ability to continue to invest in maintaining a market leading proposition.

While technology has made significant strides, there remains substantial potential for further integration within the pensions industry. Continuous improvements in technology offerings and utilisation are anticipated, making this an exciting space to watch.

One of the key areas where we can expect enhancements is the use of AI tools and applications. These innovations can empower members to take direct actions regarding their pension plans, thereby enhancing the user experience.

Use of AI

Most pension organisations are relatively early on in their AI journey, however, we are beginning to see the emergence of its use across the industry. From automating data processes to drafting scheme documentation there is little doubt that AI has a growing role to play in the sector. Given the pace of change and level of advancement it is very likely that AI will be a significant competitive differentiator in the near future.

What is the industry doing at present?

A number of clever applications of AI have started to come through to the market, with further change set to make a real impact on the sector. The majority of activity is focused on improvements to business operations however there is also potential for greater disruption as companies seek to fundamentally change the way they deliver services. These use cases can be broken down into three key categories of transformation namely Operational, Business and Industry.

Operations Transformation

AI is predominantly being used to augment the roles of pensions professionals, improve efficiency and deliver better overall outcomes to members of pension schemes. We are seeing practical examples of this, through the various AI tools that are being developed to aid existing processes and operations. Investment in operations across the market is driving rising levels of service, and this is all serving to transform what is seen as ‘best in class’.

One interesting example we would highlight is the use of AI to perform root cause analysis on queries that a pension provider is receiving. AI has the ability to analyse vast amounts of unstructured data in order to pull out trends and identify emerging patterns.

By feeding this data through the system a provider can identify the nature and volume of queries received. Not only does this allow a provider to focus on the key areas of focus from savers, it also flags new trends that might be emerging. Rather than dealing with a subset of known issues, AI allows the provider to work across all of the queries received.

Utilising AI in this way, a pension provider can categorise and classify queries and build this into a set of analytics that can be used to identify and respond in a timely fashion.

AI opens the door to new processes and systems that simply weren't possible before, through new methods of analysing data and providing insights and output.

There are a number of cases of AI playing a central role in an entire business process. As an example, AI can be used to onboard client data quickly and efficiently, using its ability to interpret column names and headers without the need for human intervention or analysis. Applying its own understanding of the data, AI can be used to match headers of unstructured data and arrange it into a standard format. Even more powerfully, AI can also be used to interrogate the data for accuracy, completeness and consistency.

Utilising AI in this manner drives performance and provides an uplift in productivity, this can be used to reduce service times and allow providers to focus more on the customer experience.

What is next for AI?

Industry transformation represents the potential for AI to change the fundamental dynamics of the industry. In this world, AI will be able to assist customers by taking actions for them as an independent agent and engaging with the provider's system on a holistic level.

One example of this is the use of AI to transform how organisations provide customer services. A number of recent demonstrations have shown AI's ability to understand customer queries and take actions in real time. Rather than assisting on a single process, AI would sit at the centre of an entire system and provide a link between the various services.

Launched in early 2024 Klarna's AI assistant has generated a lot of interest in this area. Using models licensed from Open AI, Klarna has built a product to automate key aspects of its customer service processes. The AI assistant handles numerous queries ranging from payment related issues to refunds. The company claims that the AI assistant performs the equivalent work of 700 full time agents while also achieving customer satisfaction scores on par with human agents. Not only is it capable of handling huge quantities of customer queries, it can do so in over 35 languages.

This case is a clear example of AI being utilised successfully in the real world. It underscores the transformative potential of artificial intelligence and provides a glimpse into what could be implemented in the pensions industry in the very near future. The Master Trust provider that successfully delivers technology transformation at this level will cement its position as a market leader for years to come.

Section 8

Durability

A key question considered by employers is whether all current Master Trusts will survive into the long term.

There is clear evidence in the market that the Master Trust supervisory regime is bringing positive change. Today, many pension administrators have adapted their resourcing and operating models to allow the delivery of high quality administration services. Master Trusts have a different profile to single-employer trusts - rather than individual schemes with up to 5,000 members in a scheme, Master Trusts are running into the 100,000 members and above.

As Master Trusts expand, managing resources effectively becomes increasingly complex, presenting challenges for providers in scaling their operations, conscious of the market demands for competitively priced offerings.

The potential for technology and data to deliver a sustained superior employee experience is clear. Master Trusts will be in the vanguard of those pension schemes who will explore opportunities to use data and segmentation to deliver a genuinely personalised engagement experience, to use cutting-edge customer engagement tools such as agentic AI to transform and automate key interactions and ultimately to close the advice gap. This will create clear demands for investment in all Master Trusts, creating questions around their durability.

Master Trust durability

In the Irish market, the consolidation of standalone Defined Contribution (DC) pension arrangements has been occurring at a significant scale and continues to do so. However, we have not yet observed any consolidation of Master Trust arrangements. This is understandable, given that we are just under four years into the implementation of the IORP II Directive in Ireland. Drawing from the experiences in other markets, such as the UK and Australia, it seems inevitable that the future of Master Trusts in Ireland will involve fewer but larger Master Trusts.

As a result, a key consideration for all stakeholders is the sustainability and longevity of their chosen Master Trust. When conducting due diligence on providers, it is crucial to look beyond the short-term and consider the long-term prospects of the Master Trust over the next 5, 10, and 15 years. This long-term perspective is essential to ensure that the Master Trust can continue to meet the needs of its members and adapt to evolving market conditions.

Stakeholders should evaluate the financial stability, governance structures, and strategic vision of the Master Trust providers. Assessing their ability to innovate and respond to changing market dynamics is also important. By considering these factors, employers can make informed decisions that will support the long-term success and resilience of the pension arrangements that they provide to their employees.

Section 9

Future Outlook

Looking forward, Master Trusts will continue to increase in scale, reflecting the regulatory challenges for employers of operating a pension arrangement in Ireland. Over a 5 - 10 year timeframe, we would also expect to see consolidation across Master Trusts.

Regulation is a key driver of change. Having reached the end of a 3 year regulatory cycle since the introduction of the IORP II Directive in April 2021, the latest regulatory hurdle is the Digital Operations Resilience Act (DORA) which came into effect on 17 January 2025.

The increasing demands and complexities of scheme compliance continue to prompt many employers to reconsider their future pension strategy. They see the time and effort spent on IORP II and DORA compliance, along with the future commitments required to remain compliant in the evolving regulatory environment, as a distraction from more important issues.

It is also clear that the level and pace of change in the Irish pension scheme landscape is not slowing. There are a number of key initiatives which may be introduced over the coming 2 to 3 years:

- Cost transparency and value for money
- Implementation of an authorisation regime
- In-scheme drawdown

Cost transparency / Value for Money

In 2024, Clearglass launched a Cost Transparency Standard (CTS) with support from the IAPF, the Department of Social Protection and the Pensions Authority. The CTS aims to provide clarity on pension scheme costs, including investment fees, transaction costs, and administrative expenses. Trustees must ensure positive outcomes for members by being aware of and justifying these costs.

While voluntary, there is strong interest in participation, and the Pensions Authority may pressure non-participants to explain their decision. Value for money in pension arrangements does attract political attention from time to time.

Finally, it is clear that the intention of auto-enrolment will be to deliver competitive and transparent member costs, albeit these are likely to exceed the level of costs incurred by the majority of members in Master Trusts, particularly those members where their employer has significant scale.

Implementation of an authorisation regime

The Government's Roadmap for Pensions Reform 2018-2023 committed to a process that would require all new and existing schemes to gain 'authorised status' from the Pensions Authority. It is anticipated that authorisation will launch in 2025, and this will see the regulatory bar for operating a pension arrangement increase further.

Authorisation will require all pension arrangements to gain authorised status from the Authority to carry out activities and receive tax relief on future employer and employee contributions. Pension schemes will be required to satisfy the Pensions Authority that they comply with Pensions Act/IORP II requirements.

The equivalent UK authorisation regime was a key driver of significant consolidation across the UK market.

In-scheme drawdown

In-scheme drawdown was considered as part of the Government's Roadmap for Pensions Reform 2018-2023, which led to several matters being referred to the Interdepartmental Pensions Reform & Taxation Group (IDPRTG) for consideration. The main conclusions from IDPRTG's 2020 report regarding in-scheme drawdown were:

- There is widespread support for the concept of in-scheme drawdown, provided it is subject to certain conditions and is available on an opt-in basis.
- The implementation of in-scheme drawdown could be facilitated by creating trust-based schemes that are solely for drawdown which could be built on the existing Master Trust infrastructure.
- The availability of a trust-based arrangement for drawdown could lead to cost reductions for individual savers. This is because these schemes could harness economies of scale and, potentially, in the context of in-scheme drawdown, remove the necessity for savers to liquidate assets and switch to an ARF upon retirement.
- Legislative amendments should be considered to enable flexible in-scheme drawdown.

In late 2024, there was a renewed focus on this issue. At the IAPF Winter Conference a representative of the Pensions Authority noted that detailed discussions and planning for in-scheme drawdown would commence in early 2025.

As of early 2025, the Pensions Authority was noted as actively working on the legislative framework to allow in-scheme drawdown, and the framework was expected to be in place by the time the Auto-Enrolment (AE) scheme is implemented, which is currently scheduled for 30 September 2025.

Group Life only Master Trusts

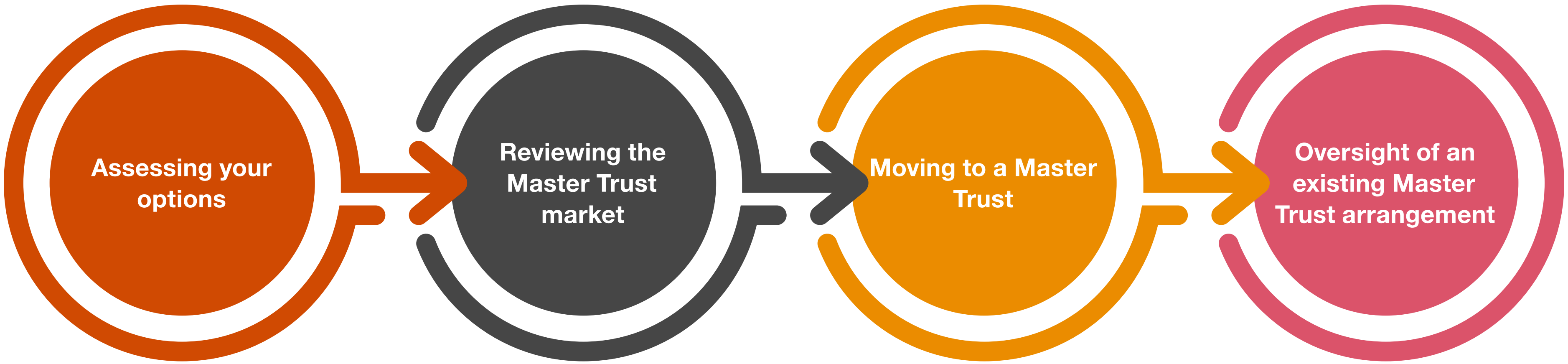
Not everything will be a reaction to regulation. As part of the move to a Master Trust arrangement, employers may require a new group life-only trust to be set-up, and this process was proving relatively cumbersome and was creating costs and delays.

To address this issue, certain providers have established group life-only Master Trusts dedicated exclusively to handling death in service benefits. These propositions provide professional independent trusteeship at the Master Trust level, creating a more straightforward and cost effective solution for employers who would wish to set up a life only trust and where they do not wish for the employer to act as trustee.

Section 10

Summary

We can support you at all stages of your pension journey:



PwC can support you to assess your existing pension arrangements and whether they remain fit for purpose. We can bring our independence, market insight and experience to support you to determine an optimal approach for your employees and your organisation.

We have extensive knowledge of all Master Trust providers and have supported employers of different scale across a wide range of industries to review how Master Trust providers may bring value to the pension proposition that they offer.

This is a key transaction and represents a long term commitment. PwC can support you to make the right decision, at an appropriate cost, with clear commitments from your chosen provider. We will also work with you to ensure a seamless and successful transition.

PwC can help you to implement appropriate oversight arrangements, designed to ensure that you get the service and support that you expected. With the governance burden removed, this oversight focuses on the matters most important to your organisation such as employee engagement and support. This will allow your employees to get maximum benefit from the pension arrangements that you provide.

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