LCP powering possibility

LCP Ireland Master Trust Survey 2025

June 2025

Welcome to LCP's 2025 Master Trust ('MT') survey

ABOUT THE SURVEY

Focus on:
Corporate pensions
6 Key areas covered

Martin Haugh
Partner

Gareth McKenna
Senior Pension Consultant

Aaron Kilboy
Senior Investment Consultant

The Irish Master Trust ('MT') market has continued to grow in 2024 through a combination of more employers moving to MT and positive investment returns increasing the levels of MT savings. At the year end, the Pensions Authority's statistics indicated that around €32bn is held in Irish Master Trusts (both retail and corporate), which is close to 45% of all Irish defined contribution pension assets[1].

This year's survey aims to provide an updated picture of the size of corporate MTs and understand the views of MT providers on a range of topical issues for Irish pension savers and their employers, including:

- **The Master Trust market** – providers have shared information on their Scheme and their views on the future of defined contribution pensions in Ireland.
- **Investment** – Our survey shows increased innovation by providers to deliver competitive investment returns. Looking back over 2024, there continues to be a significant difference in the net returns achieved by different providers.
- **Assessing value for money** – we all know that cheapest is not necessarily best, and the same is true when it comes to pensions. We have asked providers how they think about delivering value for money and how standards could be improved in the future.
- **Overseeing a Master Trust** – now that many Employers have moved to Master Trust, we ask providers about how their participating employers are overseeing their Master Trust providers to ensure servicing is being maintained at a good market standard.
- **Post-retirement solutions** – with the Pensions Authority signalling that "in-scheme drawdown" is on its agenda for 2025, we seek the views of MT providers around how the future of post-retirement might look.
- **Auto-enrolment** – of course, it couldn't be a pensions survey without seeking the views of MT providers on the government's proposed auto-enrolment programme. While everyone acknowledges that auto-enrolment is a net positive for society, providers tell us how they believe the current programme could be enhanced for the benefit of all.
- We wish to acknowledge the co-operation of the main 8 providers of corporate MTs. Together they represent more than €29bn of the €32bn in MTs. All 8 are included in the quantitative data analysis and 6 participated in the qualitative parts of the survey. We expect that by showing how the MT market has progressed, the continuing innovation by providers and how MTs are serving members' interests that more employers will be encouraged to consider MTs for their employees

[1] Source: Central Bank Pension Fund Statistics

Contents

Master Trust Market Overview at 31.12.2024

MT growth continued in 2024

Following more than 300% growth in Irish MT assets in 2023, the 2024 growth was more modest at ~50%. As at the end of 2024 the key data for the 8 main providers of MTs to corporate entities were as follows;

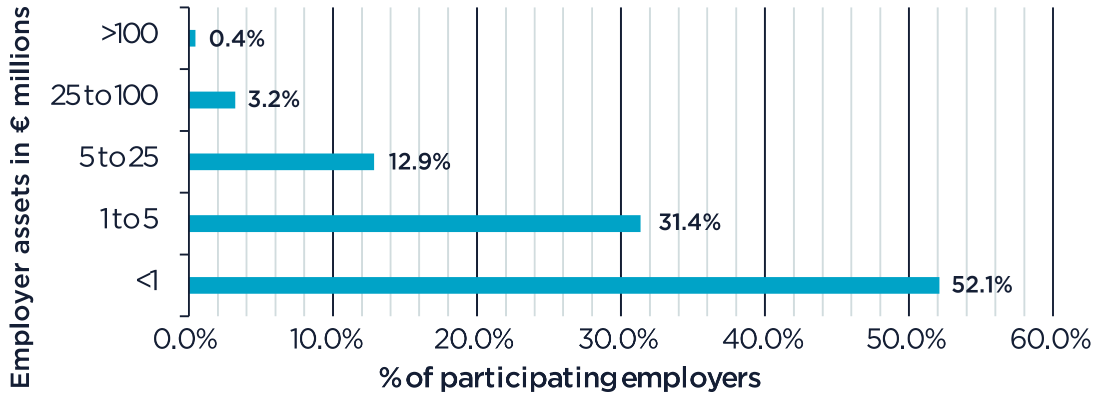
	Assets under management	Scheme members
MT market analysed:	€29.3bn	514,000
Largest MT:	€8.6bn	158,000
Smallest MT:	€0.7bn	17,000

5,900
Employers of all sizes are using MT

€800m
Size of largest Employer in MT

€6m
Average asset size of Employers in MT

Distribution of Employers in MT at 31.12.24



Source: LCP

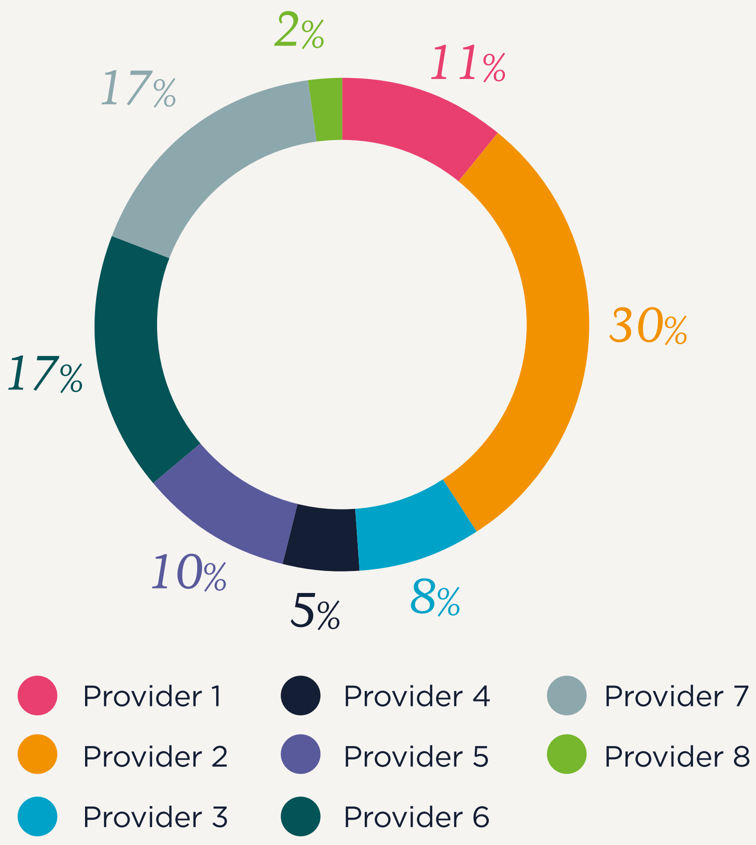
LCP Viewpoint

The market continued to grow in 2024 through a combination of employers joining Master Trust and positive investment returns. The 8 providers represent €29bn, the majority of the MT market quoted by the Pensions Authority, the balance mainly represents "retail" or "one-person" MTs. While the majority of employers using MT are considered "small" with average assets of €6m, our survey indicates around 200 employers with €25m or more in MT pension savings.

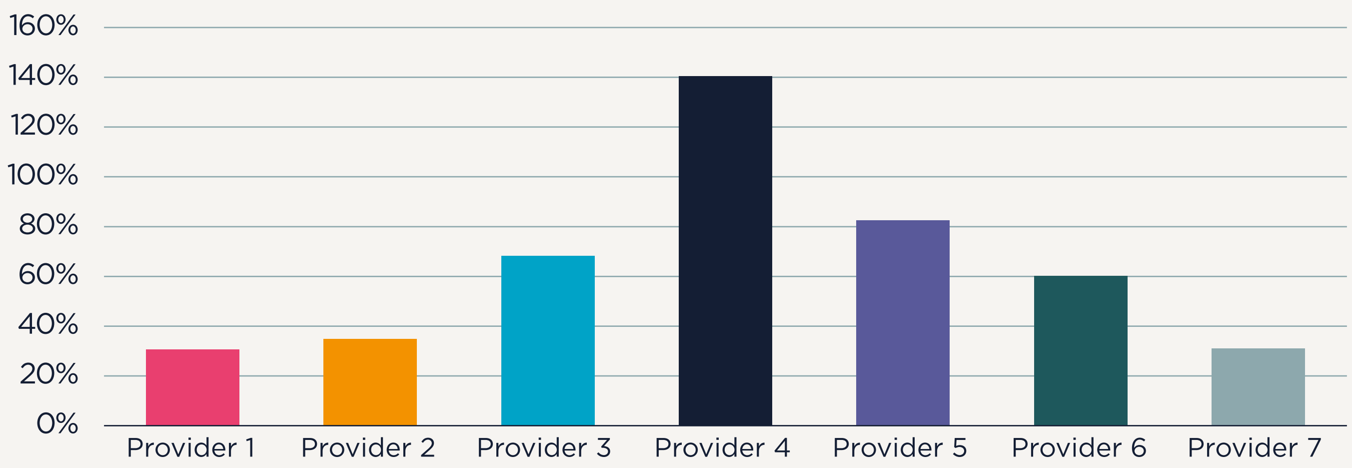
Master Trust Market Overview at 31.12.2024

The split of the market share (by assets) and percentage growth in provider assets over 2024 (where provided) is shown below.

Provider Market Share by Assets at 31.12.24



% Growth in MT Assets over 2024



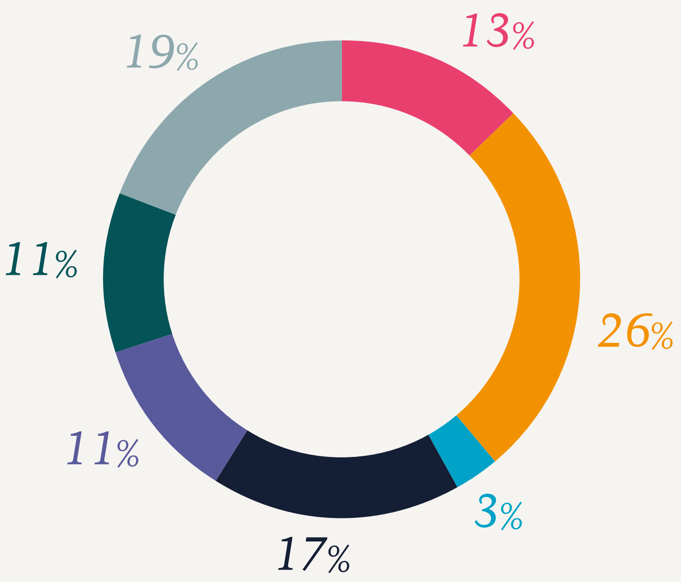
LCP Viewpoint

Many MT providers are at different stages of their growth journeys. In general, the larger more established MTs are growing slower having reached more of a steady state. Providers continue to invest heavily in their MT offerings and there remains significant competition between providers for new business. In our experience, a competitive procurement process between a short-list of providers ensures that Employers and members get best value for money.

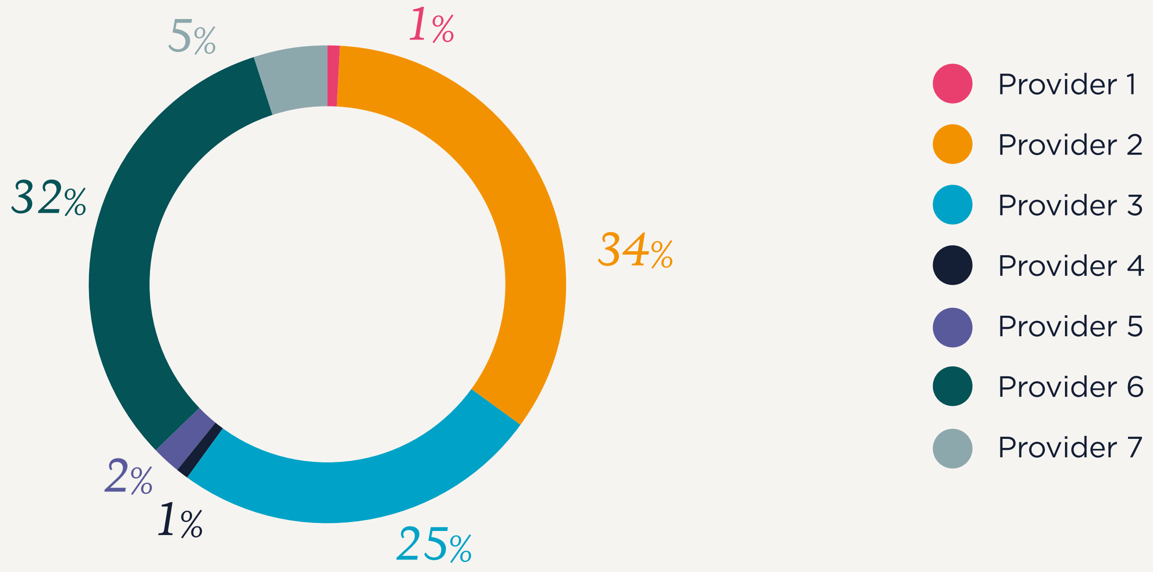
Master Trust Market Overview at 31.12.2024

Different providers have very different areas of focus

MT Market share of "large" employers > €25m (by number of employers)



MT Market share for "small" employers < €25m (by number of employers)



LCP Viewpoint

The market share of providers for small and large employers is very different, highlighting how different providers focus on different target customers and have differing specialities. In general, the employee benefit consultancies have more large employers in their MTs while insurance company-sponsored schemes have more smaller employers (with some exceptions). For employers selecting a MT, understanding each provider's market share can offer insights into how effectively that provider can service your needs.

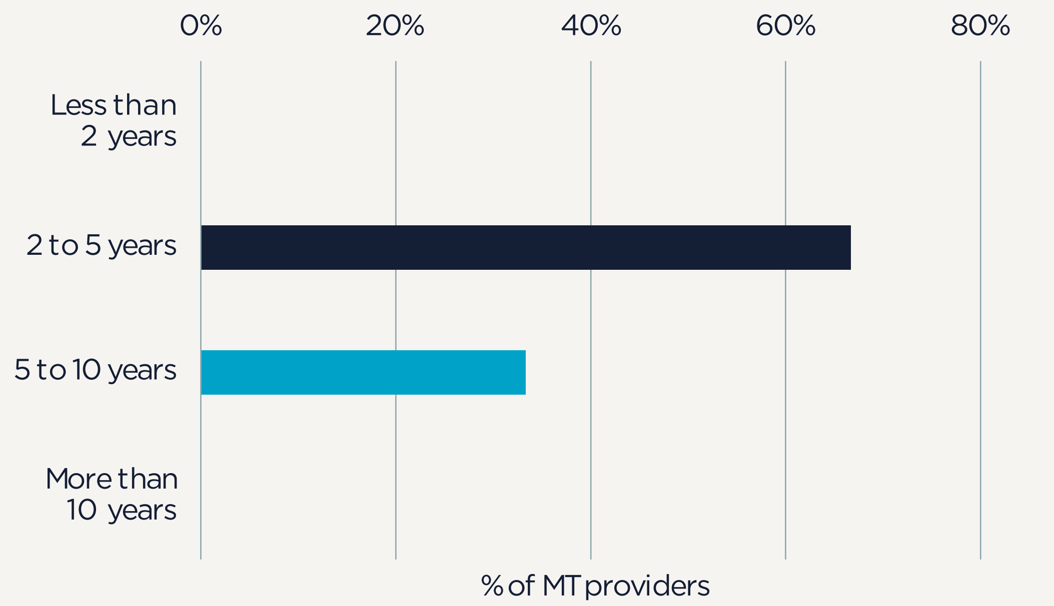
Source: LCP analysis of provider data, 1 provider who took part did not answer the question mentioned above.

Master Trust Market Overview at 31.12.2024

Where to from here?

The number of Defined Contribution (“DC”) schemes has reduced significantly in recent years as employers consolidate their arrangements to Master Trust. While significant consolidation has happened, the Pensions Authority statistics indicate around 12,000 stand-alone group DC schemes remain. We asked MT providers:

How long do you think it will take for the number of stand-alone DC schemes to reach 500?



We asked providers:

What steps would be most effective to accelerate consolidation?

Answers ranked in order of decreasing effectiveness

1. MT specific legislation holding MTs to higher standards of governance
2. Introducing financial penalties for employers of poorly run schemes
3. Increased education and public awareness
4. Greater transparency and public disclosure of MT details

LCP Viewpoint

All 6 providers who answered this question agree that consolidation to MTs is inevitable and expect the landscape to change significantly over the next decade. It is recognised that steps could be taken to accelerate consolidation, in particular specific legislation holding MTs to higher standards of governance than single employer schemes. For employers and pension savers, increased economies of scales and higher governance standards should serve to improve member outcomes.

After another strong year of growth, the Irish Master Trust market continues to evolve to meet the needs of employers and members. As consolidation continues this is expected to be a force for further innovation and improvements in member and employer experiences.

Investment trends

2024 saw significant activity and innovation in MT investment propositions

- Our data suggest that 90% of scheme members are invested in a default option.
- **2 providers** made significant changes to the default investment strategy in 2024, including:
  - Introducing asset classes such as private equity, emerging markets and infrastructure.
  - Increasing the investment risk profile for younger members in the "growth phase".

LCP Viewpoint 1

Providers were busy with their investment proposition over 2024. Some providers who historically took a more moderate approach to investment risk (and therefore delivered lower returns than peers) took the decision to increase their default investment risk profile over the year.

LCP Viewpoint 2

After much industry discussion and debate in recent years, it was a welcome development to see private equity being introduced to an Irish MT in an innovative and cost-efficient fashion. We expect more providers to innovate in this regard and introduce private market allocations in the coming years with the intention of enhancing member returns.

- **4 providers** made significant changes to the investment fund range over the year. This includes:
  - Addition of **Shariah-compliant** equity and **Article 9** equity strategies.
  - Increased focus on climate transition and decarbonisation strategies for listed equity.
  - Addition of a liquid alternatives fund aiming to deliver lowly correlated stable investment returns.

Investment trends

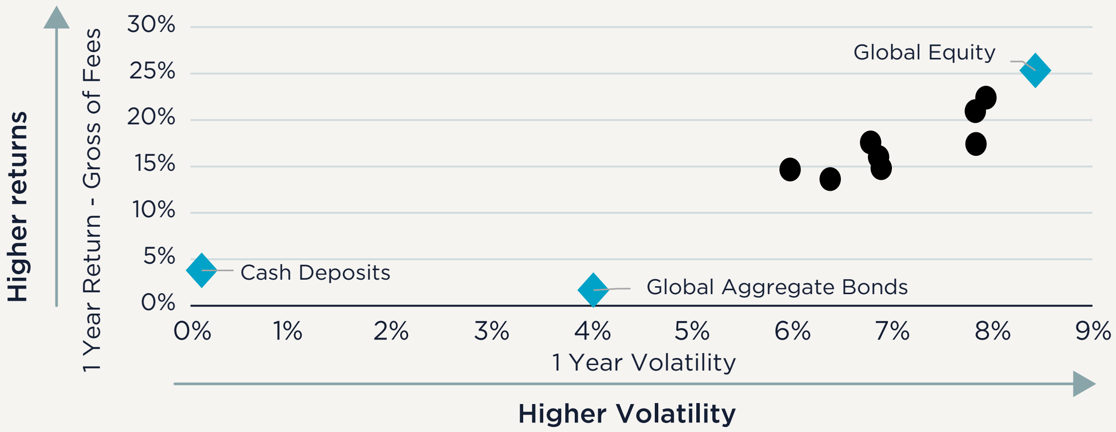
How did members in MT default investment strategies perform over the year?

Far from retirement portfolios (20+ years to go)

In a year where the magnificent seven dominated the performance of equity indices, growth phase strategies with significant equity diversification (in areas such as low volatility or emerging markets) underperformed the broader market-cap index.

17% average MT return

8% difference between highest and lowest return

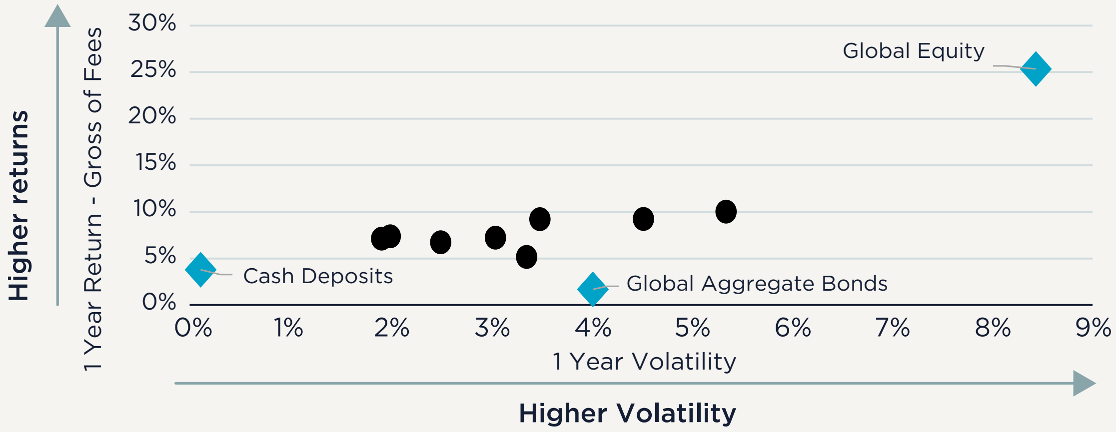


At-retirement portfolios (1 year to go, assuming ARF endpoint)

Members approaching retirement saw their savings increase in value over the year with much lower volatility than their younger colleagues. This shows the effectiveness of MTs' de-risking strategies, although it is noteworthy how the risk profile at retirement differs significantly across MT's.

8% average MT return

5% difference between highest and lowest return



LCP Viewpoint

The above charts represent the performance of provider's default investment strategies (in which around 80% - 90% of members tend to be invested). There continues to be significant differences in the investment risk profile and net returns experienced by MT members. One issue that we often hear from employers and members is the difficulty of getting reliable and comparable investment performance comparisons. 5 out of the 6 providers said that they would support a central, independent database of MT investment performance for employers and the public to access.

Source: Investment managers, LCP analysis of fund prices and provider default investment strategies. Default investment strategies used are the default strategies recommended by providers in the absence of input from Participating Employers. "Global Equity" refers to MSCI ACWI in Euro, "Global Aggregated Bonds" refers to the Bloomberg Global-Aggregate Total Return Index EUR Hedged", "Cash Deposits" refers to the return on short-term money market funds.

In the long-run, investment performance is one the most important factors for pension savers' outcomes.

Employers who thoroughly consider their investment strategy when selecting and overseeing their Master Trust provider are most satisfied about their members' outcomes.

Assessing "Value for Money"

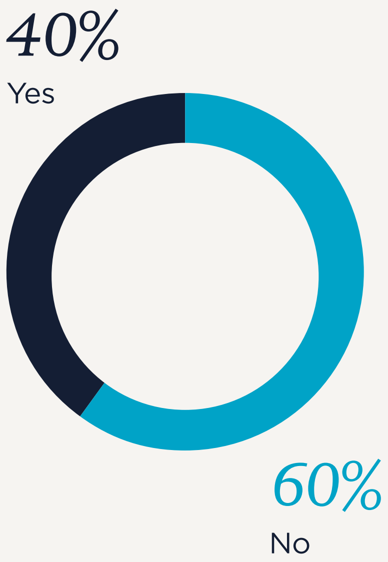
The Pensions Authority has increasingly focused on "Value for Money" in recent years, first through the introduction of the "critical review" requirements for investment and administration services, and subsequently with its endorsement of the Cost Transparency Initiative for investment costs. We asked MT providers a range of questions about how Value for Money can be best assessed for their schemes:

Do you conduct value for money assessments outside of the required critical review processes?	In your view, is there clear guidance for Irish trustees on how to assess the value for money of a DC scheme?	Do you believe that a value for money framework should be developed in Ireland, similar to the framework being considered in the UK at present?
5 Yes 1 No	0 Yes 6 No	5 Yes 1 No

One provider's view:

"The best solution would be for a common, agreed industry approach to this, underwritten by the Pensions Authority."

Has your Scheme participated in the Clear Glass Costs Transparency Standard to date?



1 of 3 who did not participate intend to participate in 2025

The key reasons for MTs not choosing to participate are:

1. Assessment is not considered relevant for "bundled" arrangements (where pricing reflects all pension services, not just investment)
2. Costs/value for money is sufficiently assessed elsewhere (e.g. through critical reviews)
3. The data required for the assessment is not readily available

LCP Viewpoint

Value for Money is about both cost and service quality. While cost can be objectively measured, service quality requires a more holistic assessment of all services provided, including investment and administration, but also scheme governance and member engagement. The critical review and cost transparency initiatives are important developments, but it is clear that more thinking is required about how to fairly assess value for money.

Assessing "Value for Money"

To understand how Value for Money is assessed, we asked providers what metrics they monitor for their schemes. The most and least common metrics are shown below:

	Investment	Administration	Member Engagement	Costs
Most common	+ Performance gross of charges + Fund volatility / risk level	+ Performance against service level agreement targets + Helpline call volumes + Net promoter scores	+ Member Online account usage + Employer online Portal Usage + Mobile app usage	+ Investment fund expenses + Investment fund transaction costs
Least common	– Investment risk & return relative to peers – Investment performance net of employer section charges	– Helpline answer times – Helpline abandonment rates	– Nudge email open rates – Completion rate of member expression of wishes forms	– Range of employer section charging structures – Comparison of employer charges with other MT's

LCP Viewpoint

All providers are monitoring their performance in the above areas, although the depth of analysis differs greatly across providers. In our view, some of the most meaningful metrics are least commonly assessed. For example, member helplines are at the forefront of a scheme member's experience, but the answer times and abandonment rates of these helplines are infrequently overseen. We all know how frustrating it can be to be left on hold, and this is an area where improvements could likely be made with appropriate oversight.

Employer oversight of MTs

Having helped many employers select their MT partner through a thorough due diligence process, LCP was keen to understand the providers' experiences of employers overseeing their MT. We asked:

In your experience, how are employers most commonly overseeing their pensions in a MT?

Most common

Regular meetings with MT client relationship managers / advisors

Attendance at MT webinars

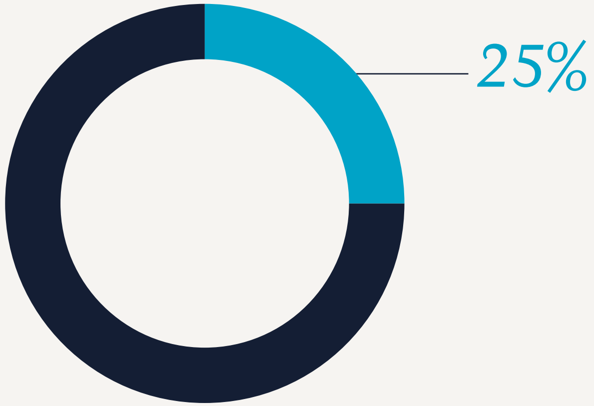
Least Common

Meeting with the MT Trustee

Working with independent advisors (i.e. advisors other than those linked to the MT provider)

Setting up MT Oversight Committees

What proportion of employers in your Master Trust use some form of independent pensions or investment advisor on an ongoing basis?



LCP Viewpoint

While many employers paid close attention to their MT provider when selecting them, we consider it best practice for employers to establish an oversight/ governance committee that reviews the MT provider at least once a year with support from an independent advisor.

Employer oversight of MTs

Our survey showed an increase in Employers **switching MT providers** over 2024. In particular:

- **4 of 6** MT's facilitated employer transfers to or from another MT in 2024.
- The total assets transferred was approximately **€60 million**.
- All MTs anticipate **significant growth** in scheme transfers going forward.

To understand the future development of a MT transfer market, we asked providers:

What do you believe will be the primary motivating factors for employers switching MT providers?

1. Uncompetitive/legacy costs
2. Investment performance
3. Poor administration
4. Client & digital services
5. Increased employer engagement

What do you believe are the greatest challenges to MT transfers going forward?

1. Difficulties transferring deferred members
2. Employer inertia / lack of employer engagement
3. Lack of knowledge about MT transfers
4. Lack of competition in the market
5. Regulatory / legislative uncertainty

LCP Viewpoint

In order to have a competitive MT market, it is vital that employers can switch MT providers when service expectations are consistently not being met and when poor value for money is being offered. MT providers see employer transfers as both a threat and an opportunity and LCP believes that this dynamic will contribute to improved propositions and better member outcomes.

The move to Master Trust has saved employers significant costs relative to running their own single employer scheme.

Now that an employer is in a MT, a modest MT oversight budget goes a long way to ensuring that the MT continually delivers on service commitments and that Employers and their members continue to benefit from a market leading service.

Post-retirement solutions

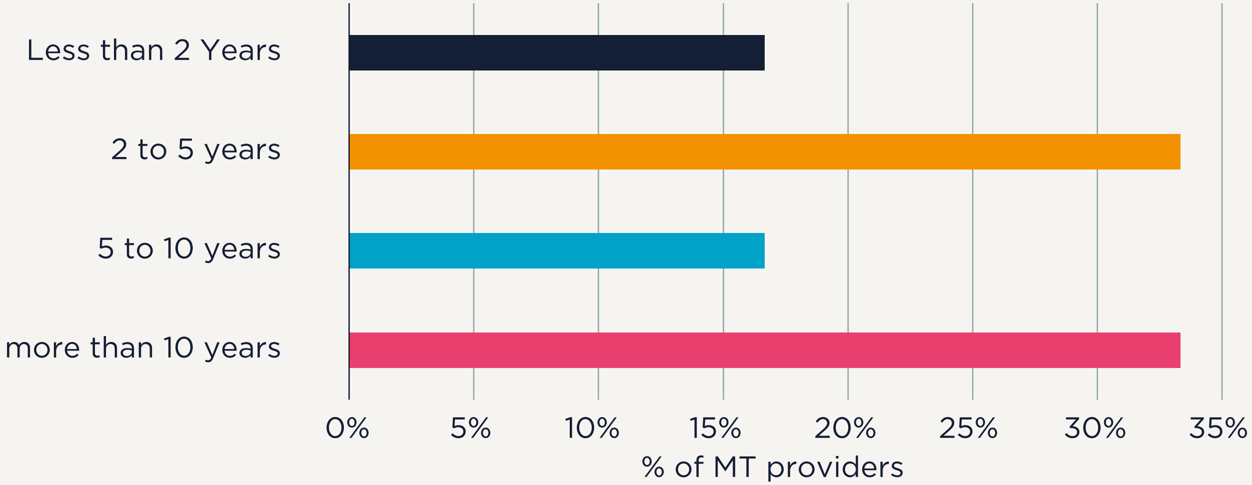
Historically, MTs and DC pension schemes catered for pension savers as they accumulated savings for retirement only, with members using individual policies (such as annuities or approved retirement funds) to provide an income in retirement. In recent years, there has been increasing discussion about how schemes can cater for members after retirement and one such solution being discussed is **"in-scheme drawdown"**. In-scheme drawdown would see members taking an income from their savings similar to an Approved Retirement Fund, but remaining within the legal structure of the MT or pension scheme. We asked providers:

Do you support the development of in-scheme drawdown solutions for Irish Master Trusts? **6** Yes **0** No

Do you intend to offer in-scheme drawdown once it is established? **3** Yes **3** Too soon to say

Are you actively lobbying the government for change in this area? **2** Yes **4** No

In your view, how many years will it be before in-scheme drawdown is available?



LCP Viewpoint

While providers are broadly endorsing the introduction of in-scheme drawdown, there is considerable uncertainty about how long in-scheme drawdown would take to introduce and how it would work precisely. The Pensions Authority's previous comments about in-scheme drawdown being on its agenda for 2025 are most welcome and it is clear that the pensions industry is eagerly anticipating future developments.

Post-retirement solutions

Given the uncertainty around the future development of in-scheme drawdown, we asked providers:

What do you believe are the most significant benefits for members of in-scheme drawdown?

1. Reduced member costs (benefitting from scale of MT/Employer)
2. Continuity of member experience (investment funds, communications, apps etc.)
3. Continued trustee oversight of scheme (investment options, value for money)
4. Continued regulation by the Pensions Authority
5. Reduced out-of-market risk at retirement

What are the most significant challenges for developing in-scheme drawdown?

1. Allowing for members to receive appropriate financial advice within the MT structure
2. Legislative challenges - e.g. any required legislative changes causing delays
3. Providers developing post-retirement products / administration capabilities]
4. Commercial challenges
5. Regulatory challenges

LCP Viewpoint

While members are expected to benefit from lower costs of in-scheme drawdown versus an equivalent Approved Retirement Fund (“ARF”) vehicle, it is not yet clear how, or if, any in-scheme drawdown solution will facilitate members receiving independent financial advice.

Some providers cited commercial challenges such as building scale in their in-scheme drawdown offering and managing conflicts of interest where providers’ financial advisors can earn higher commissions by selling individual ARF policies than using in-scheme drawdown.

As regulators consider the design and oversight of in-scheme drawdown in the coming years, we hope to see learnings taken from other markets, such as the UK, and applied effectively for Irish pension savers.

Auto-enrolment ('AE')

AE is a new pension savings scheme for certain employees who are not paying into a pension. Under AE, they will be automatically included in a central government savings scheme which they can opt out of after 6 months. Given the wide-reaching implications of AE for Irish pension savers and the pensions industry, we asked providers:

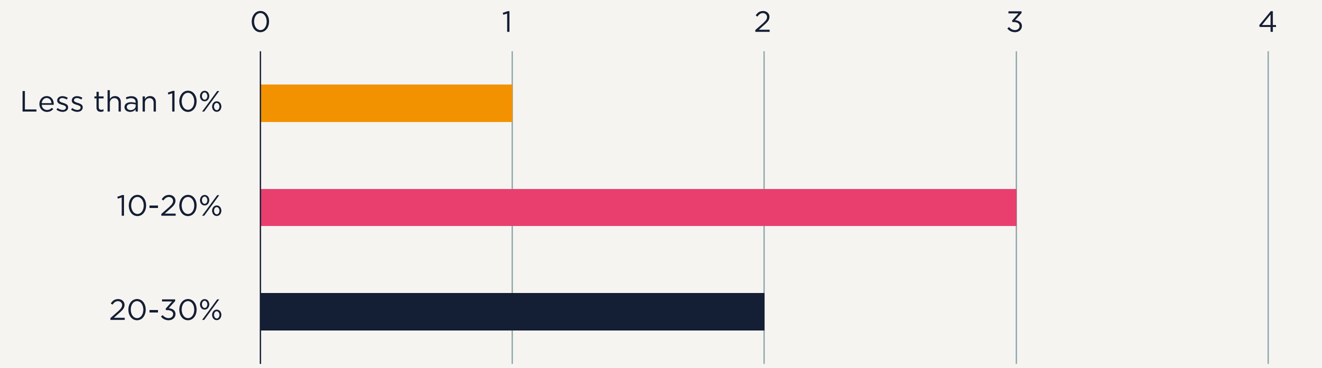
Do you expect auto-enrolment to be implemented by 30 September 2025?

2 Yes *4* No

If no, please select when you predict auto-enrolment to be rolled out by:

1 of *4* said **Q4 2025**
3 of *4* said **Q1 2026**

What % increase in your membership do you expect due to auto-enrolment?



Irish Minister Dara Calleary confirmed the commencement of AE will be delayed to 1st January 2026

Approximately what proportion of Employers in your MT have sought your views or advice on AE?

LCP Viewpoint

The decisions facing employers around AE are complex. Providers responses suggest that around 60% of employers in MT have sought their advice on AE. In our experience, employers have struggled to find information.

Auto-enrolment ('AE')

Given the considerable uncertainty surrounding the introduction of auto-enrolment at the time of writing, we asked providers:

In your view, what are the primary concerns of Employers regarding auto-enrolment?

1. Inconsistency of the expected start date
2. The administrative burden created by AE
3. Confusion about the rules and practical aspects of AE
4. Financial cost of paying contributions
5. The implications for staff employment contracts

In your opinion, what aspects of auto-enrolment would you like to receive updates on from the Government / Department?

1. Clarity on the fee structure that will apply to members
2. Clarity on the rules around transferring in and out of the AE scheme
3. The allowability of additional voluntary contributions (AVCs)
4. Details on the retirement supports available to members
5. What will happen to members' benefits on death

LCP Viewpoint

Further clarity is needed on AE, which has impacted what is otherwise a good news story for affected employee's future retirement income. The Department of Social Protection will need to provide clarity on several aspects of AE design for employers who wish to determine the best option for their employees not yet saving for retirement between an occupational pension scheme and AE.

What are the key takeaways from the MT Survey 2025

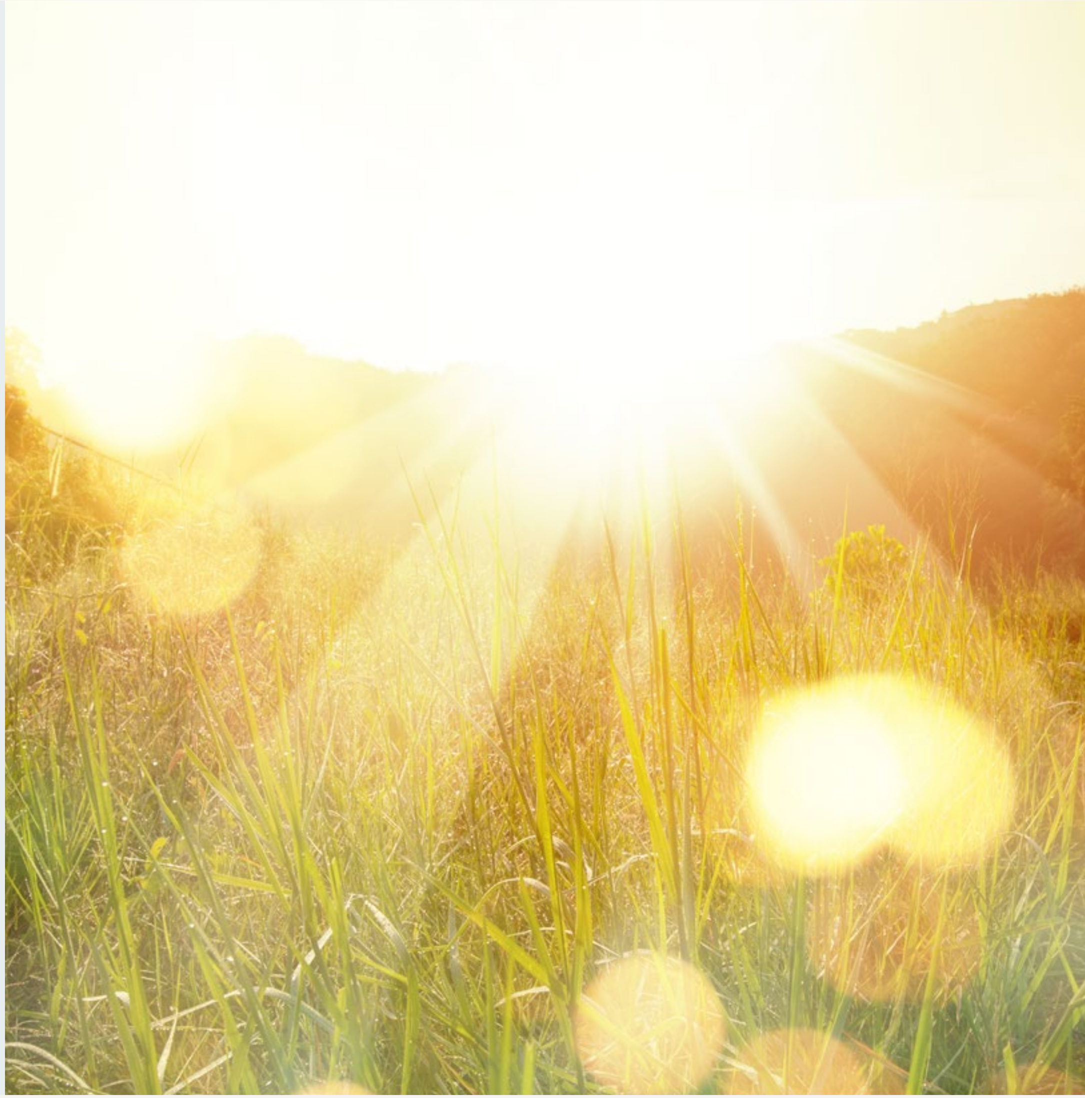
The key takeaways from our report are:

1. **For employers in a Master Trust:** A Master Trust should be "best-in-class" and should live up to your service expectations on an ongoing basis. Establishing a formal Pension Oversight Committee with input from an independent pensions specialist could be an effective way to ensure that you and your members continue to get value for money from the MT provider.

2. **For employers and trustees with a stand-alone DC scheme:** With almost 50% of all Irish DC assets under management, MTs can provide a benchmark of good governance and investment performance for stand-alone DC scheme trustees/ employer to measure themselves against. Employers may then want to consider if a MT solution might be right for their employees.

3. **For the Pensions Authority:** Value for money, inter-MT transfers and post-retirement solutions are key areas where the industry recognises that improvements are needed for the benefit of all Irish pension savers. The Pensions Authority's continued engagement on these areas is most welcome and will have significant implications for future DC member retirement outcomes.

4. **For pension savers:** The DC pension market is going through significant change and accumulating greater scale than ever before. As the market grows, the quality of pension and investment options available to you will improve and you should be aware of how your pension scheme is taking advantage of industry developments for the benefit of you and your fellow members.



Thank you to all participating MTs! We would like to extend our thanks to the following Master Trust Providers that contributed to this survey

Jargon Buster

+ Pensions

Master Trust ('MT')	A Master Trust is a pension scheme that incorporates multiple employers under one Trust structure. The Scheme is run by one Trustee on behalf of all Participating Employers. Master Trusts allow for better economies of scale and lower operating costs than a "single-trust" Scheme set up by one Employer.
Group Pension MT	A Master Trust aimed at Employers who wish to provide a retirement saving Scheme for their employees. Also described as a "Corporate MT".
Retail MT	A Master Trust aimed at individuals wishing to save for retirement in a tax-efficient manner.
Trustee	The individual or corporate entity legally responsible for overseeing and managing the Scheme in line with the Pensions Act 1990, as amended.
Participating Employer	The term typically used to describe Employers that join a Master Trust. Also referred to as "Adhering Employer".
Tender process / procurement exercise	A competitive process in which an Employer selects the most suitable Master Trust for its needs. Often supported by a pensions consultancy such as LCP.
Pension Liaison Committee	A group established by an Employer after the transition to a Master Trust to oversee the Employer's retirement savings and engage with the Master Trust provider as needed.

Approved Retirement Fund (ARF)	A personal investment vehicle from which a retirement income is drawn.
Annuity	A contract with a life insurance company that pays an agreed amount each year to a retiree for the remainder of their life.
Tax Free Cash	Under current Revenue rules, pension scheme members can access some of their retirement savings in the form of a lump sum that is free of income tax, PRSI or USC.
In-scheme drawdown	Allows members to invest their pension savings in retirement and draw an income each year to meet their requirements. It is similar in principle to an Approved Retirement Fund () as individuals are required to manage their own savings and investments and there is a risk that their savings are depleted in their lifetime. The difference is that in-scheme drawdown is structured through a pension scheme vehicle rather than as an individual contract.
Post-retirement solutions	Is a blanket term to refer to arrangements that allow members to draw an income in retirement. In-scheme drawdown is an example of a post-retirement solution.

Jargon Buster

+ Investments

Default investment option	The investment fund or strategy that members are invested in when they opt not to make an investment decision.
Self-select fund range	The range of investment fund and options available for members to "self-select".
Lifestyle strategy / target-date funds	An investment approach designed to automatically adjust the asset allocation of a retirement portfolio as the investor approaches retirement age. This will usually see more volatile asset classes such as equity reduced with allocations to bonds and cash increased.
Equity	Investing in the publicly traded shares of a company, e.g. Microsoft or Apple. Produces returns over time from the payment of dividends and increase in share price.
Fixed Income	Also known as bonds. Investments that provide a regular stream of income in the form of fixed interest payments over a specified period of time. Tend to be lower risk than Equity investments, but also expected to provider lower more predictable returns.
Alternatives	Investment assets or strategies that fall outside of traditional asset classes like stocks, bonds, and cash. Common examples include infrastructure, commodities or absolute return funds.

Cash (asset class)	Refers to cash on deposit that typically returns in line with short-term interest rates.
Illiquid investment	An asset that cannot be quickly and easily sold or converted into cash, for example a property. Illiquid assets can offer higher returns for long-term investors.
Sustainable Finance Disclosure Regulations (SFDR)	A European Union regulation that aims to promote sustainability in the financial sector by requiring financial market participants and financial advisers to disclose information on the environmental, social, and governance (ESG) aspects of their investment products and services.
Article 8	Financial products that promote environmental or social characteristics or have sustainable investment objectives, but do not necessarily have sustainable investment as their primary objective. These products are often labelled as "ESG" or "sustainable" products.
Article 9	Financial products that have sustainable investment as their primary objective. These products are often labelled as "impact" or "green" products.
Environmental, Social and Governance	A set of criteria used to evaluate the sustainability and ethical impact of a company or investment.

Contact us

Martin Haugh, Partner

Martin.haugh@lcp.com

Gareth McKenna,
Senior Pension Consultant

Gareth.mckenna@lcp.com

Aaron Kilboy,
Senior Investment Consultant

Aaron.kilboy@lcp.com

Joshua Dias,
Investment Analyst

Joshua.dias@lcp.com

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