Consultation on in-scheme drawdown
Submission form

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

Please email your submission by 5pm 20 January 2026 to: consultation@pensionsauthority.ie

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Model of in-scheme drawdown (ISD)

Q1. Please provide your views on the proposed features of in-scheme drawdown.

- We are generally in agreement with the seven features of in-scheme drawdown as set out in the Pensions Authority's consultation paper.
- We are in favour of the principle that provision of in-scheme drawdown would be voluntary by schemes. It is important that an obligation is not imposed on any existing scheme. Otherwise, instability could be caused in the market.
- All existing options e.g. ARF, annuity, should continue to be available to members at retirement and at any point through retirement.
- Clarity is needed on whether the same minimum drawdown rules that apply to ARFs would also apply to in-scheme drawdown. This clarity would be needed at an early stage.
- We envisage a high rate of take up of in scheme drawdown by members. Many members will prefer the convenience and familiarity of staying in their pension scheme and will get comfort from trustee oversight continuing to apply throughout retirement.
- We note from a UK report[1] that drawdown has become the most common destination for the default pre-retirement glide path, replacing the annuity destination in most schemes. Drawdown remained the default outcome of the investment glide path or

[1] UK report for the Pensions and Lifetime Savings Association - 'The evolution of drawdown at-retirement choices in trust-based DC schemes 2020 addendum' (March 2020)

target date funds for most schemes interviewed. One scheme had increased the threshold above which drawdown is targeted and below which cash is the default.

- A high standard of governance must apply for in-scheme drawdown.
- It paves the way for a smoother retirement experience for members.
- It may allow for more default glide paths and integrated decumulation design and potentially benefit from more use of illiquid investments.
- From a trustee perspective, it should be noted that it significantly increases the complexity, workload and governance burden of managing a pension scheme.
- It will be essential for the feasibility of in-scheme drawdown that trustees, sponsors or founders are not liable for the consequences of funds being depleted.
- Member communications should be clear that their scheme remains a DC model and does not become a guaranteed income or DB type scheme.
- The regulatory framework should also make clear that any reduction to drawdowns does not constitute a reduction in pension.

ISD providers

Q2. Please provide your views on which schemes should be eligible to provide ISD.

- The consultation papers states that ISD will be provided by authorised master trusts and optional for single employer trusts. IAPF supports the position of all authorised schemes being eligible to participate in in-scheme drawdown.
- As referred to in Q1, ISD should never for compulsory for any scheme. This is important for market stability. There may be several Master Trusts that do not wish to, or cannot, provide for in-scheme drawdown. They should be enabled to select a transfer out path for members at retirement, potentially to another scheme that offers in scheme drawdown.
- There should be alignment between MyFutureFund and Master Trusts in how any future in scheme drawdown regime is applied. This would aid members in making decision about retirement.
- See Q3 below regarding high standards of governance that should be met.

General trustee duties

Q3. Should any additional duties be imposed, specifically in relation to schemes providing ISD?

- If a pension scheme offers ISD, a high standard of governance is required. Under this structure, Trustees move from a “saver oversight” role to an “income management” role directly influencing members’ retirement outcomes. ISD also blurs the line between a pension scheme and an investment/retirement income product. There are enhanced communication duties around longevity risk, potentially facilitating advice and communicating the need for advice. There are also increased investment and risk management duties where trustees must balance liquidity with long term growth which is a delicate task for mixed retiree populations.
- High minimum standards of governance must be required for schemes that operate in scheme drawdown, because the trustees will be managing more complexity.
- We envisage that material training requirements should apply for trustees of drawdown schemes, both initially and annually. We would particularly point to the complexity of drawdown risk and the need for training on this issue.

- We envisage that trustees would be required to carry out certificate of existence exercises periodically. Assistance is required for trustees through a national tracing service.
- A scheme that provides for in scheme drawdown may be especially susceptible to scams and fraud. Clarity will be required on the risks to administrators and trustees.
- We recommend the Pensions Authority consider a pre-approval process for trustees of master trusts and schemes that operate in-scheme drawdown similar to the system used by the Central Bank. Revenue approval would also be required.

Default investment strategy

Q4. What, if any, additional guidance would be useful for trustees of schemes in relation to the default investment strategy and ISD?

- This is a key point. Members needs are more homogenous in the accumulation phase, but then sharply diverge through retirement, with huge variations in the need for income, appetite for investment risk, and time period that capital should be preserved.
- Any single default could be very unsuitable for many members; therefore, it is important that the existing options of an ARF and an annuity continue to be available.
- Trustees will need to be sure that they can manage the risk of a member holding them liable for being in a default that was not suitable. This could be a significant barrier to in scheme drawdown becoming a reality. Trustees will need to be assured that they are protected, provided they take reasonable steps.
- Risk to employers should also be considered because many deeds include any indemnity from the employer to the trustees. Many employers will also want to manage reputational risk.
- Trustees will be concerned about liability for advice that may later prove incorrect. We envisage that this is a significant potential barrier to introducing an in-scheme drawdown system and trustee concerns must be addressed by design.
- Trustees may expect a material level of guidance such as clarifying the objectives of a post-retirement default strategy e.g. providing sustainable income, managing sequencing risk, and preserving flexibility for members who may need to vary or stop withdrawals. For example, guidance from the Pensions Authority could state that *“the default drawdown strategy should aim for modest real growth of S+1–2%, minimize short-term losses, and maintain sufficient liquidity.”*
- It would also be important to outline the transition process from pre-retirement to post-retirement, which may require adjusting the current default de-risking path if it is geared toward annuities. Additional guidance should cover liquidity and cashflow management, risk assessment and monitoring, and member communications to ensure clarity and confidence in the process.
- We recommend assessing developments in the UK on “Guided Retirement Pathways”. These are structured default options to help members who do not choose an option/do not avail of advice. A small range of Guided Retirement Pathways could be designed for “people like you”, segmenting members into cohorts. Examples of Guided Retirement Pathways could be:
- 1. Cash Withdrawal Soon – Low risk investment strategy for members planning to withdraw all of their funds within 5 years
- 2. No Withdrawals for 5 years – Growth strategy for members who do not plan any short-term withdrawals

- 3. Regular income – Balanced investment strategy for members planning to take a regular income. This is the most complex pathway and requires detailed guidance for trustees.
- **We recommend that Guided Retirement Pathways are developed through consultation between the Pensions Authority and key stakeholders in the pensions business. This could give members, trustees and employers comfort regarding defaults.**
- We would point to the practical issue that it is impossible to administer any benefits to a member who does not engage with their provider regarding their retirement. The only option for a member who does not engage or cannot be traced is to continue to invest their account with no drawdown.
- Our assessment is that Guided Retirement Pathways could be the only viable solution to get in scheme drawdown established. Members who do not wish to or cannot avail of financial advice should have agreed options available to them. Support and information could be provided as part of the service to help members choose a pathway.
- They provide the advantage of consistency of approach by providers, which is key to ensuring members understand the drawdown function.
- The introduction of in-scheme drawdown is likely to cause changes to the nature of default investment strategies before retirement.
- In-scheme drawdown is not viable below a certain threshold, and trustees should be enabled to specify that funds below a specified amount can only be taken as one in-scheme drawdown payment and should not be required to have a deemed distribution.
- Trustees would require clarity on the circumstances when they should act on another person's instructions if a Power of Attorney is in place. Protections would be required for trustees in this circumstance. The system must unfortunately envisage a scenario where many members experience cognitive decline, and trustees must be protected in the event of having to make a decision on behalf of a member in this circumstance. Other countries have experienced a pronounced incidence of this issue.

Disclosure of information

Q5. Please provide views on the additional information that should be contained in the PBS for ISD members.

- If a scheme offers ISD, the traditional PBS which focuses on accumulated savings or projected annuity values is no longer sufficient. Members need different information on income sustainability, withdrawal behaviour and risks over time.
- Members should receive an annual PBS showing the change in the account balance over the course of the year, broken down by withdrawals, investment performance and charges. We recommend that the current requirement to issue statements within 5 months of year end is shortened because the requirement for information is more time critical to the member. We recommend that the PBS should be enhanced by a quarterly communication giving a more concise update.
- Sustainability projections would help members understand if their current withdrawal rate is sustainable (if taking too much or too little). Scenario projections would be important here. Visual indicators would be useful to help members showing the sustainability level.

- The PBS should also contain charts of projected income year by year, and the projected amount of a member's fund, setting out assumptions made regarding drawdown and investment growth.
- Other areas that might be of use is the current withdrawal rate along with industry or regulatory benchmark comparisons – and perhaps optional guidance like "reducing your withdrawals by x would extend the life of your fund by y years".
- It should show the progression of the fund if their current rate of drawdown continues and show the expected level of drawdown that should be sustainable for a conservative estimate of life expectancy, increasing in line with assumed inflation. We recommend consultation with the Society of Actuaries to determine how a common standard may be applied in relation to life expectancy.
- Frequency and method of payment would be useful along with time taken to process withdrawal changes and tax and compliance summaries.
- This is an extremely complex area because each member's needs are so different.
- The main cohort to consider is members who wish to take a regular income through retirement, because this is the main purpose of a pension scheme.
- The only way to remove the risk of a member's funds being depleted is to buy an annuity. An agreed default or pathway could include an annuity purchase at a specified age such as 75. Members should always have the option of opting out of their chosen pathway/default at any stage.
- We note that in the UK some drawdown solutions end at age 75 or 80 with members (or trustees) expected to purchase an annuity with remaining drawdown funds at that age.
- The work of the Pensions Council on retirement living standards could be incorporated, potentially choosing to buy an annuity that corresponds with a modest living standard.
- Consideration should be given to the way members prefer to receive information, and not all members will engage with their annual PBS.
- Considering the complexity of the messaging, colour coding, traffic light systems, and visual aids are required. There could be specific alerts when milestones are reached such as the fund reaching 50% of its original values. In the UK, "wake-up packs" are used to communicate key messages. Simplicity of messaging is key to support the technical nature of the financial problem being addressed. Concepts such as "Mid-life NCT" could be helpful in enhancing understanding and waking people from inertia.

Q6. Please provide any other views on ISD member disclosures.

- Transparency of fees and charges is important and the disclosure requirements that currently apply to pension schemes should continue to apply after retirement, such as a breakdown of charges and disclosure of reduction in yield caused by charges.
- Prompts should be included, such as "review your drawdown level annually", "consider obtaining independent financial advice", "you may switch your investment option", "you may adjust your withdrawals at any time".
- Consideration should be given to introducing a requirement for trustees to communicate to members their key findings from their value for money assessments, and their assessment of how they are achieving good member outcomes This should be established from the outset to help single employer trusts decide whether they will offer in-scheme drawdown. Trustees and employers should understand the requirement for them to demonstrate value for money compared to a Master Trust.

Communications and advice
Q7. Please provide your views on the provision of advice at retirement, including, whether it should be mandatory, how the cost of the advice would be met and who would provide it.
• An ideal scenario is that every member receives financial advice in the lead up to retirement, at retirement and at regular intervals for the rest of their life. However, there are many practical difficulties with this, including the cost of advice and the practicalities of gaining member engagement for advice at different stages in their life. • Financial advisors should have access to comprehensive information on all of the members assets, liabilities and cashflows, but the trustees will not have this information, therefore, it must not be the responsibility of the trustees to make assessments on suitability when they have only partial information. It is difficult for trustees to draw conclusions on a member's financial welfare without full information. • Advice is mostly a fixed cost which causes difficulty in building the cost of advice into charges. The risk of cross-subsidisation of the cost of in-scheme drawdown should be considered, across members with different fund sizes and across members who do and don't avail of advice. Caution needs to be exercised on the risk of cross-subsidisation of charges and the potential impact of the costs of in-scheme drawdown on pre-retirement members. • Our conclusion is therefore that advice needs to sit outside of the core offering by the trustees. • The option of using an independent financial advisor already exists and should continue to exist. • Advice would need to be very comprehensive, including a full fact find and assessment of needs. • Trustees will generally recommend to members that they seek advice and could select a panel of independent advisors for members at preferential rates. Employers sometimes provide their employees with access to advice in the lead up to retirement. • As in scheme drawdown evolves and matures it may transpire that advisory capabilities may be built into to the master trust offering, but we envisage that including this complexity at outset would form a significant barrier. • Many Master Trusts will be in a position where they can offer members financial advice as part of preparation for retirement, but a solution must be made available to members who will not or cannot avail of this advice. So specific options would only be available to members after receipt of advice, but there would also have to be pathways (see Q4) provided for members who cannot or will not avail of advice. • The term financial friendship has been used in other countries, which is a service that provides information to help members make a decision, but is not financial advice. Members should have the option to decline advice but still receive pathway explanations. • Information and communication on retirement pathways should begin years before retirement, not at the last minute. • Trustees will not want to give advice on whether to stay in the scheme or leave; this requires independent, in-depth advice. However, there will need to be a single default, and inertia is a significant factor. Remaining in the scheme without any drawdown is the only viable single default as many members will not engage or will

have lost track of smaller pension benefits. Trustees will need to be protected against the consequences of members remaining in a default after retirement.

- Retirement decisions are highly complex and require clear, simple messaging for members with low financial understanding. Significant investment will be required by providers in communication tools.
- AI will have a role in the future, but the market is not yet in that position. We would encourage a forum of stakeholders to discuss the advantages that AI can bring to financial planning, particularly for older people. AI has the potential to expand access to advice to all levels of income and assets, which has an important role in achieving policy objectives. We recommend an assessment of any change required to policy and legislation on the provision of digital financial advice and digital information.
- It is currently only possible to process a member's retirement benefits if they engage with their provider. Otherwise, the funds will remain invested. Consideration must be given to the amount of unclaimed assets that trustees will have and a national pension tracing service is required.
- Early co-ordination will be required between the Pensions Authority and the Central Bank on the regulation of financial advice associated with in-scheme drawdown to ensure that duplication is avoided and to ensure alignment of policy objectives.
- We envisage that additional regulation will be required to ensure that advisors are sufficiently qualified to provide advice on in-scheme drawdown. Providing advice on in-scheme drawdown is complex and specific authorisation may be a requirement for advisors.
- We would emphasise that a requirement for advice should not disadvantage the option of in-scheme drawdown compared to other options such as annuity or ARF.

Q8. What other legislative or non-legislative initiatives would, in your view, help members make good decisions about taking benefits?

Decumulation default

Q9. Should trustees offer 'default' drawdown for ISD members?

See Q4

Q10. What would default drawdown for different members look like?

See Q4

Q11. What member information would trustees need to obtain in order to design default drawdown?

See Q4. We suggest industry agreed Guided Retirement Pathways, which could facilitate trustees to manage their risks. Trustees will expect very clear guidance to enable them to manage their risks.

Q12. What guidance from the Authority would be useful for trustees in this regard?

See Q4. We would strongly advocate for this consultation process to be expanded to continue to consult with stakeholders. In scheme drawdown is a significant milestone that we believe would benefit from thorough consultation.

Drawdown-only schemes

Q13. Please provide your views on the establishment of drawdown-only schemes

- We envisage it is likely that providers that currently focus on ARFs and not pre-retirement savings would be interested in a drawdown only scheme. Choice is good for the member, and we do not see why these should be prohibited. However, many of the advantages of in-scheme drawdown would not apply to a drawdown-only scheme, such as seamless transition through retirement and familiarity.

Q14. Should an employer operating a single-employer scheme (that does not offer ISD) be able to adhere to a master trust for drawdown only, so that scheme members can avail of ISD?

- Yes. An option for single-employer schemes should be to enter a preferred provider type arrangement with a Master Trust for post-retirement drawdown.
- Such a position would be at the discretion of trustees with the ability to pivot to an alternative Master Trust for post-retirement drawdown upon completion of any strategic review. It is important that the trustees of the single employer scheme and the employer are protected from the consequence of any unfavorable subsequent developments provided they take reasonable steps in their decision making.
- This should not affect a member's right to existing retirement options or to self-select an alternative Master Trust for post-retirement drawdown.
- Single-employer schemes should not be obliged to enter into such an arrangements and members should be facilitated to join a Master Trust for in scheme drawdown if they wish.
- There should be a facility that provides single-employee schemes with access to a consolidated overview of available Master Trusts providing post-retirement drawdown to enable appropriate decision making of which Master Trust to adhere to.
- It should not be overlooked that one of the main advantages of ISD is that the member remains in the scheme through retirement. If moving from one trust to another, the member may lose those benefits.

Q15. Should an individual member of a scheme that does not provide ISD be able to access ISD in a master trust, without an employer adhering to the master trust?

- Yes. Competition and choice are good for members, and they should be enabled to join a Master Trust of their choice for post-retirement benefits without being reliant on their employer agreeing to adhere to the Master Trust
- We do not see a strong connection to the employer post-retirement, because retirement journeys are very personal to the members. There will be no data input or contribution inputs by the employer. Post-retirement Master Trusts should be centred around the individual member, not the employer.

Q16. Should an individual ISD member (i.e., already taking benefits from the ISD scheme after retirement) be able to transfer from one ISD scheme to another, with or without their former employer's involvement?
• Yes. This is essential for competition and to ensure good value for money. They should also be able to transfer to an ARF or an annuity at any time. • As an individual can transfer from one ARF to another or vested PRSA, we do not see any reason why they can't transfer from one ISD scheme to another.
Member costs and charges
Q17. Please provide your views on how ISD is likely to impact charges for members.
• Many Master Trust providers will see in scheme drawdown as an opportunity to retain assets and will offer in scheme drawdown at a competitive price. It is important that members can choose to transfer between providers at any stage to ensure a well-functioning competitive market. • International experience would indicate that Master Trusts may be able to deliver post-retirement benefits more cost-effectively than individual ARFs due to pooled administration and governance, however, this may take time to realise due to the significant investment required in systems, tools and processes. • A portion of the cost of ARFs arises from the cost of remunerating the financial advisor and this cost would continue to be incurred if the same level of financial advice is to be provided. • **Our central position in this submission is that the regulator should lead guided retirement pathways, and this is required to achieve cost efficiencies.** • A framework will be required to gather and assess data on value for money on in-scheme drawdown and how the market is evolving and IAPF is happy to discuss whether we can play a role in this. We would emphasise the need to focus on value for money, not just fees and charges, because we envisage that better member outcomes are likely. • We have seen a reduction in member fees and charges due to the consolidation of schemes into Master Trust in the past few years and this may be a positive indicator of the potential for in-scheme drawdown.
Q18. Please provide your views on how ISD is likely to impact employer-level charges within a master trust. For example, how likely are employers to contribute to costs for former employees in the drawdown phase, or would the cost of ISD be met solely by members?
• Employers are very unlikely to want to meet the costs of ISD for retired members. Some employers currently cover the cost of a meeting with a financial advisor at retirement; however, we expect they would not meet the cost of ongoing financial advice. We envisage that charges to members for in scheme drawdown will cover all costs and will not be subsidised by employers. • We envisage that many employers who meet the full cost of administration in the period before retirement will not want to continue to meet administration costs after retirement and we recommend that this transition should be facilitated without any restrictions. • Competitive tenders for drawdown would likely lead to large employers being able to agree better terms for their members.

- We envisage there will continue to be Pensions Authority fees levied on members through retirement, and this should be factored into value for money assessment.

Pension adjustment orders

Q19. Please provide any views in relation to in-scheme drawdown's potential impact on trustee duties in relation to pension adjustment orders.

- Trustees should be enabled to set up a separate account for the former spouse, who should have the same options as any other member.

Conclusion

Q20. Please provide any other views on legislative or non-legislative changes that should be considered in the development of proposals for an appropriate regulatory framework for ISD.

- The current provisions of the Pensions Act regarding election of trustees are not suitable to a Master Trust and should be amended or withdrawn. The current provisions may pose additional complications for a drawdown scheme.
- The legislation regarding Pension Adjustment Orders should be reviewed for suitability in the event of wind up of schemes, or the members transfer from scheme to scheme. We recommend that trustees be empowered to set up the former spouse as a member with their own account, who would have the same choices as other members.
- Consideration should be given to enabling members to reinvest their tax-free lump sum in the scheme if they wish, helping to improve adequacy by providing a cost-effective investment opportunity, and an opportunity to structure regular income. This could be operationally complex, and the system should be designed, if possible, to evolve in the future to incorporate this feature. We would encourage the Pensions Authority to start simple and have a road map for future enhancements.
- There should be clarity on the process to be followed on the death of a member and the obligations of the trustees and the administrator.
- Consideration should be given to whether in the event of wind up, members should be defaulted to a scheme that has the option of in-scheme drawdown.
- Clarification will be required on how the SFT regime will work. The taxation liability should be determined at retirement and not change as the members fund value changes.
- Litigation risk increases for trustees due to the increase in the complexity of the financial problem and protections need to be established by design .
- In-scheme drawdown potentially paves the way for equity release in relation to the family home, and flexibility should be provided for in-scheme drawdown to evolve in the future.
- The Registered Administrator regime should be reviewed to determine if administrators have the necessary resources and skills to operate in-scheme drawdown. This could either be an enhanced RA regime or a two-tier regime.
- Clarification would be required on the impact of ISD on existing bankruptcy legislation and the powers of an official assignee in relation to pension arrangements if exercising an option in place of the bankrupt. Similarly on assignment, clarification would be required.