

**NOTES OF MEETING BETWEEN  
THE MAIN COMMITTEE OF THE APLI AND PENSIONS BOARD**

**AT: Verschoyle House**

**On: Wednesday 31 May 2006**

**Present for the Pensions Board:** Anne Maher  
Mary Hutch  
Sylvia McNeece  
Yvonne White

**Present for the APLI:** Brendan Roche  
Catherine Austin  
Gillian Dully

**Apologies:** Philip Smith

**1. Minutes of last meeting**

1.1 Tax Simplification – The Pensions Board Report on tax simplification has been overtaken by the Department of Finance reviews and the National Pensions Review. A Government response in relation to the National Pensions Review is expected in due course.

1.2 The New Board – The New Board started in December. Anne Maher thanked the APLI for its nomination of Mary Wade. The New Board's strategy is not yet finalised, it is in draft and it is expected that it will be approved by mid-year. It is also expected that there will be a few new projects as well as ongoing work.

**2. Mandatory Pensions Project**

Following the National Pensions Review the Pensions Board was asked by the Minister for Social & Family Affairs to “recommend the most appropriate mandatory and quasi mandatory system for Ireland” including costings. The Board is currently engaged in completing a report and this is to be completed by end of June. This is being done by the Executive supported by external consultancy and a Board oversight committee. Issues being considered include:

- Eligibility
- What employment included
- Contribution rate
- Integration with current arrangements
- Access to funds
- Hard or soft mandatory introduction – gradual or immediate
- Implementation supervision

The timelines for the project are very tight. The Minister has asked the Pensions Board for a technical report focusing on the question if Ireland were to have a hard mandatory pension system, what system would be appropriate. Implementation of any such system is also under consideration, whether it might be done through the State or privately. Two firms of economists have been engaged to assist with cost analysis of the project and to assess the impacts on employers, competitiveness and costs.

The Partnership talks would have an influence on mandatory pensions / State annuity support / funding standard. Brendan Roche commented that he wasn't certain that there was any appetite for the State annuity support system.

### 3. **The Funding Standard Review**

The Board has been asked by the Minister to re-examine the funding standard for defined benefit schemes. A paper examining a number of options was to be considered by the Board at its meeting on 26 May. It is considered that the funding standard as is, is driving employers out of defined benefit schemes. This is not necessarily the Pension Board's view. While it is acknowledged that there is a cost element, there is also a risk element and it is felt by the Pensions Board that risk may be a bigger factor for employers. The FRS17 aspect of the funding standard is often a bigger question than the funding standard itself. To the extent that the funding standard is an issue, the Pensions Board is constrained by the EU Directive as to what they can do in this regard.

There is no clarification yet as to what "fully funded" means. Sylvia McNeece noted that there is no movement to clarify the parameters of what fully funded means. The Directive implies that it is a wind up standard. The Irish standard compares well with other international standards. The issues under consideration include annuity costs which has difficulties as there is no market for deferred annuities. Brendan Roche noted that the funding standard is certainly raised by his clients as at least an influential factor for some schemes and it is certainly an issue in his experience.

Yvonne White noted that the Pensions Board will have to put forward a recommendation on the funding standard. It is not, however, certain, when this will be, given that the issue is being discussed in the context of the Partnership talks, but a decision will be taken once these have been concluded.

#### **4. Trusteeship Review**

The Pensions Board is reviewing the effectiveness of trusteeship as the model for pension scheme governance. This has been requested by the Minister but such a review was on the Board's agenda in any event. The Board is examining:

- Potential regulatory and governance improvements that can be made to enable the trust model to perform more effectively.
- Alternative arrangements to the trust model.
- Supports in place for trustees.
- The review was deferred because of the National Pensions Review. There are now two main drivers
  1. the new statutory requirements on trustees; and
  2. international discussions on the trustee model and whether it is still a valid one.

The Board is considering whether the current model is still appropriate and the potential for alternative models such as super or master trusts and PRSAs to meet the needs of small DC schemes in particular. In relation to trustee skills, the Board is trying to determine whether training is the exception rather than the rule. Consideration is also being given to the issue of reliance on third party professionals. This review is at the early stage and paper is to be considered by a subcommittee. Any comments are welcome. The paper is currently being drafted.

#### **5. EU Activities**

The Board noted that they do have quite a bit of information on their website on the issue of cross-border schemes. Many enquiries have been made about cross-border schemes, both from advisors and by providers who are designing cross-border products. The Board is receiving an increasing number of queries and the queries are hardening up. A protocol has been completely agreed in terms of how the Directive will work. Each Member State is to supply details of social and labour law application. Four have done so to date. There are still two unanswered questions:

1. "Full Funding" - Does it allow for recovery plan? A third transition meeting is yet to be held seeking clarification on this point.
2. What level of administration will be required to establish the home state? It is felt that the administration will have to have some substantial presence. A brass plate will not be sufficient. It may be sufficient that the administrators of the scheme will be based in Ireland.

## 6. **Portability Directive**

With regard to progress on this Directive, while it was a good idea that there would be mobility of labour account must now be taken of the differing pension systems. It transpires that labour is not, in fact, as portable as initially imagined. Questions arose as to what rights would transfer or what the capital value of assets was for example. Public service pensions in particular are quite a big problem. There are also various costs issues. There is a question as to whether transfers would take into account deficiencies. The Board will continue to keep developments in this regard under review.

An account was given of progress in relation to Solvency II at European level.

## 7. **Pensions Board Information Activities**

### 7.1 Equal Treatment

Mary Hutch noted that new guidance notes on equal pensions treatment had been published. New Part VII now prohibits discrimination on nine discriminatory grounds. The Equality Tribunal now has responsibility in this area. The Board has no power to make a determination on the Rules. Its role is largely consultative.

### 7.2 Disclosure

The Board is to issue new guidance notes and two updated disclosure booklets. They are remaking certain regulations and the requirement to do so has been brought about by an Irish case, which has raised doubts as to whether an EU Directive can be implemented via regulations unless the Act under which the regulations are made contains an express power to make such regulations and it may not be sufficient to rely on the 1973 Act to make the regulations. The Board is waiting for a statutory instrument number for the 2006 regulations, once the 2006 regulations are invoked, the 2005 regulations will be revoked, they are almost identical.

### 7.3 Scheme wind-up booklet will be updated and circulated in due course.

- 7.4 The Pensions Board website is receiving up to 18,000 visitors per month. It is felt that it has been made more easily navigable. Recent publicity has driven more enquirers directly to the website. During National Pensions week the number of visitors to the website almost doubled.
- 7.5 Pensions information has been distributed to 90,000 FAS trainees. The National Recruitment Federation is promoting pensions on a “first job, first pension” basis. The Pensions Board national awareness publicity budget has been doubled, its allocation is now €1 million.
- 7.6 The Pensions Board legislation service is being reviewed. The Board is outsourcing the production of some parts of the service. It is likely that, in future, guidance notes, for example, may only be available online. Ultimately, the entire service may be an online service only. Guidance notes, in particular, are being reviewed. Instead of comprehensive notes, FAQs and Pension Board bulletins may issue, these can be issued and updated more quickly and where they have been introduced, are working well. The Board is consulting with people on the point.

## **8. The Pensions Supervision Review**

The Pensions Board has recently conducted a review on how it supervises. The purpose of the review was to ensure that the Board’s approach to supervision is as effective as possible and maintains a good balance between cost and member protection. The focus of the review is on a more risk based monitoring system and the Pensions Board expects that some changes will be introduced later this year. One of the consequences is that there will be more onsite visits by the Pensions Board. This does not indicate an increase in Pensions Board activity, simply that it is more focused.

## **9. Any Other Business**

### **9.1 Group Retirement Benefit Funds Group trust based RACs**

These may fall within the supervisory remit of the Pensions Board as a result of the IORPs Directive. Sylvia McNeece is collecting information on the same and a consultation progress has been initiated, which the APLI were invited to respond to. This will be reflected in an amendment in the next Social Welfare and Pensions Act.

### **9.2 PRSAs**

The majority of PRSAs are still quite young. No further changes are planned to PRSA products at this time, although the recommendations made in the National Pensions Review are still being considered.

### 9.3 APLI Letter to the Pensions Board

The APLI raised the question as to whether single member schemes should be required to comply with the Trustee Regulations. The Board was of the view that the Trustee Regulations should continue to apply to single member schemes. The Trustee must have or show to the Board that he/she has the requisite experience and qualifications or has employed advisers with the requisite qualifications and experience. Assessments will be made on a case by case basis and the emphasis for the time being is on qualification. The ultimate goal is to encourage people to get themselves into a position where they do have a standard set of qualifications.

### 9.4 Secondments

Brendan Roche asked if there was any guidance from any party, either the Revenue or the Pensions Board, on the meaning of secondment. The view of the Board is that it will not be providing a definition of secondment. It is a matter for the scheme to decide with the assistance of its advisers where necessary as to whether an individual is on secondment. The Board is treating secondments as not being affected by the IORPs Directive. Brendan noted that it would be useful to have a note to that effect. Sylvia McNeece offered to put this in the guidance notes.

### 9.5 Family Law Act

Mary Hutch advised that the Pensions Board has been in contact with the DJELR in relation to a range of issues concerning the operation of the pensions provisions of the Family Law Acts which hopefully will be addressed in a new Family Law Bill. They are conscious that there are a huge number of invalid orders out there and that disproportionate costs may be involved. New issues are still emerging in this area.

## 10. Next Meeting

The next meeting will be held in November.