

Risk Management for Trustees

Expectations of The Pensions Board

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An Bord Pinsean
The Pensions Board

The Pensions Board

Established by the Pensions Act, 1990

Operations:

- Supervision, regulation and enforcement
- Policy, legal and actuarial
- Information and awareness
 - Delivers NPAC on behalf of the Government

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The Board's approach to Regulation

The Boards allocation of resources is risk oriented on the basis of the following priorities:

- 1st priority** misappropriation of pension assets or contributions
- 2nd priority** failure to pay benefits due
- 3rd priority** inadequate funding of defined benefits
- 4th priority** inappropriate investment
- 5th priority** failure to provide prescribed information to members

This order represents the seriousness of the risks, not the likelihood of their occurrence.

Because regulation depends on Board access to reliable information, we will especially target failure to provide the Board with information required under the Pensions Act, including whistleblowing obligations.

Numbers in Irish private pensions

(at 31 December 2010)

- **Company Pension Schemes**
 - 550,229 members in 1,105 DB schemes
 - 1000 schemes with 222,000 members are subject to the Funding Standard
 - 330,000 approx are Public Service employees
 - 259,732 members in 100,000 DC schemes (includes frozen and AVC schemes)
 - 56,000 approx are single member schemes
- **Personal Retirement Savings Accounts (PRSAs)**
187,114 PRSAs with asset value of €2.74 billion
- **Personal Pension Plans/Retirement Annuity Contracts (RACs)**
(200,000 + contracts – Irish Insurance Federation)

Trusteeship Numbers

- **Number of schemes and trustees**

The Board estimates that at any one time there are some 130,000 pension scheme trustees connected with the 100,000 plus pension schemes in Ireland with some €70 billion in assets under management.

- **Trustee E-learning**

Over 2,000 people have subscribed to the Board's Trustee E-learning facility.

- **Trustee Trainers registered with the Board**

42 trustee trainers are registered on the Board's website.

What The Pensions Board expects of trustees

- Before describing, it may be useful to set out what we do not expect:
 - Trustees are not expected to be full-time
 - Trustees are not expected to be pension professionals
 - Trustees are not expected to be infallible.
- Nonetheless, trustees are looking after money on behalf of other people. Therefore there are minimum standards they must satisfy:
 - They must have certain basic knowledge
 - They must engage
 - They must act reasonably
 - They must have process

Risk Management for Trustees

- Where trustees do not have the knowledge themselves, they engage professionals – most often covering administration, investment and communications.
- It is the trustees' job to:
 - question the professionals
 - to push back, and not to accept answers that they don't understand or do not feel to be right.
- The trustees must recognise that it is their responsibility to make decisions, and their options should be set out for them clearly by the professional advisers.
- This is probably the most challenging aspect of being a trustee.
- It is important that trustees identify the decisions that they are making, and that they have set out the alternatives among which they are deciding.



Risk Management Strategy

- Unless trustees have a strategy for dealing with risks, they are not managing their scheme properly.
- There is no single or simple answer - trustees must identify the best answers for their own scheme.
- Hoping it won't happen or hoping that something will turn up is not a risk management strategy.
 - As a trustee do you know the costs?
 - How optimistic are the calculations?
 - How much might they vary?
 - Are you depending on high equity returns?
 - What happens if you don't get them?
- In the long run, trustees will do themselves and all others concerned with the scheme most good if they look at scheme funding from all angles.

Supporting Trustees

- The Board supports trustees in the following ways:
 - the Trustee Handbook
 - an extensive range of guidance and FAQs on pension matters generally
 - booklets and checklists for trustees
 - a register of trustee training providers is available on the Board's website
 - the Board has developed an e-learning facility for trustees which is free of charge and can be accessed on the Board's website
 - the Board provides an information and enquiry service



Regulation, Supervision & Enforcement

On the spot fines regime introduced
in September 2007 - fine for
each offence = €2,000

Registered Administrators
introduced in November
2008



Compulsory trustees training
introduced in February 2010

Funding standard changes October 2011

- On 28 October 2011, the Government approved a number of changes to defined benefit (DB) pension provision to help ensure its sustainability, enhance the security of member benefits and increase equity between members of DB schemes.
- The Pensions Board is currently working on the technical implementation of the Government's announcement and expect to publish full updated guidelines for defined benefit schemes in deficit by the end of the year.
- The revised guidelines will take account of the changes, and will also provide all the technical information needed by trustees and their advisers to prepare a recovery plan. The new deadlines will give the trustees adequate time to prepare funding plans in light of the new funding requirements, and that the first deadlines will be no earlier than 1 July 2012
- Legislation will be introduced to implement these changes over the coming months.



Pensions information



Pension
Calculator

Pension Calculators



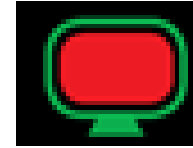
Information
Booklets

Information Booklets

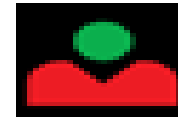


Pension
Checklist

Pension Checklists



**Free Online Trustee Training,
Guidance & FAQs, E-mail
alerts & Trustee supports**



Enquiry service

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Questions & Answers

www.pensionsboard.ie



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