

IORP II – The Future for Trustees

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IORP II - Introduction

- IORP II (Directive 2016/2341/EU)
- Entirely replaces IORP I (Directive 2003/41/EC)
- To be implemented into Irish law by 13 January 2019

Increased Regulation – IORP II Directive

- Pensions Act 1990 – 7 Parts – 81 sections
- Now 14 Parts – 187 sections
- FSPO law, family law, GDPR
- IORP II – will add to all this

Increased Regulation – IORP II Directive

- Specific aims
 - Removing the barriers for cross-border activity of IORPs between Member States
 - Ensuring good governance and risk management
 - Providing clear and relevant information to members and beneficiaries
 - Ensuring that supervisory authorities have the necessary means to supervise IORPs

IORP II – Exclusions for Small Schemes

- Taking into account nature of pension scheme and administrative burden involved
 - Article 5 – Member states may choose not to apply Directive – in whole or in part – to schemes with less than 100 members (includes deferred members)
 - If scheme has more than 15 members – Article 19(1) Investment rules and Article 21(1) and (2) (General governance requirements) must apply
 - UK has applied these exclusions

IORP II - Increased Regulation - Governance

- New fitness and probity regime – applies collectively to the trustees
 - “Fit” means trustees must have the necessary qualifications, skills and experience to perform duties
 - “Proper” means trustees must be honest, diligent and independent-minded
 - Trustee boards to have minimum of 2 trustees – level 7 trustee qualification / minimum 2 years experience as trustee

IORP II - Increased Regulation - Governance

- New concept of “key function holder” (KFH)
 - Risk Management/Internal Audit/Actuarial Function (DB only)
 - KFH for internal audit must be separate person
 - KFHs must have resources and authority
 - Trustees must conduct annual review

IORP II - Increased Regulation - Governance

- Trustees must have written policies on
 - scheme administration
 - risk management
 - internal control framework
 - outsourced activities
 - remuneration policy
 - actuarial and funding (DB only)
- Must review policies every three years
- Trustees should produce a Board manual

IORP II - Increased Regulation - Governance

- Trustees must conduct and document own due diligence on trustees and KFHS
- Trustees must review policies
- Trustees must do own risk assessment (every three years)

IORP II - Increased Regulation - Information

- New “Pension Benefit Statement”
- Available to both active and deferred members
- Includes details on the scheme, information on pension benefit projections and detail on charges
- Report to members and provide information to prospective members on ESG considerations
- DC schemes – report on five year investment performance

IORP II - Increased Regulation – the Regulator

- Role of the Regulator – will change
- Forward looking and risk based approach – focused on risks of non-compliance and poor member outcomes
- Review trustee culture and activity
- All trustee papers / policies to be made available to the Authority on request

Pensions Authority – Codes of Governance

- Not a statement of law – set out standards of behaviour that the Authority expects trustees to adopt – 10 DC Codes
- Supplement Trustee Handbook
- Specific codes for DB schemes

IORP II – Some Conclusions

- Legislation/Regulations awaited
- Will exclusions apply?
- More rules – more work for trustees

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