

How Explosive Change Has Improved Member Outcomes


(and an outlook to the future...)

18 May | Shane O'Farrell –
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As recent transformational change beds in, more seismic change is coming

The pension landscape has experienced once in a generation change recently, and more major change is on the way



Rapid transformational change was seen with IORP II legislation & the growth of master trusts



Progress on the proposed Auto-Enrolment (AE) model has been much slower paced to date but promises to deliver another seismic impact

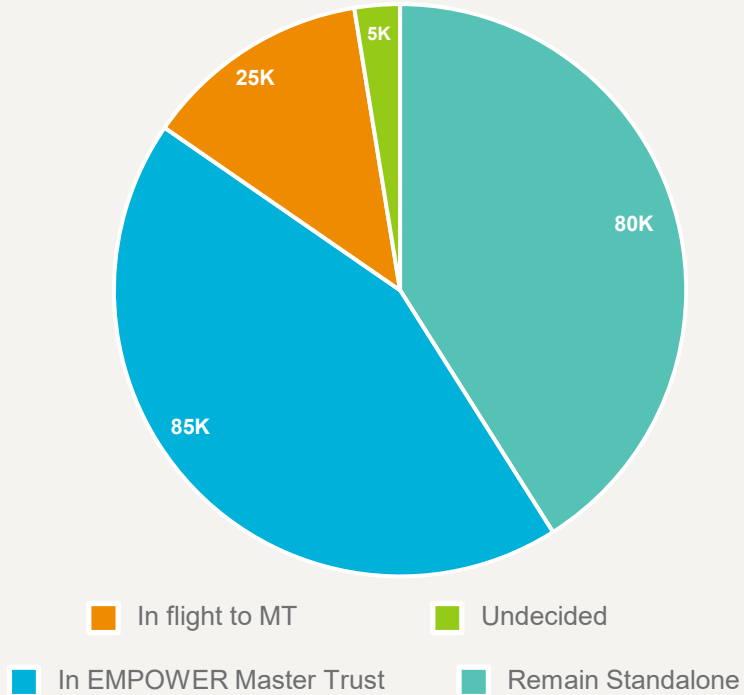
The ascent of master trusts

- IORP II: designed to deliver better member outcomes through higher governance standards
- Implemented via Pension Authority Codes:
 - Vastly increased governance requirements for trustees
 - Significant cost/resource implications for employers
- Faced with these challenges, many employers opted to move to master trust
- This fuelled massive, rapid flows that changed the face of the market entirely
- The ascent of master trusts has paved the way for an enhanced member proposition (particularly those in smaller plans)



Irish Life EMPOWER Master Trust – Ireland's largest master trust

Outcome by Members - May 2023



Master trust – an enhanced member proposition

**Bigger is not always better, but it can help.
Master trust offers:**



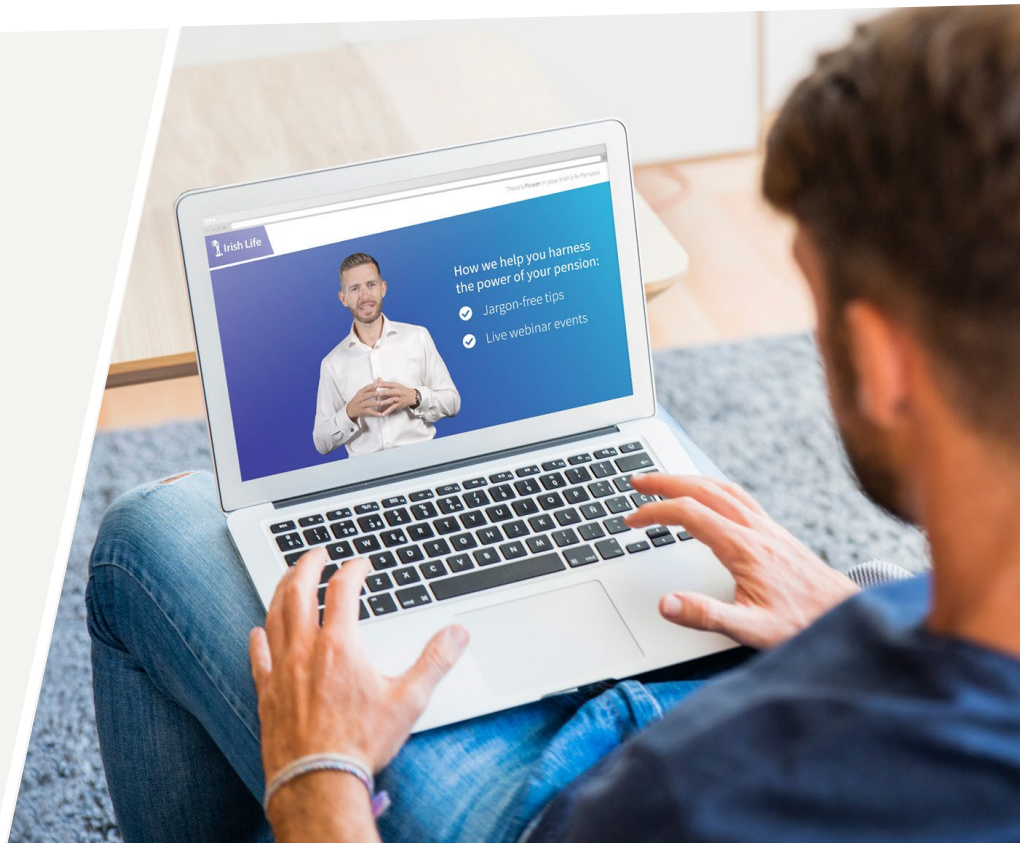
Professional, objective governance and oversight



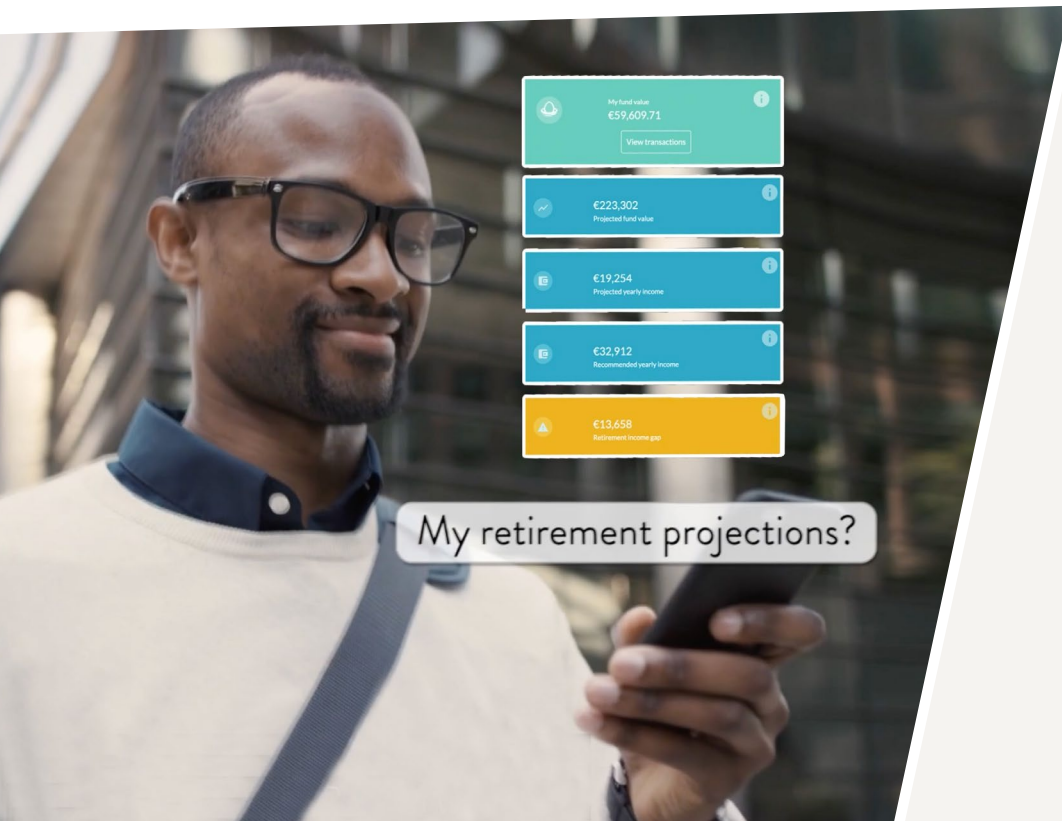
Best in class thinking around investment funds & options, with ESG characteristics incorporated into core funds



Reinvented member engagement: a premium scalable proposition, designed to deliver better outcomes for ALL



Master trust – an enhanced member proposition



A premium proposition for EVERY plan member

- Average plan moving to MT was only 47 members – 33% of them had below 10 members!
- These members are now part of something much bigger and consistently high quality: scale is hugely to their benefit
- Typically circa 800 members in a standalone plan
- Includes some mega employers that went MT too...
- Elevating to highest common factor: not lowest common denominator.....

Master trust – an enhanced member proposition

Investment Options – a premium proposition for EVERY plan member

- All new joiners in the modern Personal Lifestyle Strategy
- All get access to the best investment thinking including ESG of the EMPOWER range of funds
- Older financial terms and legacy commission models challenged and updated
- Professional, fully independent trustee oversight



Master trust – an enhanced member proposition

Member Engagement – a premium proposition for EVERY plan member



More focussed tailored and bespoke-age/journey based messaging for sub-cohorts of the bigger trust now possible



Multi-format content that caters for diverse consumption preferences, in person and on-line monthly live & on-demand webinars, Pension Portal and a dedicated Pension Education Team



Members can also avail of 1 to 1 consultations with a member of the team or with a financial planner

Master trust – an enhanced member proposition

In 2022, we began delivering premium engagement opportunities to a wider audience with dramatic results:

61%

increase in
emails opened

v 2021

Rich, tailored content proves more
engaging to members



Attendees from smaller plans

81%

Majority of attendees at recent
master trust webinars were from
smaller plans. **A first opportunity
for many** to join a specialised
pension education event.



1 in 5

webinar
attendees
asked a
question

+ 100%
v 2021



of Active DC Pension Portal users

+ 22% v 2021



This is
the impact
in just

1 Year

Now, imagine how member outcomes will be improved over the longer term...



AE: Coming (very slowly) to an employer near you

It has taken some time to
get to this point with AE



Implementation will take more
time yet, given the uncertainty



Even the slowest moving objects can
be very impactful on the landscape



AE: Coming (very slowly) to an employer near you



Ireland is the only OECD country without some form of AE



With +750,000 eligible people, and only 35% of workers estimated to have supplementary pension earnings, AE is to be welcomed



Irish Life strongly supports auto-enrolment as a socially progressive and forward thinking option, **for some**, which will be a major milestone in Ireland



AE is new to Ireland but it has a proven track record internationally



What we don't know today, worryingly

Member experience

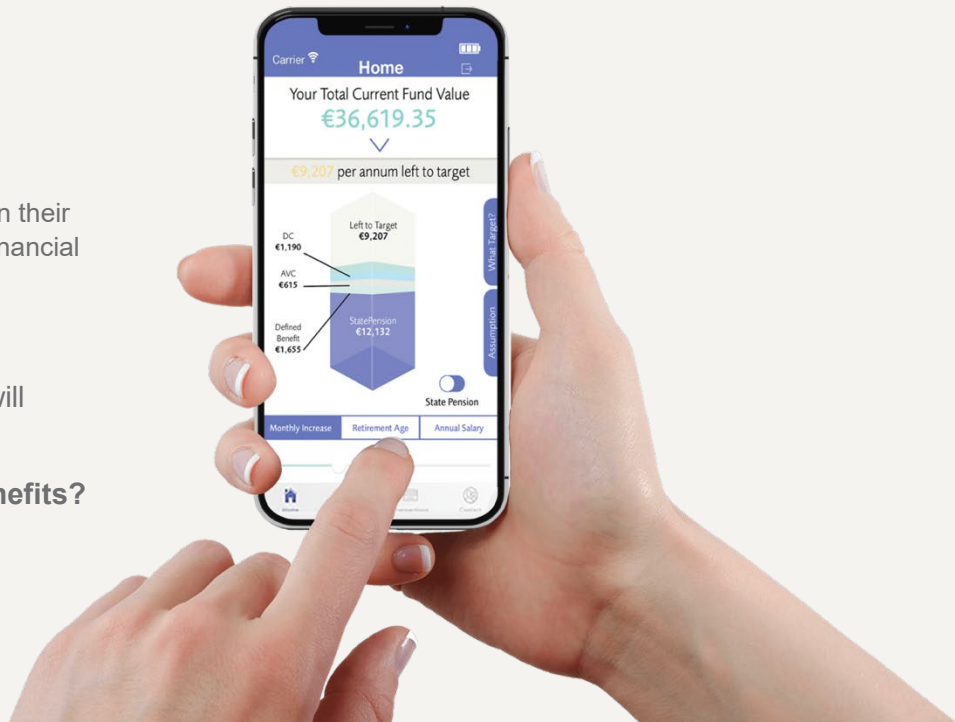
What member engagement, if any, will be provided?

- How will this compare to the significant supports offered by Defined Contribution or Master Trust schemes?
- Educating members around pensions and what they actually have in their pot is key. Otherwise people think 'Oh, I've a pension now, so my financial future is taken care of'.

How will members' funds be treated at retirement?

- Will the options be similar to those under current pension rules or will there be a two tier system?

How will members be supported in choosing retirement benefits?



An Employer perspective



Is your plan AE compliant, or can it be adapted to be?

If you have compulsory pension provision in place for all staff, AE is a non issue

If not, can your existing plan be adapted to make it compliant?

At a minimum, needs to be set up on rolling opt-out basis

If so, you can retain control over key areas and ensure all staff have same experience with:

- Technology available to members
- Financial Wellness
- Investment options available

If enrolling non-members in your current plan, will you match AE rates or maintain your plan's existing contribution structures? Or compromise? And what of new joiners? And questions re legals?

An Employer perspective

Which employers will tackle AE by expanding their Defined Contribution or Master Trust plan?

- Those with higher rate tax payers, who are significantly better off in an occupational scheme Vs AE
- Those concerned around flexibility and ability to make additional contributions: gender pension parity perspective
- Those concerned re “twin-track” system, which could require additional resources in HR/payroll and different messages to different staff
- Those with in-house benefits experts, who are confident in this area already
- Those who want more control and consistency of employee experience



An Employer perspective

Which employers will opt for CPA AE?

- Those very disengaged with pensions - very small employers, lower paid and more casual staff
- Will do the bare minimum and avoid active decisions
- The State incentive more likely to suit low earning profile and the very simple, no frills approach may meet the demands of their workforce
- Some may open their main plan for all permanent employees but use the State AE for very casual, seasonal employees



Final considerations



It's time for Ireland to put pensions at the forefront and join New Zealand, UK and others in re-thinking retirement planning.



AE has the potential to transform retirement saving for 750k+ people in a socially progressive move that affords Irish people elevated retirement cover.



Important that members and employers of existing DC/Master Trust plans are supported in understanding the clear advantages of their current plans Vs AE so the noise about the AE rollout does not cause undue concern.







Thank You

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