



## Submission form

### on the reform and simplification of supplementary funded private pensions

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### Introduction

The IAPF welcomes the Pensions Authority's Consultation on the reform and simplification of supplementary funded private pensions. As well as answering the individual questions, we also wanted to make some general introductory remarks. We welcome the focus on improved governance for schemes. We particularly welcome the acknowledgement that non-professional or lay trustees can bring a significant amount to their role as a trustee and to the administration of the scheme generally. We do believe strongly that the independence and strong sense of looking after their colleagues' savings that lay trustees have needs to be preserved as much as possible in the system.

Our aim is to ensure people in Ireland can have pensions that are secure, fair and simple. There are elements in the Consultation that also seek to achieve that, but there are also elements where the objectives are less clear. It is important that the development of multi-employer schemes or master trusts is managed in a way that offers real choice and appropriate options for members. There is a danger that a smaller number of schemes with only professional



trustees and advisers operating within a strictly defined framework, could result in group think with schemes lacking sufficient diversity.

We have concerns that some of the rationale for the reform as set out, with particular focus on the number of schemes in Ireland, is questionable. It has been stated that Ireland has more pension schemes than the rest of Europe and 167,987 schemes have been identified by the Pensions Authority in the Consultation. 80,654 of these are frozen with no active members. A further 68,602 scheme are single member arrangements (although some of these also appear to have no members). These also include AVC and Death Benefit schemes. The UK Pensions Regulator does not require one member arrangements to be registered, therefore it is difficult to say how we have, for example, more schemes than in the UK.

The proposals in the Consultation do nothing to address frozen, AVC or Death in Service Schemes, and it is not clear why they have been included. Furthermore, when taking out the one member arrangements, there are another 9,740 schemes with less than 50 members, averaging just over 6 members per scheme (according to the Authority's annual report). There are 321 schemes between 51 and 99 members, averaging almost 70 members per scheme. There are 288 schemes between 100 and 500 members, averaging 209 members per scheme. There are 36 schemes with 501 to 1000 members, averaging 689 members and 26 schemes with over 100 members averaging 2,169 members per scheme.

Status	No of Schemes	No of Active Members	Average members per scheme
<b>1 member</b>	68,602	68,425	1
<b>&lt;50</b>	9,740	61,219	6
<b>51-99</b>	321	22,405	70
<b>100-500</b>	288	60,108	209
<b>501-1000</b>	36	24,785	688
<b>1001+</b>	26	56,398	2,169

Therefore there are 671 schemes with more than 50 members, accounting for 163,696 members in total. These account for 58% of all the DC members (if one member schemes are included) or 73% if one member schemes were excluded.

It is our experience that the majority of those “larger” schemes will benefit from strong employer engagement and low costs for members. The Consultation document mentions improving member outcomes, without ever explaining how a good member outcome is defined or measured. The biggest impact on DC outcomes comes from the contributions paid to the scheme in the first place. Engagement and charges are also important elements in ensuring members can achieve good outcomes. We would be concerned that funneling everyone towards multi-employer schemes could result in a loss of employer engagement that could



ultimately result in poorer outcomes for members. We assume the Pensions Authority or Department of Social Protection will be undertaking a Regulatory Impact Assessment to ensure the assumptions made in the Consultation can be borne out.

There are, without doubt, many issues to be addressed to improve the DC system but it is important that we focus on those that are really important and for the right reasons. Perhaps the biggest contributors to complexity in the system are regulation and taxation rules and they need to be tackled as part of any changes.

### Proposed changes to trusteeship (page 14-19)

Q1

**What are your views on trusteeship generally and how it operates in practice from your own experience?**

A1

Trusteeship works well where trustees are engaged, have the ability to challenge their advisers, where they meet at least quarterly, where they engage at educational events and obtain CPD (such as IAPF events), where there is a good cross representation on the trustee board and where there is a good chairperson.

In these situations compliance with regulation is a given, and trustees have the space and time to think and review matters of best practice and improvement.

It doesn't work where trustees are passive and unaware of their duties and generally have the trust structure in place only for practical reasons.

In those cases we agree with the proposal for a material increase in time and expertise from trustees, who are often being asked to be responsible for a pension scheme as well as doing their day job.

Trustees need to delegate functions they cannot carry out themselves such as administration and investment. However, employing consultants or advisors is not, on its own, adequate as the trustees maintain oversight and governance of these areas, and the end result or responsibility remains with trustees. Thus the governance structure and the interaction from trustees through to administrators, investment managers and other service providers needs very careful management.

Trustees offer independent oversight and this independence and strong links to the membership of a scheme can be lost in a multi-employer scheme.

It is also unclear if there is any real evidence that schemes with professional trustees have better outcomes than those with lay trustees.

If the goal of this reform is to simplify, then the new system should recognise that a contract based model (PRSA), where appropriate, is simpler and has the potential to be more cost effective as there are fewer parties involved.

Trust/Trusteeship is certainly not necessary for one member schemes, and these could be established using a contract-based model – one member schemes are typically set up to avail of the additional flexibility around contributions etc.

It could be also argued that trusteeship it is not necessary for smaller schemes given the larger schemes currently have more onerous requirements. It should be up to individual



	<p>employers to make a choice between trust or contract arrangements, but that choice should not be driven by differing tax or regulatory rules.</p> <p>The question of master trusts for small schemes needs to be considered very carefully. It is not clear that master trusts such as the sector wide ones which have developed in Australia would deliver better member outcomes.</p> <ul style="list-style-type: none"><li>- Would there be a space for lay trustees? Without this, is there any benefit to having trustees over and above a contract based solution?</li><li>- There could be a lack of transparency with all costs borne by the members</li><li>- Can costs, such as risk costs e.g. income protection chip away at members funds? These are generally separate in individual employer plans but can be an included feature of master trusts in some countries.</li><li>- There can be issues with master trusts building up excessive funds or not enough and how to regulate these. Solvency regime needed.</li></ul> <p>A trust based model can work very well for any sized scheme but medium to large schemes are most likely to allocate the time and resource to make it work best. Contract based arrangements might also need additional governance arrangements to ensure the interests of members are to the forefront.</p>
<b>Q2</b>	<b>Do you agree that the introduction of trustee qualifications as proposed will help increase standards of trusteeship? If not, why not?</b>
<b>A2</b>	<p>Yes, it should help but is only part of overall framework as qualifications will only be a small part and greater experience and focus on what is covered in a qualification syllabus needs to be explored. We outlined our views on this issue in our response to the Consultation on Trustee Qualifications in 2015.</p> <p>Is there any evidence that schemes with professional trustees provide better outcomes or is it just better compliance?</p> <p>We would suggest that all trustees should attend at least two half day courses within a year of becoming a trustee.</p>
<b>Q3</b>	<b>Do you consider that the enhanced trustee qualification requirement should apply to a trustee board collectively or to each member of a trustee board individually?</b>
<b>A3</b>	<p>Given the importance of the role this is a good idea in principle as it will help to raise standards. It is right that it applies to the trustee board collectively and not to each individual trustee. We believe it is important that there is room for lay trustees on a trustee board. They have the ability to recognise and empathise with the specific needs of the scheme membership. They can also ensure a greater diversity than professionals who all have the same qualifications.</p> <p>While it is also consistent with the requirements of the IORPS II Directive, it does raise some issues about the collective nature of trusteeship and the requirement that trustees act jointly and severally. Could there a danger that some trustees could be held more to account than others?</p>



<b>Q4</b>	<b>Do you agree that <u>all</u> directors of a corporate trustee company responsible for a master trust should be required to fulfil either the qualification or the experience requirements (subject to a minimum of one trustee director meeting the experience requirement and a minimum of one trustee director obtaining the qualification?)</b>
<b>A4</b>	Yes, but there should still be a role for member and/or employer representation in master trusts even if at a committee structure alongside the trustee board.
<b>Q5</b>	<b>Do you agree that recognising experience gained as a trustee should be taken into account when determining minimum standards for trustees? If not, why not?</b>
<b>A5</b>	Absolutely, this is very important as it will allow non-professional or lay trustees to bring experience and a connection to the members which no qualification can bring. Perhaps there should be some form of “grandfathering” where experience after the introduction of new requirements is taken into account, which would give a transition period.
<b>Q6</b>	<b>Do you have any suggestions on what is appropriate trustee experience and how this could be measured?</b>
<b>A6</b>	It is difficult to gauge how relevant past experience will be, considering the variation in schemes and levels of engagement. One option would be to count experience from the date of introduction of the new requirements and standards as the Authority will have set out its expectations for all trustees at that point. Experience prior to that date would not be counted whereas experience after would. In effect this would give a period of transition. It is also important that there is succession planning and turnover on trustee boards.
<b>Q7</b>	<b>Do you think all trustees should be subject to annual CPD? How many CPD hours per annum do you think would be appropriate? If you do not favour CPD, please state the reasons why and suggest an alternative approach.</b>



<b>A7</b>	There should be CPD requirements and they need to be relevant and not just a show up to tick the box process. Somewhere in the region of 6-10 hours per annum seems appropriate. There may be some differing requirements relating to general trustee knowledge and the specific knowledge required to be effective in the trustee's own scheme. Knowledge should also be gained over time and not just on a one-off basis with an annual or biannual update. This is an area on which the IAPF would be happy to have further discussions with the Authority.
<b>Q8</b>	<b>Do you agree with the proposed additional eligibility restrictions?</b>
<b>A8</b>	Yes, although those who "lack the necessary decision making capacity" needs to be defined.
<b>Q9</b>	<b>What are your views on the proposal to impose "fit and proper" requirements on trustees?</b>
<b>A9</b>	The minimum standards seem reasonable and appropriate. It is not clear if these will be self-declared or if an approval process will be put in place.
<b>Q10</b>	<b>Are there any other persons that should be prohibited from acting as trustee? If yes, please say whom and state the reasons why they should be prohibited.</b>



A10	<p>As the system is likely to become more concentrated, it will be necessary to be more careful in managing conflicts with registered administrators, investment advisors, investment managers and any other service providers.</p> <p>A diversity of professional, qualified and lay trustees is required so group think is avoided.</p>
<b>Scheme authorisation (page 19-23)</b>	
Q11	<b>Would pension schemes benefit from the introduction of an authorisation process? Do you agree with the broad proposals set out by the Authority? If not, what alternatives would you suggest for achieving better scheme governance?</b>
A11	<p>The pre-approval of insured schemes has contributed to the proliferation of the number of schemes in place. Pre-approval could be eliminated but new onerous approval procedures should not be necessary. They also have the potential to put hurdles in place to the establishment of schemes when there is a recognised need to increase coverage. It is also possible that this will lead to group think problems and a too rigid framework.</p> <p>An alternative and more efficient way to ensure the Pensions Authority goals are met is to authorise/approve Providers and standard Scheme Products/Rules (which would meet the prescribed criteria), rather than trying to authorise on a case by case basis. Deviations from the standard template could be approved on a case by case basis or there could be requirements put in place to “comply or explain”.</p>
Q12	<b>Are there specific areas that are not outlined on pages 22 and 23 that should feature as part of the authorisation process?</b>
A12	<p>Ensuring there are no conflicts of interest is crucial. A diversity of trustees is needed to bring something new to the table.</p>
Q13	<b>What do you see as they key challenges posed by the introduction of an authorisation process for pension schemes, members, trustees and/or the pensions industry?</b>



<b>A13</b>	<p>There is a need to avoid the domination of DC by a limited number of providers and also avoid group think.</p> <p>Keeping it simple – there is a danger that the whole process could become overly complicated and become a disincentive to prudent pension provision and greater pension coverage.</p> <p>There should be greater detail on the timeframe and costs that will be incurred as part of the Scheme Authorisation process. Timing is key, especially if the intention is to get scheme authorisation prior to the scheme being submitted for Revenue Approval (and 6 months is required to collect all required information for Revenue) and commence collection of contributions. Would there be ability to collect contributions or some form of interim approval so members aren't disadvantaged while a scheme is waiting authorisation? The Pensions Authority would need to be sufficiently resourced to do this. It would need to be clear, for example, to a multinational company setting up in Ireland that wishes to set up a pension scheme for its employees what the requirements are and the time it will take to get approval.</p> <p>The pre-approval of a standard product/process/setup would seem a more practical solution.</p> <p>The Consultation states that an objective set of criteria will be developed and published to evaluate a scheme's compliance with the authorisation process. We believe there should be an opportunity to consult on this criteria to ensure it can meet its objective and can be implemented.</p>
<b>Q14</b>	<p><b>Do you see the proposals giving rise to regulatory arbitrage for schemes? If so, at what points in the process do you see this arising? What efficiencies can be gained by sharing information/processes with any other relevant supervisory authority (e.g. the Central Bank/Revenue)?</b></p>
<b>A14</b>	<p>It is not clear to us what type of regulatory arbitrage is envisaged by this question. Is it possible arbitrage between existing schemes that didn't have to be authorised or contract arrangements?</p>
<b>Q15</b>	<p><b>Are there any other issues relating to scheme authorisation that you would like the Authority to consider?</b></p>





<b>A15</b>	<p>Communications and decumulation options are only a foot note in the Consultation, and it would also be helpful to have single regulatory framework for pre and post retirement products.</p> <p>These items are key to building a sector that can deliver good pension outcomes.</p> <p>The pre-approval of Trustees to act (similar to functions which are pre-approved by Central Bank) could be considered.</p>
<p style="text-align: center;"><b>Enhancing the current supervisory and enforcement processes (page 23-26)</b></p>	
<b>Q16</b>	<p><b>Do you have any views on the Authority’s proposed enhanced supervisory and enforcement powers?</b></p>
<b>A16</b>	<p>It is very unclear as to the overriding objective of this. We need to see what the Authority’s objective is before we can consider “enhanced supervisory and enforcement powers”, but, in principle, the concept has to be positive and should be appropriate, proportionate and reasonable.</p> <p>But, there is a risk that further layers of additional legislation and compliance could result in a system that is too weighed-down in bureaucracy and costs and becomes a major disincentive to prudent pension provision and the objective of increasing coverage.</p> <p>What would the Authority define as a “good member outcome”?</p>
<b>Q17</b>	<p><b>Do you share the view that codes of practice should be put on a statutory footing? If not, why not?</b></p>
<b>A17</b>	<p>The Codes of Conduct would not need to be on statutory footing if the Authority and trustees were in agreement on what is the correct thing to do. The Codes have only recently been introduced and are helpful in setting out the expectation the Authority has of trustees. We do not see any need at this point in time to expand the Codes or change the nature of them. In any case, the Codes would need to be worded in a very defined way if trustees were subject to legal action for not following them. The current Codes are based on broad principles.</p> <p>The Codes of Practice should be seen as part of an overall Trustee Toolkit comprising of Statutory and Voluntary elements. Trustees should be expected to conform to all of the Statutory elements and, in the unlikely event that they choose not to follow the voluntary Codes of Practice, then they will need to have a very robust, documented rationale as to why they did not follow the code in a given situation, on a “comply and explain” basis.</p>
<p style="text-align: center;"><b>Rationalisation of pensions vehicles (page 26-28)</b></p>	



<p><b>Q18</b></p>	<p><b>Do you agree with the proposal to rationalise pensions vehicles in order to simplify the landscape for consumers?</b></p>
<p><b>A18</b></p>	<p>Yes, but it is the differing tax and other regulatory treatment that is driving a range of sub optimal behaviours and where simplification should be focused. There is some danger that this will lead to a lack of consumer choice where there is a limited choice of product and providers.</p> <p>Before rectifying specific complexities in the system in isolation, pension simplification would be best served by first identifying a common set of principles by which all private pension vehicles should adhere to.</p> <p>These principles should be applied to the following areas :</p> <ul style="list-style-type: none"> <li>- Contributions</li> <li>- Access to retirement benefits</li> <li>- Retirement Options</li> <li>- Death Benefits</li> <li>- Product rules</li> </ul> <p>The issues of charges also needs to be examined if single contact PRSAs are to be the only alternative to trust based schemes. Standard charges in PRSAs can be higher than in occupational schemes, RACs and BOBs.</p>
<p><b>Q19</b></p>	<p><b>Are there any other additional issues presented by the cessation of RACs and BOBs?</b></p>
<p><b>A19</b></p>	<p>There may be practical issues in trying to merge existing products into PRSAs as the rules between the various products differ. It is important that beneficiaries do not lose valuable benefits.</p> <p><b>RAC</b></p> <p>Trying to fit/transfer an existing RAC into the current PRSA regime. There may be a need to have a sub-product such as a PRSA-RAC.</p> <p>New Arrangements:</p> <ul style="list-style-type: none"> <li>- Choice of funds</li> <li>- Options to retain 75% in a Vested-PRSA-RAC. Do PRSAs need an end date (benefit crystallisation) to prevent them being used for inheritance tax planning purposes?</li> </ul> <p>Transitioning existing arrangements to PRSA. These features are not a feature of new arrangements:</p> <ul style="list-style-type: none"> <li>- Additional Life Cover under the RAC – Benefits and Premiums – not currently possible under PRSA contracts.</li> <li>- Product Charges – Annual management charge/Initial and Accumulator Units/Guaranteed</li> </ul>



	<p>- Product Guarantees – Guaranteed Maturity Values/Special Claims Bonuses/Guaranteed Annuity Rates</p> <p><b>Additional for BOB</b></p> <p>Retirement Lump Sum based on Salary and Service (e.g. up to 1.5 times, rather than just 25%). This is similar to the existing requirement which already applies to PRSA-AVC's</p> <p>Requirement to take all schemes/BOBs relating to the same employment at the same time and in the same format</p> <p>Maximum NRA (70 or 75, as with PRSA)</p>
<b>Q20</b>	<p><b>Do you foresee any practical difficulties with the removal of the 15 year rule limiting transfers from schemes to PRSAs?</b></p>
<b>A20</b>	<p>It is unclear as to the logic for the 15 year rule in the first place. We would suggest that the current CBC are only helpful on comparison of charges so this could be simplified and the costs of getting a CBC reduced.</p> <p>There should be a requirement for advice, the actuarial cert is too generic and really only covers costs and is therefore not comprehensive.</p> <p>An alternative approach would be to authorise the destination funds &amp; ensure these are reasonable.</p>
<b>Q21</b>	<p><b>Do you foresee any practical difficulties with permitting BOBs to transfer to PRSAs?</b></p>
<b>A21</b>	<p>Exit penalties might be applied to BOBs and entry penalties to PRSAs. Different lump sum rules might apply to BOBs.</p> <p>There may be practical issues for trustees in winding up DC schemes if a transfer to a PRSA is the only option for members. Currently they can transfer to a BOB and follow the benefits under the scheme (e.g. option of lump sum of 1.5 times salary or 25% of the fund). However, if they transfer to a PRSA they only have the 25% of the fund option. Trustees may find it difficult to transfer members out of the scheme if it reduces the options available to them at retirement. This is an example of the complexities and inconsistencies in the system that need to be removed, rather than just focusing on removing products.</p>
<b>Q22</b>	<p><b>Do you foresee any practical difficulties with permitting RACs to transfer to schemes?</b></p>



<b>A22</b>	Different retirement rules apply between schemes and BOBs. Assume by scheme, the Authority means PRSA.
<b>Q23</b>	<b>Do you have any practical suggestions which the Authority can take into account as part of its review of the certificate of comparison and reason why statement required, in certain circumstances, for transfers from schemes to PRSAs?</b>
<b>A23</b>	As above the current CBC are only helpful on comparison of charges so this could be simplified, and the costs of getting a CBC are significant. It is hard to see why they are required when moving from one DC product to another.
<b>Master trusts/multi-employer pension schemes (page 29-32)</b>	
<b>Q24</b>	<b>What is your view on the appropriate supervisory approach to master trusts?</b>
<b>A24</b>	In theory it should be helpful, but it is hard to understand why master trusts have not been more common to date. Concentration of providers is a key danger and the management of conflicts and ensuring independence is crucial. There is a “Too Big to Fail” risk, but will this engender too cautious an approach?
<b>Q25</b>	<b>What is your view on the feasibility of master trusts in Ireland and the potential for them to generate economies of scale and reduce costs for members?</b>



<p><b>A25</b></p>	<p>It is hard to see how concentration into a small number of dominating providers can be avoided. Management of conflicts and ensuring independence will be crucial.</p> <p>This may also lead to the Employer passing on costs to the member, as this structure facilitates, so possibly some incentive or requirement for employers to cover costs that they would typically cover in stand-alone arrangements.</p> <p>The question of master trusts for small schemes needs to be considered very carefully. It is not clear that master trusts such as the sector wide ones which have developed in Australia would deliver better member outcomes.</p> <ul style="list-style-type: none"> <li>- Would there be space for lay trustees or an independent committee focused on member value? Without this, is there any benefit to having trustees over and above a contract based solution?</li> <li>- Potential lack of transparency with all costs borne by the members</li> <li>- Can costs, such as risk costs e.g. income protection chip away at members funds? These are generally separate in individual employer plans but can be an included feature of master trusts in some countries</li> <li>- Master trust building up excessive funds (or not enough) and how to monitor this. A solvency regime may be needed.</li> </ul>
<p><b>Q26</b></p>	<p><b>Do you agree with the issues identified by the Authority? Are there any additional issues that you would raise in relation to the operation of master trusts?</b></p>
<p><b>A26</b></p>	<p>Tracing lost members has been a big issue in some countries and this should be addressed from the outset.</p> <p>There needs to be a strong governance structure and levels of independence in a master trust structure where it is likely the employer won't be as engaged as they would in their own schemes.</p> <p>The solvency requirements for master trusts need to be robust and there needs to be a clear process for any failures of master trusts where significant costs could be incurred in unravelling that.</p>
<p><b>Q27</b></p>	<p><b>Do you agree with the proposed requirements that should be placed on master trusts? Are there any additional requirements that you would suggest to ensure good governance in master trusts?</b></p>
<p><b>A27</b></p>	<p>The management of conflicts of interest will be one of the main issues as most of the companies likely to operate master trusts will also be marketing investment and other products. How can the trustees not be conflicted? In a market the size of Ireland it is hard to see more than a small number of master trusts. There should be some mechanism for effective member engagement as the member trustee election provisions do not apply to multi-employer schemes. There should also be a mechanism for employer engagement.</p>



<b>Q28</b>	<b>Do you see the proposals giving rise to regulatory arbitrage? If so, at what points in the process do you see this arising?</b>
<b>A28</b>	No
<b>Q29</b>	<b>Are there any other issues relating to the authorisation or operation of master trusts that you would like the Authority to consider?</b>
<b>A29</b>	<p>There should be a means of ensuring independence of service providers and a means of continuing to ensure the interests of the members are best served.</p> <p>A more proactive role by Authority in pre-approval of such Trustees with more exacting verification and review is a possible approach.</p>
<b>Q30</b>	<b>Are there any methods that you would suggest to facilitate the transfer of existing schemes into master trusts?</b>
<b>A30</b>	<p>There is a risk that a current scheme, where the employer pays the administration costs, would be transferred to a master trust where those costs are built in and charged on the members' funds. There are means of making it more difficult for individual employer funds to continue but existing good schemes that already meet the standards the Authority is trying to achieve should continue to have a role.</p>
<b>Other issues (page 32-33)</b>	
<b>Q31</b>	<b>Are there any other matters relevant to funded supplementary pensions that you think should be included in consideration of reform?</b>



<p><b>A31</b></p>	<p>There needs to be certainty in the system and the role of tax incentives, the State pension and universal pension savings needs to be clear. There are other, much wider, issues that need to be addressed such as underfunding and the need to encourage greater savings.</p> <p>The role of trustees preparing members for post-retirement is crucial.</p> <p>The current restrictions on fund choices for standard PRSAs will need to be relaxed or removed.</p> <p>There needs to be consistency on tax relief available for PRSAs (Age Related Contribution limits and the Earnings Cap when compared to the equivalent Occupational Pension Scheme). Need to consider extending the maximum funding limits for Occupational Pension Schemes to include new PRSA-DC arrangements. The choice between trust and contract arrangements should be cost neutral.</p> <p>A range of well-regulated Master Trusts will offer higher standards/levels of security to ensure that savings are secure and protected. There may need to be a solvency regime for master trusts.</p> <p>More emphasis is needed on communications and demystifying terminology. While disclosure and communication issues have not been dealt with in this Consultation, they are crucial to simplifying the system. We need to move away from a very prescriptive basis of what must be disclosed and how (e.g. in writing), to a position where we can provide members with engaging communication focused on the essential information they need to make informed decisions. The provision of such information by electronic means is also key.</p> <p>There should be a central database or common data standards, based around PPS numbers, to ensure members can be traced and paid their benefits.</p> <p>There should be greater co-ordination between regulators and Revenue to ensure rules and guidelines are consistent.</p> <p>The role of the State Pension and possibility of a universal savings scheme need to be clarified and integrated.</p> <p>With the potential for more members with relatively small benefits the Revenue rules around dealing with small amounts should be re-examined.</p>
<p style="text-align: center;"><b>Transition (page 34-36)</b></p>	
<p><b>Q32</b></p>	<p><b>Do you agree with the objectives of transition set out on page 34?</b></p>



<b>A32</b>	<p>It is hard to see why implementation is delayed until 2021 for the 2-100 member schemes as, theoretically, these are where the Authority see the greatest issues?</p> <p>The proposed reforms represent considerable change for Irish pensions, and many trustees and their employers will need to decide whether to make the necessary changes to their current scheme or to move to a new scheme. Where smaller schemes are being transferred to multi-employer schemes will member consent be required or will trustees need to ensure the transfer is in the interest of the members?</p> <p>The transition arrangements will need to allow adequate time for the proposed changes and to enable for sufficient time for the people to gain the required trustee experience and/or qualifications.</p> <p>Trustees, sponsoring employers and their advisers will also need time to understand the new obligations, identify the appropriate approach and implement it.</p>
<b>Q33</b>	<b>Are there any other issues which you think should be taken into account in transition?</b>
<b>A33</b>	<p><b>Public confidence and understanding</b></p> <ul style="list-style-type: none"><li>➤ Even in schemes that spend a lot of money on communication, the engagement with members is often still low. How is it planned to increase engagement when there is no silver bullet? How would it be measured?</li></ul> <p><b>Regulatory approach</b></p> <ul style="list-style-type: none"><li>➤ How much extra resource and staff will the Authority need to regulate Pension schemes in more detail and in cases take over the running of them – who will pay for this and could it result in higher member costs?.</li></ul> <p><b>Current compliance and governance standards</b></p> <ul style="list-style-type: none"><li>➤ Administration – if the administration is poor, poor record keeping etc., it will reduce confidence in pensions. The Trustees rely on the Scheme Administrator to do their job, what can the Trustee practically do to keep on top of this or do they have to wait until an issues arises before they know something is not right? Should the Pension Authority have Merit awards for or authorisation of Administrators, or publish details of their audits of Registered Administrators?</li><li>➤ The Trustees have the responsibility for governance of the scheme but they are not experts, hence they outsource some of the work. It is important that the firms they outsource to are approved to do the work and this is something the Pensions Authority should look at also.</li><li>➤ There needs to be guidance on the level of detail trustees need to have in relation to the running of the scheme. There are a lot of areas that may not be at the forefront, such as custodianship, that trustees may not fully understand the detailed mechanics.</li></ul>





	<p><b>Section 3 - Overview of proposal for reform</b></p> <ul style="list-style-type: none"><li>➤ There are a number of aspirational statements in the Consultation document that will need to be clarified if it is expected that trustees will have to measure them:<ul style="list-style-type: none"><li>○ “Pension scheme savers should find it easier to understand the Pension system and should be supported to make the necessary decisions”</li><li>○ “Members better supported to make more informed choices”</li><li>○ “Scheme that are run efficiently and provide good value for money”</li><li>○ <b><i>All this will cost money, who will pay? What is value for money?</i></b></li></ul></li><li>➤ Even when you do spend the money, it is still very hard to get members to engage or make decisions. There has to be a realisation that the majority of DC will never engage and there needs to be some way of protecting them. The biggest risks they will face may be when they leave the Scheme, then they are on their own. Any reform proposal should look at the full picture including after the member retires.</li></ul>
<b>Q34</b>	<b>What is your view on the transition proposals for existing schemes of 2-100 members?</b>
<b>A34</b>	Hard to see why we are delayed until 2021 for the 2-100 member schemes as theoretically these are where the greatest issues are.
<b>Q35</b>	<b>Are there specific provisions that you think should apply to single member schemes?</b>
<b>A35</b>	<p>A way will need to be found to efficiently(in bulk) transition existing 1 person schemes and other small schemes into either a master trust, or contract based arrangements.</p> <p>If it was decided that a contract based solution was appropriate for all 1 person schemes, then this could be done without incurring significant cost of advice on a case by case basis.</p>