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Welcome

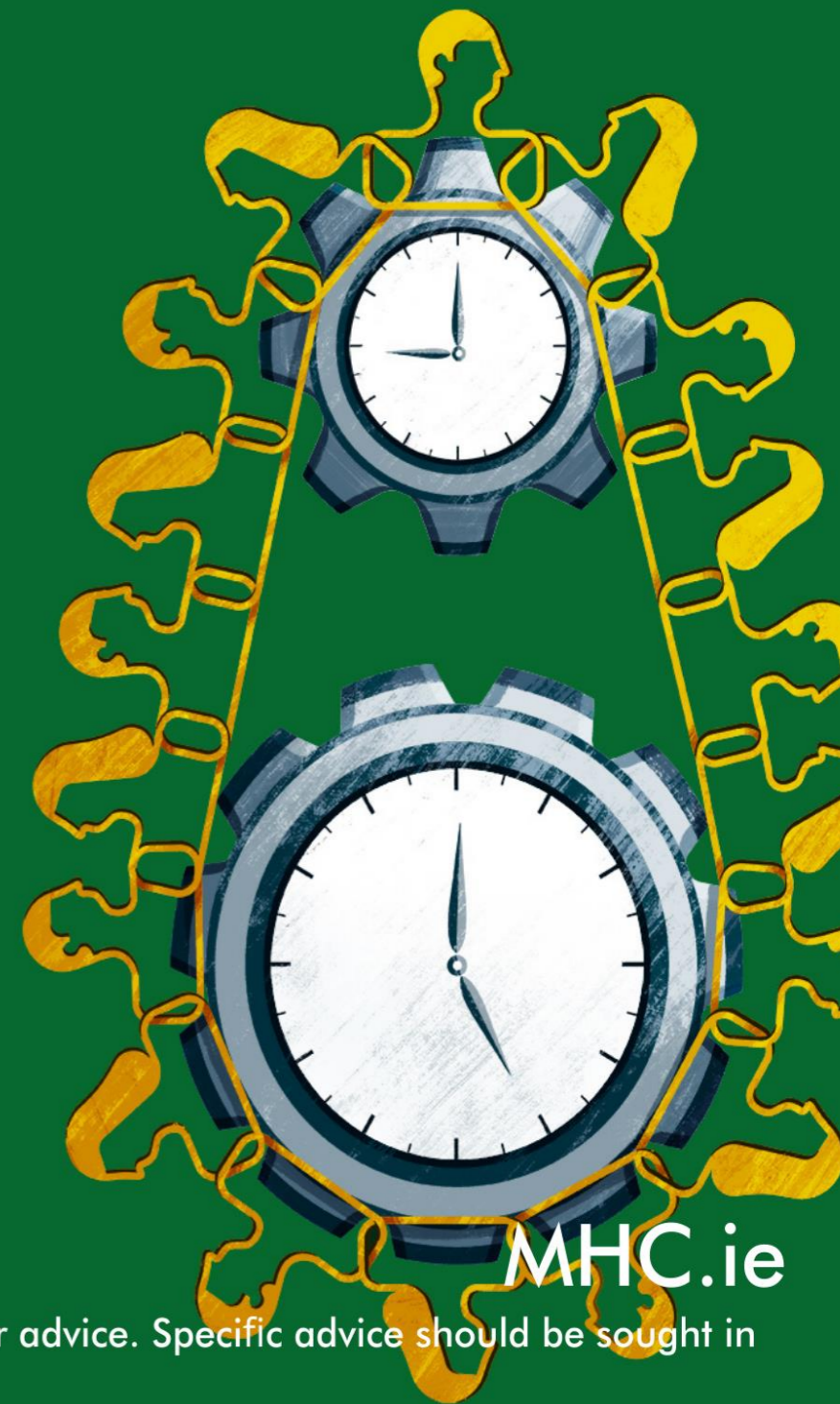
Please note this webinar will be recorded

Pensions Update 2022: IORP II & The Journey Ahead

We will begin shortly.....

Dublin London New York San Francisco

The contents of this video are to assist access to information and do not constitute legal or other advice. Specific advice should be sought in relation to specific cases.

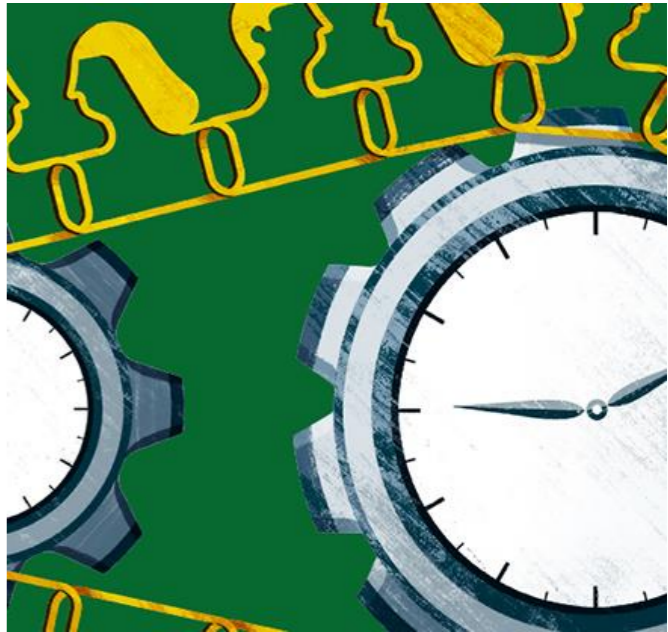
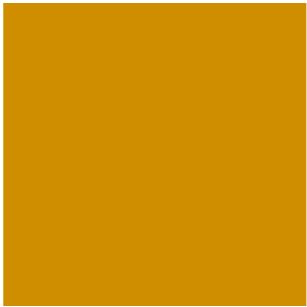
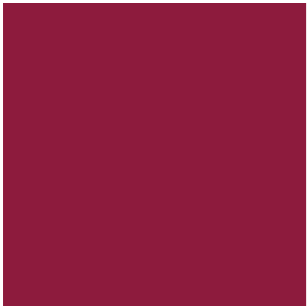


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Pensions Update 2022: IORP II & The Journey Ahead

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Jerry Moriarty, CEO, IAPF



Agenda

- The Pandemic & Pensions
- The European Union (Occupational Pension Schemes) Regulations 2021
- The Pensions Authority's Code of Practice
- Timelines, Policies and Procedures
- The Master Trust
- The Future

The Pandemic & Pensions

- Business Continuity Plans – Worked Effectively
- Some Suspension of Contributions – Not For Long
- Trustee Meetings – Data Protection Issues
- Funding – No Cliff Edge. No Knee-Jerk Reactions
- No State Scheme To Cover Pension Contributions
- Death in Service



Transposition of IORP II - Overview

- European Union (Occupational Pension Schemes) Regulations 2021:
 - Transposed the IORP II Directive into Irish law – 22 April 2021
 - Apply to all Pension Schemes & Trust Retirement Annuity Contracts
 - No derogation for one member arrangements
 - Significant changes to the Pensions Act 1990 and existing regulation

Transposition of IORP II - Purpose

- Purpose of the Regulations:
 - Ensuring Good Governance
 - Enhance Scheme Risk Management
 - Improve Communication
 - Encourage Cross-Border Activity
 - Increase the Pensions Authority's powers of intervention



Transposition of IORP II - Changes

- The changes at a glance:
 - Trustee Boards – Minimum Qualification & Experience
 - Key Function Holders – Risk Management, Actuarial, Internal Audit
 - Written Policies – Internal Audit, Risk Management, Remuneration, Data Strategy and Fit & Proper
 - Standards for Internal Controls
 - Revised Communications
 - Big Changes for One Member Arrangements

Transposition of IORP II - KFHS

- Key Function Holders:
 - Risk Management
 - Internal Audit
 - Actuarial Function (If Required)
 - Good repute and integrity requirements for KFHS
 - Qualifications, Knowledge & Experience requirements
 - Actuarial & Internal Audit Functions – Professional Qualifications
 - Internal Audit – Standalone
 - Employer & Trustee can share KFHS once written conflict of interest protocols in place
 - KFHS report to Trustees. Trustees decide what (if any) action is required.
- Indemnity Issues

Transposition of IORP II - Application

- The Regulations apply to:
 - Defined Benefit schemes
 - Group Defined Contribution schemes
 - One Member Defined Contribution schemes (such as SSASs)
 - Trust RACs
 - Small Trust RACs
- The Regulations do not apply to:
 - RACs (Personal Pensions)
 - Buy-Out-Bonds (Personal Retirement Bonds)
 - PRSAs
 - Approved Retirement Funds

The Authority's Code of Practice

- The Pensions Authority's Code of Practice:
 - Aim of the Code is to provide trustees with assistance in becoming IORP II compliant
 - The Code contains policy and procedures requirements for:
 - Trustees of occupational pension schemes and trust RACs
 - Scheme KFMs being the holders of the risk management and internal audit functions
 - Other regulated entities & service providers

The Authority's Code of Practice

- The Code sets out the minimum expectations for all schemes - but trustees can implement additional measures
- It is seen by many stakeholders as overly prescriptive
- Does not allow for dilution of some of its requirements for smaller schemes on proportionality grounds
- Achieving compliance with the Code will be particularly difficult and costly for smaller schemes



The Authority's Code of Practice

- The Code requires:
 - The creation of a range of policies covering most aspects of the new Regulations
 - The establishment of procedures dealing with the appointment of KFJs, trustee meetings, scheme accounts, internal controls and plan management
 - The review of scheme administrator and investment manager performance on an ongoing basis
 - A contract to be in place for:
 - Each investment manager
 - The scheme administrator
 - The depositary (if applicable)
 - All outsourced services

Timeframes - Code & Regulations

- Regulatory Timeframes:
 - New investment rules – 22 April 2021*
 - Minimum of two compliant trustees – 31 December 2021
 - Annual Compliance Statement – 31 January 2022
 - Pension Benefit Statement – 31 December 2022
 - Full compliance with the new Regulations – 1 January 2023

*Derogation for one-member arrangements established before 22 April 2022 for existing investments and borrowings

Policies – Code & Regulations

- Policy Requirements:
 - Remuneration Policy - review every 3 years
 - Data Strategy - review annually
 - Member Engagement Policy - review every 3 years
 - Risk Management Policy - review to be specified in policy
 - Internal Audit Policy - review every 3 years
 - Trustee Information Policy - review annually
 - Fit & Proper Policy for trustees and KFHS - review every three years
 - Administration Policy – no set review requirement
 - Environmental, Social & Governance Policy – review every 3 years

Procedures – Code & Regulations

- Procedural Requirements:
 - Procedure for Plan Management – review every 3 years
 - Appointment of KFMs and service providers – review every 3 years
 - Trustee Meetings – review every 3 years
 - Internal Control Frameworks – review annually
 - Statement of Investment Governance – review every 3 years
 - Accounting procedure – review every 3 years

IORP II Issues

- Annual Benefit Statement/Pension Benefit Statement
- Cross Border Transfer Consent Issue
- Pension Adjustment Orders (MT Issue)
- Policies – What to Include?
- IORP II Doesn't Apply to Public Sector Schemes
- Single Member Schemes – Feeling Aggrieved
- High Cost of Compliance
- Tracking Deferred Members
- Investment Issues – “Regulated Markets”



Master Trusts - General

- A small number of providers at present in Ireland
- Pensions Authority's Master Trust Engagement Programme 2020 – identified some issues:
 - Governance structures
 - Occurrences of conflicts of interest – corporate trustee/founder
 - Lack of business continuity planning
- Will become far more widespread with the transposition of IORP II and with Auto-Enrolment on the horizon



Master Trusts - General

- The move to master trusts is being driven by:
 - Increased governance costs and regulatory burden due to the transposition of IORP II
 - Economies of scale
 - Professional trusteeship
 - Access to in-house expertise for investments and compliance
 - Auto-Enrolment

Master Trusts – Code of Practice

- The Code of Practice Requirements for Master Trusts:
 - A minimum set of standards for service providers
 - Agreed steps for the removal of service providers
 - Decision to remove a service provider must be objective (no influence from founder)
 - Where capitalisation requirements are breached a report must be made to the Pensions Authority
 - Must maintain a capital reserve of €100,000
 - Continuity plan must be in place
 - The trustee must be a Designated Activity Company
 - Written policy on engagement with members/employers

The Road Ahead

- Increased Scheme Consolidation
- Master Trust Growth
- Increased Costs
- IORP III?
- DB Schemes
- Professionalism of Trusteeship
- Auto-Enrolment
- Pensions Gender Gap
- Increased Cross Border Activity



Thank You – Questions?

Please email Stephen at sgillick@mhc.ie

