PENSIONS COUNCIL

Meeting on Thursday 27 September, at 3.30pm
Verschoyle House, 28/30 Lower Mount Street, Dublin 2

Attendance: Jim Murray (Chairman)
Helen McDonald
Roma Burke
Shane Whelan
Sandra Rockett
Kirstie Flynn
Marie Louise Delahunty
Brendan Keenan
Sinead Ryan
Conor McGinn

Apologies: Brendan Kennedy

Also present: Alice Kearns (Secretariat)
Brian Purcell (DEASP)
Robert Nicholson (DEASP)
Tim Duggan (DEAS

1. Adoption of agenda

The proposed agenda for the meeting was agreed.

2. No new conflict of interest

No new conflicts of interest were declared.

3. Approval of minutes

The draft minutes of the meeting held on Thursday 19 July were approved with one change to Item 6 'Taxation of Pensions'. The reference to retaining EET was removed.

To Do List from previous meeting

Circulate note regarding Supplementary Pensions meeting in Galway. Thursday 27th September

Decision regarding changing next meeting to Thursday 27 September – now set for 27th September. The Council agreed this decision.

GDPR Regulation. BP is to circulate information on the GDPR as it would apply to the Council. This item was addressed in item 7.

JM to update Council re Replacement of Tony Gilhawley via State Boards. The Chairman noted the letter received from Minister Doherty regarding this matter. Helen McDonald stated that, with Brian Purcell, she would try to move forward on this.. She will then update the Council on the matter.

Prepare briefing material (DP)
This item was not discussed.

4. Master Trusts - Pension Authority consultation, and advice to Minister.

Chairman asked the members to discuss the submission of the Council to the Pensions Authority regarding their consultation on Master Trusts. Council members discussed Roma Burke's suggestions on this issue. It was noted that companies managing a master trust would involve charges. Kirstie Flynn noted issues including the capital requirements for Trustee Companies, possible conflicts of interest, whether master trusts will genuinely be trustee led and the consultation paper's statement that there will be no contractual link between the master trust and the company. The Council members noted a number of other issues including:

- The possible interest of foreign investors in master trusts
- Costs attached to moving to new providers for master trusts
- The position Intermediaries between the customer and the provider
- Assumptions regarding the number of people in master trusts
- Absorption of small schemes into master trusts
- Whether master trusts will be cheaper to administer
- Whether master trusts will reduce the number of small schemes
- The relationship between master trusts and auto enrolment.

Jim Murray noted the Council's agreement regarding issues on the independence of master trusts. He also noted the view that the consultation paper does not sufficiently discuss the risks associated with master trusts and providers, and what controls would mitigate against these risks. In Roma Burke's view some proposals are unworkable - for example the removal of all conflicts of interest between the facilitators of capital and control of master trusts.

Jim Murray requested Council Members to submit their comments to him by Friday 5 October 2018.

5. IDRTG Consultation – continue discussion

The Council discussed the tax relief associated with pension schemes. Members noted that the tax relief approach was not effective in extending coverage and was arguably unfair in its current form. The Council agreed that a top-up system should replace the current system of tax relief, but left to a later discussion the question the quantum of the top-up and how it might operate.

6. Automatic Enrolment Consultation

The Council began discussion on the “Strawman” the Department’s consultation paper on the proposed new scheme of Auto Enrolment.

Individual members raised a number of different points or queries, including, in no particular order, the following:

1) To be successful, AE should reach a critical mass of contributors.

2) The end point of 6% of gross pay would be difficult for those on lower incomes – amounting for example to about 10% of net pay for a single person on a gross salary of €50,000. Contributions might need to be tapered at lower salary levels.

3) It was thought likely that most contributions would be funnelled into the default or least risky investment option. For younger contributors this might not be the best option since a slightly more risky option, with hope of higher returns was usually recommended for young people at the beginning of a lifetime of contributions.

4) It was important that contributors could see visible gains in their “pension pot” and it would be easier to achieve this aim with a top-up model as recommended by the Council and not by way of tax relief.

5) There could not be a state guarantee on the level of final pension for contributors – AE is a defined contribution scheme. There might be some possibility of a minimum guarantee, perhaps of the employee’s contribution but there were difficulties even with this approach. It was suggested that investments in indexed linked government bonds might provide more security.

6) The Strawman had little to say on decumulation and a great deal of work needed to be done to devise better options at retirement stage.

7) The scheme had little to offer the self-employed especially those on lower incomes.

8) The meeting joined by Robert Nicholson and Tim Duggan for a question and answer session during which a number of points were made, reflecting current thinking rather than fixed policy at this stage.

9) Larger employers tended to accept the proposed scheme as a strategic necessity but smaller enterprises were rather hostile. The operations of the scheme should be designed to reduce the administrative burden for all employers as far as possible, and indeed should be less burdensome than is the case at present for private pensions.

10) Indications to date from the UK suggested that AE had not generally put downward pressure on wages. However, the full economic impact of the scheme, on GDP for example, needed to be studied and the ESRI were working on this issue, at the request of the Department.

11) One of the (many) roles of the CPA would be to ensure transparency on providers' charges in a manner that was comprehensible to contributors.

12) It was not envisaged that AE savings would be taken into account in determining eligibility for non-contributory state pensions.

13) It was vital that contributors and potential contributors be given and have access to understandable information about the scheme and feed- back on its progress. There were details to be worked out here, including the relative responsibilities of the CPA and providers in the provision of information. An overall communications strategy had yet to be developed.

14) It had not been seen as practicable to make the scheme a fully compulsory one – it would be seen as just another tax and as such would be greeted negatively.

15) A contributor who opted out would receive a return of his/her contributions, with the employer's contribution remaining within the system.

16) It was hoped and envisaged that the target of 6% of contributions would be reached in time, subject to learning from experience leading up to that date.

17) It should be easy to transfer a private pension or a deferred pension (or a PRSA?) into the scheme although there would be complications in moving a scheme based on tax deductions into a different type of scheme that might be based on a top-up of contributions.

18) It was presumed that a member who opted out and opted back in later would then be in the scheme for life. As a general principle the conditions for opt out or suspension would be limited rather than broad.

19) It was not envisaged that the system would be adapted for the self-employed but the Department was open to receiving ideas and suggestions on this point.

20) It was envisaged that proposed four providers would in time each have about 100,000 members. (It was thought that around 90% of contributors would be in the default option for investment funds.)

GDPR Regulation – implications for Council.

It was agreed that Brian Purcell would send an email to Council Members with draft GDPR documents and a decision would be made regarding GDPR documents that need to be published to the website.

7. Meetings with Central Bank and CCPC – re ARFs, BOBs etc.

This item was not discussed.

8. Taxation and Pensions

This item was not discussed, except for the Council's agreement in favour of top up instead of tax relief.

9. Times of next Council meetings – 3.00 – 6.00PM?

It was agreed that Council meetings would begin at 3pm in future.

10. AOB

Brendan Kennedy and Sinead Ryan are to meet the ESRI regarding their project on gender. Sinead Ryan agreed to request deliverables by Christmas.

11. Next meeting

The next scheduled meeting is on 18 October at 3.00pm at Verschoyle House.

12. To-do list

Draft Opinion on Master Trusts for PA Consultation	JM/All
Circulate note on GDPR Regulation	BP
Replacement of Tony Gilhawley	BP/HM
Check progress in ESRI gender study	SR/BKEN