



An Chomhairle Pinsean The Pensions Council

Pensions Council Meeting

15 December 2021 @ 3pm

Venue: MS Teams

Minutes

Council members in attendance:

Roma Burke (Chair) (RB)
Clare Dowling (CD)
Stephen Gillick (SG)
Munro O'Dwyer (MD) (joined at 15:22)
Tim O'Hanrahan (TH)
Joanne Roche (JR)
Brendan Kennedy (BK)

Council members apologies:

Eoin Dormer (ED)
Deirdre Cummins (DC)

Also present:

Christine Lutz (secretariat)
Marco Carlesso (note taker, secretariat)
Roisin Power (RP)

Quorum: Quorum present – 6 members present (6 required for Quorum)

The Chair opened the meeting stating that the last quorate meeting was in September. As the October meeting was not quorate, a discussion was held but no decisions were made. The November meeting was re-scheduled to December to ensure a quorum.

Conflict of interest:

No conflicts of interest were declared by the Pensions Council (PC) members and all members confirmed there were no relevant changes in circumstances to be reported.

Operational matters

RB provided the PC with an update on the recent recruitment campaign for new PC members. In accordance with the State Boards process, applications were reviewed for compliance with the stated criteria by a subcommittee and a shortlist identified. The

Minister will select up to four candidates, with new appointments expected in early 2022.

All members present confirmed they are now happy to use the online meeting tool for meetings.

4. Minutes and Matters arising

The minutes for the September meeting were approved. The notes from the October meeting were noted.

5. Developments in the pensions' environment

BK informed the Council that the new Code of Conduct for Trustees was published. The Pensions Authority (TPA) expects Master Trusts to be compliant by 1 July 2022, while other schemes have varying compliance timelines (latest 31 December 2022). BK also stated that TPA will publish a summary of its findings from the 2021 engagement programme. RB queried when TPA would publish the employer's guide to Master Trusts. BK answered that the publication was imminent.

In respect of the trustee "fit" requirement, JR asked BK about allowing grandfathering for trustees who have many years of industry experience, but no professional designations. BK stated TPA had carefully considered the issue of grandfathering. The Directive specifically referenced qualification requirements and he confirmed there would be no grandfathering.

CD provided an update from the Department of Social Protection (DSP). CD said that approval in principle was received to move forward with Auto Enrolment. From January 2022 the DSP will commence setting up the new Central Processing Authority and designing the heads of the bill. RB queried whether it was possible to know how long the next phase would take and CD answered that the legislative process tended to take time. However, it was not expected that the AE design would diverge much from the Strawman.

SG observed that there may be potential job losses in the pensions industry after the introduction of AE. There was a discussion around this topic. TH observed that in many other sectors, like tech and banking, companies are trying to innovate to do more with less (this may include employing fewer people), leading to lower costs for consumers. JR stated that with IORP and Master Trusts, firms may need more staff in the areas of compliance, risk, investment, and actuarial. BK said that AE would expand the pension footprint, with ultimately more people having a pension and therefore more money to invest in Irish pensions in the long term. AE should reach the parts of the working population where the commission-driven model of pension savings has failed.

6. Strategic work in progress

RB referenced that work on ESRI Housing Research and the Gender Pensions Gap was progressing.

The discussion on Pensions Cost Transparency that commenced in October resumed. Amongst the Council, there was consensus about the importance of cost transparency. RB said that in her view, the market was reasonably competitive, but with consolidation this situation might change. The analysis of charges should

however be straightforward, citing that many pension schemes were providing complex ECB returns regularly.

BK highlighted the importance of distinguishing between insurance products and pension schemes, as while the former generally clearly stated the charges, the latter invested in assets from which charges are levied and therefore more complex. He did not agree that the analysis of charges was straightforward.

MD said that the competitiveness of the market depended on what the member paid for, stating that while the baseline was reasonably competitive, other costs may not be.

RB asked if transparency of charges should apply to Master Trusts, and if so, should it apply to all investment choices or just the default. MD was of the view that it should apply only to default funds. MD pointed out that the priority should be to assist people who are struggling with concepts and that things should be kept as simple as possible to allow easy comparison. BK added that TPA felt that around 90% of fund choices made should be in favour of a default fund. He added that it was important to focus on who the decision maker was and who the information regarding reducing charges was aimed at. BK continued that only employers and trustees are decision makers in occupational pension schemes. Trustees are often not able to make choices on charges as charges may have been decided at inception of the scheme before the trustees' involvement. TPA's position is towards enabling trustees to take control of the charges that members bear. However, it may be difficult for trustees to take control of charges that are made up of commission and distribution costs.

MD mentioned the role of advisers, saying that despite not having control over the scheme, they are influencers of the decisions that are made. BK answered that if it was the employer who bore the cost, then those charges were irrelevant.

RB asked what the consensus in the Council was regarding the target audience and who the information should be provided to.

MD responded that the information on charges should be provided at an institutional level. Other members agreed.

RB asked if the information should come via the trustee annual report. MD said that this could be a solution. TH said that there is already lot of disclosure in PRIIPs, and that in AE, charges would be centralised. The members agreed that the focus is on decision makers, like employers and trustees. RB asked if disclosure should be voluntary or compulsory. BK's view was that they should be compulsory. The Authority would expect trustees to challenge the costs as a key part of their job. TH added that an appropriate disclosure should lead to appropriate behaviour in the marketplace, saying that a suggestion in this regard could be made at European level, noting EIOPA is keen on receiving inputs in regard.

RB invited RP to prepare a note on UK Nest.

RB asked the Council regarding an appetite for caps on charges. There was a discussion and the Council agreed that for now, caps would not be considered.

RB stated that the Council examined several models to inform their decision making, like the UK, Netherlands and Denmark. The Council agreed on the conclusion that the Danish model was worth considering, in particular.

RB asked to members for their opinions and comments. JR stated that a healthy and competitive market was important, noting that some products like ARFs and PRSAs were not competitive. BK stressed the importance of publicly available disclosure. RB suggested that the PC could consult with industry stakeholders to ensure they were not working in a silo noting that the PC consulted before and received valuable inputs from the industry.

RB also suggested to incorporate in the report suggestions on AE, to enable people to compare costs in AE and Master Trusts. The report should also set out how any suggestions will help not only with transparency, but also be useful to consumers.

It was agreed that BK, MD and RP would produce a first version of a report on charges transparency within two months and that they would meet before then to progress.

7. AOB

RB informed that she was invited to write an article for the LIA about what the PC does. This will appear in their newsletter next year.

It was agreed that PC meetings for next year would be scheduled by the Secretariat to take place once a month, excluding August.

8. Next Meeting

TBC

Action Items:

No.	Action Details	Person responsible	Date to be completed:
1	Roisin Power to prepare note on Nest	RP	Before January PC meeting
2	BK, MD and RP to meet before Christmas and to start the paper on cost transparency	BK, MD, RP	Paper by mid-February 2022