An Chomhairle Pinsean
The Pensions Council

Pensions Council Meeting

19 October 2022 @ 3:00 pm

Venue: MS Teams

Minutes

Council members in attendance:
Roma Burke (Chair) (RB)
Stephen Gillick (SG) (left at 15:58)
Brendan Kennedy (BK)
Ciara McLoughlin (CML)
Munro O'Dwyer (MD)
Tim O'Hanrahan (TH)
Rob O'Toole (ROT)
Joanne Roche (JR)

Council members apologies:
Deirdre Cummins (DC)
Clare Dowling (CD)
Olive Gaughan (OG)

Also present:
Marco Carlesso (note taker, secretariat)
Christine Lutz (secretariat)

Quorum: Quorum present – 8 members present (6 required for Quorum)

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1. Conflict of interest:
No conflicts of interest were declared

2. Adoption of Agenda:
The Agenda was approved by the members.

3. Operational matters
Following an email received by the Chair regarding a possible meeting with representatives of the Minister for Social Protection, a brief discussion took place. The Council agreed that the Chair would reach out to the Minister's officials to offer a

meeting before publishing the reports on Pension Cost Transparency and Gender Pension Gap.

4. Minutes
The minutes for the September 2022 meeting were approved. The Chair acknowledged the value and insights gained from Declan Tuomey's presentation during the previous meeting.

5. Developments in the pensions' environment
The Chair (RB) noted CD's apologies and asked the Pensions Regulator (BK) to provide an update on the pensions' environment.
BK stated that his update would focus on compliance and enforcement matters for the Pensions Authority (Authority) as well as summarise the learnings from the recent Liability-Driven Investment ('LDI') issues experienced in the United Kingdom.
LDI is an approach used by some defined benefit pension funds to help enable the value of their assets (i.e. their investments) to move in line with the value of their liabilities in response to changes in market conditions, particularly interest rates. As interest rates rose in the UK, this meant that many schemes had to sell their gilts (UK sovereign bonds) to meet cash commitments under LDI. He noted that similar issues as observed in the UK were less likely to happen in Ireland due several factors: fewer schemes use LDI, the level of gearing tends to be lower and Irish schemes hedge against euro interest rates, which are more diversified than just UK gilts. He stated that the Authority would consider LDI structures in depth in the following weeks.

RB highlighted that some trustees might lack a full understanding of the risks associated with a complex financial instrument like LDI. BK noted that LDI have a strong correlation with the size of the scheme, as larger schemes are more likely to adopt complex investment strategies. Such schemes are more likely to have a risk management function in place.
BK then highlighted that especially in a post IORP II environment, it was essential that trustees are completely aware of their responsibilities and fully understand all associated risks.TH acknowledged the complexity of this area and offered to share with the Council a letter from the Bank of England to the Chair of the Treasury Committee setting out commentary on their intervention in the gilt market and some material from the Dutch Central Bank.

BK then spoke about Irish schemes' compliance with IORP II. While no significant concerns emerged from Master Trusts, BK outlined his concerns about the current levels of compliance of one-member arrangements (OMAs). He highlighted that the Authority was engaging with insurance companies and stated that he was pleased to note that they are developing programs to move their OMAs into a compliant environment. He also noted that some insurance companies offered more than one Master Trust. BK stated that while the Authority had carefully considered criticism received from some stakeholders about compliance deadlines, the Authority's position had not changed. BK then acknowledged that, due to different tax limits, professionals who incorporate themselves as a company could historically have saved more in an OMA than in a PRSA; he said that he anticipated possible updates in the upcoming Finance Bill which was due to be published on the day following this meeting. He then pointed out that while the OMA sector was relatively small, it was significant in terms of assets held.

TH enquired as to members knowledge of what is happening in the marketplace.
RB noted that, as no insurance company was currently offering OMAs, pension savers could only use PRSAs. This could penalise savers as they might not be able to contribute as much into their pension and hence this could negatively affect their retirement in the long term. CML highlighted that PRSAs have traditionally had higher fees compared with OMAs and thus were not so popular in the marketplace. CML asked BK for information about stakeholder queries regarding pension adjustment orders in Master Trusts which were forwarded to the Authority. BK agreed to investigate this and to provide a response directly to CML. SG left the meeting at 15:58.

6. Strategic work in progress
Tax free lump sum paper
The Chair thanked OG, CML, and RT for the work done so far, and asked for a verbal update. RT said that work was still progressing, and that an initial draft would be shared with the Council at the November meeting.

ESRI Housing Research
The Chair praised the work done by the ESRI to prepare the paper and stated that while the Council commissioned the research paper it did not contain a Council opinion. She then asked the Council to have a discussion with the view to preparing a brief report for the Minister outlining the Council's position.

RB noted that in the Roadmap the target for retirement was to replace 50-60% of pre-retirement income. However, this figure was built on the premise that retirees would have secured housing. According to the data collected and presented by the ESRI, around 98% of the retired population either own their home or are living in an affordable, supported rented accommodation. As the ESRI estimates a 65% home ownership rate at retirement for the current 35-44 age cohort, this could potentially lead to increased risk of old age poverty and/or to a substantial increase of cost to the Exchequer if more older people also have housing costs in retirement. People could save more for retirement, but this may not be an option for many, given other commitments and cost of living. While she acknowledged that the Council were not experts in home ownership measures, she asked whether the Council felt that they had a role to play to utilise the existing system to assist people in getting on the property ladder and bring about a sustainable retirement.
A broad discussion followed, with the Council analysing the different measures considered by the ESRI to increase home ownership.
CML stated that in Italy provisions are made to grant early access to pension funds in specific circumstances, including the purchase of a home. TH added that in New Zealand similar provisions are available, and that it would be useful to gather some data on it.
The Chair agreed to carry out further research about similar measures in other jurisdictions, to gather further insight on this option.
TH noted that a key issue seemed to be the limited supply of properties available on the market. He then pointed out that even if people were allowed to borrow more, the

scarceness of properties available might lead to a price increase without significant changes in the home ownership ratio. He suggested to check interaction with other government schemes, and to scrutinise the issue preventing people from purchasing their home: was it a lack of deposit, property prices, or that earnings were not sufficient to sustain a mortgage?
CML stressed the importance of highlighting the potential future cost for the State in terms of the possible drastic increase of housing support applicants if the situation was not timely addressed.
RB referred the Council to table 3.2 in the ESRI report. This showed that changing the loan-to-income borrowing rule does not lead to an increase in home ownership, however a larger deposit does lead to a material increase in home ownership (5.8 percentage points), even taking account of a knock-on impact on housing prices. She suggested to allow access to a portion not higher than 25% of the value of the pension pot for those purchasing their first home. This would reflect the tax-free lump sum system currently in place. RT agreed on the importance to take measures to increase the supply of properties on the market and to build adequate infrastructure to support this.
The Council agreed on the preparation of a short letter setting out Council commentary on the ESRI paper to be sent to the Minister. ROT offered to assist the Chair with this task.

Decumulation Paper
The Chair quoted the content of correspondence from the Minister, who asked for the Council's views on how pensioners can be best served during the decumulation phase of their retirement plan. She mentioned that the Interdepartmental Reform and Taxation Group had recommended the development of a whole of life Personal Retirement Savings Account product. Decumulation issues are vital for customers regardless of how they plan to access their retirement savings especially given the welcome increase in life expectancy. A broad discussion followed.
The Chair noted the importance of considering that some people might be in a vulnerable situation as they age, and that therefore particular consideration to this should be given.
Other issues discussed by the Council included the importance of the role of receiving adequate advice and of financial education, the difficult task of balancing risk and returns, inconsistent spending patterns in different stages of retirement, and increasing life expectancy.
The Chair asked her fellow Council members to provide feedback in order to agree on key topics that will be analysed in a future paper on decumulation.

7. AOB
The Chair stated that she will give a presentation on the paper prepared by the Council on the Gender Pensions Gap at an event organised by the Society of Actuaries on the 14 November.
The Chair then reminded to the Council that a guest from the Central Bank will give a presentation regarding current research on decumulation during the December meeting, and thanked TH for arranging this.

8. Next Meeting

The next meeting is scheduled to be held remotely via MS Team on Wednesday 16 November 2022.

Action Items:

No.	Action Details	Person responsible	Date to be completed:
1	Contact DSP to ask for an indicative date to meet officials regarding the Minster's view on papers	Chair	Before end of October
2	Finalise updated draft Lump sum paper	OG, CML, ROT	November meeting
3	Further research about measures to access pension monies in other jurisdictions	Chair/AB	November meeting
4	Draft letter for Minister as Council commentary on ESRI report	Chair, RT	Before November meeting
5	Revert to Chair with proposal regarding key objectives of Decumulation Paper	All Council members	Before November meeting