

Pensions Council Meeting

20 October 2021 @ 3pm

Venue: MS Teams

Notes

Council members in attendance:

Roma Burke (Chair) (RB)
Eoin Dormer (ED)
Munro O'Dwyer (MD)
Tim O'Hanrahan (TH)
Joanne Roche (JR)

Council members apologies:

Clare Dowling (CDO)
Brendan Kennedy (BK)
Stephen Gillick (SG)
Deirdre Cummins (DC)

Apologies:

Roisin Power (RP)

Also present:

Christine Lutz (note taker, secretariat)
Ciaran Diamond (deputy for Clare Dowling)

Quorum: No Quorum present – 5 members present (6 required for Quorum)

Prior to the meeting a short training session took place on the online meeting tool facility. The Chair stated that the meeting was not quorate due to unexpected last minute absences. She advised that no decisions would be made at the meeting and the purpose was to initiate the discussion on cost transparency. On this basis the members present agreed to proceed.

1. Conflict of interest

No conflicts of interest were declared.

2. Adoption of agenda

The proposed agenda for this meeting was noted

3. Operational matters

The public appointments process to identify additional candidates for new Council member positions closed on 22 September 2021. New Council members are expected to be appointed in the next couple of months. RB will provide further updates.



4. Minutes and Matters arising

The draft minutes were reviewed, they will be approved at the next meeting

5. Developments in the pensions' environment

RB welcomed CD who attended the meeting on behalf of CDO.

CD provided an update in relation to Budget 2022 and mentioned the increase in the rate of the maximum state pension and qualified adult rate. He also referenced the Pension Commission report; the main recommendations of this report being:

- State pension age to gradually increase to reach 67 and 68
- Alignment of employment retirement age with the state pension age
- A Total Calculations Approach to be adopted as the only method for calculating State Pension eligibility
- Increases to class S and class A PRSI rates. Extend the PRSI base post age 66
- Additional recommendations on transparency and flexibility of access.
- Decouple state pension increases from the annual Budget process.
- Special considerations for Carers

CD advised that the recommendations would be referred to the Joint Oireachtas committee in approximately 6 months to decide if and how the recommendations will to be considered and implemented.

6. Strategic work in progress

RB referenced the three main work streams:

- **ESRI Housing Research** - work is ongoing
- **Gender Pensions Gap** - report is being drafted
- **Pensions Cost Transparency**

RB stated that the discussion for today's meeting was to look in more depth at Pensions Cost Transparency issues. RB stated that she wanted to introduce the following thoughts into the discussion:

- What was the scope of the exercise, was it DC only or Master trusts or broader (including AE)?
- In relation to DC schemes, was it all investment funds or default only?
- Does it include investment costs, other costs (eg admin), regulatory fees?
- Should it include just employee costs or also include costs incurred by employers?
- Who would use the information and who would oversee it?
- What would be the unintended consequences of such an initiative?
- How will an initiative drive better member outcomes?

RB opened the discussion and outlined what the Minister had referenced in her letter to the Council members, i.e. to look at the merits of a similar system to the cost transparency initiative (CTI) in the UK for pension providers in Ireland.



JR said that one could look at a voluntary approach first and then a move to mandatory (if required); this could be done on a consultation basis. A charge caps might act against member best interests. While it was good to have transparency, it might be difficult to achieve.

MD stated that in the media, the perception can sometimes be that charges are too high. In reality, there are many providers that offer competitive charges. It is important not to mix service costs with adviser fees. It is becoming easier to define charge information and many of the offerings in the Irish context have reasonably straightforward charging structures. MD referenced a presentation on the Danish approach which appears quite appealing. The Danes have cautioned against a system that results in charges which are too low (this can lead to sub-optimal outcomes). In MD's view, a system where providers compete against each other – with little regulatory interaction might be preferable. TOH was of the view that in some cases regulation can help, particularly when the balance of power is significantly in the favour of providers and not consumers.

RB observed that PRSA charges are set out in great detail in PRSA statements and she wasn't aware of any findings that showed that this disclosure had helped consumers. Therefore, providing extra information to consumers may not lead to better outcomes (as they cannot compare or contrast, particularly if they are in an occupational pension scheme and have no choice about the provider or charges).

There was a discussion on the scope of the request from the Minister and whether it included personal pensions and PRSAs. The Council understands the request to relate to occupational pension schemes (OPS). If personal pensions are included the exercise would be significantly more complex as it would include the provision of advice.

RB asked Council members whether only OPS should be within scope for this query. TOH observed that that AE will be a significant change and it would be important to reference it in the Council's analysis.

CD stated that the Department had already done a significant amount of work on this but the Government was the decision maker. CD added that the provision of the Central Processing Authority would have to be borne through costs on member contributions. The Programme for Government includes a charges cap.

RB asked if RP could do some research on what happened in UK with AE and the charging structure in the context of the CTI.

It was agreed that further discussion would take place at the next meeting and that the Danish system merited further analysis.

Nothing further.

7. AOB

None



8. Next Meeting

17 November 2021

Action Items:

No.	Action Details	Person responsible	Date to be completed:
1	RB to liaise with Roisin Power re doing research on what happened in UK with AE and the charging structure	RB	17 November
2	Review the Danish model	All members	17 November
3	Organise more training for online meeting tool	CL	17 November