
PENSIONS COUNCIL

Meeting on, Thursday 25 April at 3.00pm
Verschoyle House, 28/30 Lower Mount Street, Dublin 2

Attendance: Jim Murray
Kirstie Flynn
Sinead Ryan
Alan Flynn
Roma Burke
Shane Whelan
Conor McGinn

Apologies: Sandra Rockett
Brendan Keenan
Brendan Kennedy
Brian Purcell

Also present: Alice Kearns (Secretariat)
Roshin Sen (DEASP)

Minutes

1. Adoption of agenda

There were no additional items added to the agenda.

2. No new conflict of interest

No new conflicts of interest were declared.

3. Approval of draft minutes

The minutes of the meeting on Thursday 21 March were approved with minor edits made to Items 6 and 7.

4. To Do List from previous meeting

Council to consider the publication of the Gender Study
This item was discussed under Item 7.

Members to prepare comments on new version of ESRI paper Jim Murray to liaise with Sinead Ryan regarding publication and presentation of Gender Study on the part of the Council

Sinead Ryan informed the Council that the ESRI intend to publish the paper in early June 2019. The Council members agreed to draft edits to the new draft of the ESRI paper by Monday 6 May.

Consider change of quorum for Council meetings

This item was not discussed.

Jim Murray to invite Tony Gilhawley and Roma Burke to present their paper at the meeting on 20 June 2019

It was agreed that Tony Gilhawley and Roma Burke will present their paper at the meeting on Thursday 20 June 2019.

Jim Murray to review applications for Council appointment via State Boards

The Chairman updated the Council that the Minister is reviewing those applications that passed the essential requirements outlined in the Council advertisement.

Brian Purcell and Alice Kearns to review Council opinions, responses to consultations and noteworthy meetings

This was completed by Brian Purcell and circulated to Members of the Council for review.

Council members to consider end of term report for 15 mins at future meetings

The Chairman reminded Council members to consider the end of term report at future meetings.

5. Application for Judicial Review

It was agreed that Chairman Jim Murray would write to the Solicitor on behalf of the Council to inform them that the Council have no intention in engaging in the Judicial Review.

6. Update on Automatic Enrollment (Roshin Sen, DEASP)

Roshin Sen gave the following update to the Council concerning Auto Enrolment (AE). The Public Consultation Process on the Strawman was conducted from August to September 2018. This included roadshows where the Minister chaired seminars and engaged with the Public. In addition, there was an online survey conducted. 107 submissions were received from the Industry, trade unions and individuals. In March 2019, The Pensions Authority organized six focus groups as part of this process with a demographic of 10-65 year olds in different wage brackets across different industries. The Department also commissioned the ESRI to look at the macro-

economic impact of Auto Enrolment using the COSMO Model and the micro-economic impact using Welfare and Revenue data. They have also received technical support from the EU Structural Reform Process in terms of examining the role of the CPA (Central Processing Authority) and examining other systems of AE in terms of cost, resources and related implications. She noted that it was important to examine the State incentive and contribution rates of AE in terms of setting threshold limits and potential consequences of these.

Roshin stated that the views received on the Strawman were wide-ranging and welcomed questions from Council members, the following points were made:

- Responses included a request to make the contribution threshold more flexible for entrants at the low end of the salary limits.
- Some providers noted that a 5 year contribution period wasn't feasible for registered providers to set up a scheme, given that the amount of charges applied to a low contribution level wouldn't cover the costs of scheme administration
- Roshin agreed that AE should provide for the self-employed.
- In terms of opting out, there was opposition to employer contributions being paid out to members.
- There was varying views on a default investment strategy, where some agreed that low risk investment would not produce enough growth for a pension pot.
- The upper limit threshold of €70,000 per annum was noted as a necessary cap on contribution levels, with some insurance companies requesting that it be increased to €115,000.
- Some submissions included other designs for AE including a social insurance design and collective defined contribution system.
- There were different views on whether the CPA or registered providers would manage the administration of AE, including the cost and resource implications of these.
- There was one submission against the implementation of AE.
- The timeline for the implementation of AE is 2022 with high-level design to be completed by Q3 2019 and Legislation to be drafted in 2020.

On behalf of Minister Doherty, Roshin circulated questions for the Council to consider in relation to the appropriate de-cumulation options for AE. These are summarized as follows:

- In relation to the provision of financial advice in the post-retirement phase, Sinead Ryan noted that this was important in terms of the current deficit of advice in the occupational pensions sector. Roma Burke noted that the UK AE model provides advice but it is paid for via the fund itself. Roshin noted that

the IDPRTG group are examining the de-cumulation phase and the rules for pension drawdown. It was noted that members require a user-friendly breakdown of financial information during the post-retirement phase.

- The Council queried a lump sum option for AE, Roshin noted that the public's feedback in relation to AE is that it is a retirement savings system and there should be a default system in place. She also noted that a death benefit for AE is very important.
- Roshin noted that the Department needs to focus on the decumulation phase of AE, noting that the Government will not have legal ownership of the funds. Roma Burke noted the importance of the legality of fund ownership in terms of interaction with other sections of the Pensions Act.
- In terms of funds being guaranteed, Roma Burke recommended that historical financial projections from after World War II be examined in order to look at future projections in AE funds.
- Roshin outlined that there would probably be four registered providers on the carousel model of AE, with three funds to choose from each, including a default fund.

7. Gender Study

Publication

Policy proposal

Sinead Ryan requested that Council members review the new draft of the Gender study and submit them to Jim Murray by Monday 6 May, indicating that the ESRI plan to publish the paper by June 2019, after it has been peer reviewed. She highlighted that Auto Enrolment will address the gap in pensions coverage in Ireland. In addition, she stated the parts of the paper are autonomous from one another and are not intended to provide a direct link from one conclusion to another. Alan Flynn agreed to send on the Central Statistics Office report on Pensions Coverage for 2018 to Council members, in relation to the findings of the Gender study.

8. Invitation to Joint Oireachtas Committee

Chairman Jim Murray informed Council members that the Council had been invitation to attend the Joint Oireachtas Committee to give the Council's view on the Pensions (Amendment) (No. 2) Bill 2017 on Thursday 9 May in the Oireachtas. The Council members discussed the Bill, noting some issues as follows:

- The Bill does not clearly define 'inequitable'.
- The appeals mechanism in the Bill would pose problems for the Authority on a practical and legal level.
- A revision should be made regarding the minimum notice period for stopping contributions i.e. 6 months' notice when contributions are stopped and 6 months for the submission of a funding proposal.
- The Pensions Authority already had a range of powers to deal with wind-ups

and restructurings, and while these could be reviewed there did not seem to be much more powers that might be usefully conferred on the Authority in this context.

- The Council discussed the possibility that employers would exit schemes to avoid the prospect that their liability for a fund deficit would be treated as a debt. The Council did not see this as a substantial risk although it could arise in some cases.
- The expanded role of the Authority was noted, in regard to the pay out of pension contributions, stating that that Brendan Kennedy had noted that the Bill de-risks Irish pension schemes in terms of paying for the consequences of high risk investments. Shane Whelan commented that Irish pension schemes run too high-risk investments due to low contribution rates. Therefore, risk would be with the employer and essentially the scheme would be de-risked, if the Bill were enacted as drafted.
- Roma Burke added that the shortfall between a scheme's assets and liabilities impacts the company's accounts in their profit and loss figures i.e. a company could be insolvent due to a deficit in their pension scheme.
- While supporting the position that fund deficits should be treated as a debt on the employer, the Council noted that provision would also have to be made for cases where the employer might be insolvent or at serious risk of insolvency if the debt had to be paid in full.
- The Council doubt the feasibility for the Pensions Authority to decide 'solvency' of a scheme and the definition of 'inequitable'. Shane Whelan added that shareholders of a company could sue the Authority if they rule solvency of a scheme when insolvent. For deferred members of a scheme, it might be difficult to contact if living abroad etc. Roma Burke added that the number of deferred members in a Defined Benefit scheme can be double the number of active members. The Chairman noted that the Authority cannot intervene to a large extent if an incident is not in breach of the Pensions Act e.g. if a scheme restructures.

The Chairman summarised the Council's opinion by noting the Bill's intention was for the protection of members. The Council agreed that fund deficits should be a debt on the employer but the Bill under discussion would at best only partly achieve that aim and anyway was largely unworkable in practice. He would prepare a draft submission, reflecting the views expressed at the meeting, for comment by the members and the final version of his opening statement would also be circulated to members, including of course the Department.

9. Research Programme 2019

This item was not discussed.

10. Work Programme 2019

This item was not discussed.

11. Consider change of quorum for meetings.

It was agreed that Quorum would be amended for future meetings.

12. Any Other Business

Chairman Jim Murray informed the Council that the Interdepartmental Pensions Reform and Taxation Group (IDPRTG) requested access to the ESRI's Gender paper to inform their draft report on supplementary pensions reform. Council members agreed this subject to consultation with the ESRI.

Roma Burke and Kirstie Flynn agreed to draft a paper on behalf of the Council on the decumulation section outlined in the Automatic Enrolment Strawman Proposal at the request of the Minister.

13. Next Meeting – Thursday 16th May 2019 at 3.00pm.

The next meeting will be held on Thursday 16 May 2019 at 3pm at Verschoyle House.

14. To-do list

▪ Council members to prepare comments on ESRI paper by Monday 6 May	ALL
▪ Jim Murray to write to Solicitor regarding the Application for Judicial Review on behalf of the Council	JM
▪ Jim Murray to check, through Sinead Ryan, with the ESRI regarding sharing of the gender paper with the IDPRTG. request for Gender draft paper with ESRI before sharing.	JM/SR
▪ Roma Burke and Kirstie Flynn to draft a paper on decumulation. Council members to consider decumulation as outlined in the Strawman.	RB/KF
▪ Quorum to be discussed for future meetings	ALL
▪ Jim Murray to circulate a draft opening statement to Members for the Joint Oireachtas Committee	JM
▪ Roshin Sen to circulate information regarding submissions to the Auto Enrolment public consultation.	RS
▪ Alan Flynn to circulate CSO report .	AF