



An Chomhairle Pinsean The Pensions Council

Minutes

In-person Pensions Council Meeting

8 June 2023 @ 13:00

Venue: Offices of the Pensions Authority

Council members in attendance:

Roma Burke (Chair) (RB)

Olive Gaughan (OG)

Stephen Gillick (SG) (attended remotely)

Brendan Kennedy (BK)

Ciara McLoughlin (CML)

Munro O'Dwyer (MD) (joined at 1:38pm remotely and then attended in person)

Tim O'Hanrahan (TH)

Joanne Roche (JR)

Council members apologies:

Deirdre Cummins (DC)

Clare Dowling (CD)

Also present:

Marco Carlesso (note taker, secretariat)

Christine Lutz (secretariat)

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

1. Conflict of interest:

The Chair stated that the objective of the meeting was to consider and progress the Minister's request to the Council to review the proposed alternative structural basis for AE. The Chair asked all members to consider the potential for conflicts of interest and no new conflicts of interest were declared by the Pensions Council members and all members confirmed there were no relevant changes in circumstances to be reported.

2. Adoption of the agenda:

The Council members approved the agenda.

3. Minutes and matters arising:

The Council members agreed that this item would be deferred to the next meeting, 21 June 2023.

4. Proposal for an alternative structural basis for AE:

The Council members reviewed the letter from the Minister and agreed they would brainstorm with the view to agreeing the terms of reference for an evaluation of the technical feasibility of the proposal which would be assigned to an independent body/consultant/s by way of an open procurement process. It was decided that the terms of reference and quotation request would be published on the Pensions Council's website (and other relevant websites, where appropriate and feasible to do so). BK said that the Pensions Authority could publish a news alert on it.

The Council members confirmed that the proposal to be reviewed was the version marked "Entry for Institute and Faculty of Actuaries' Redington Pensions Prize Version 11 May 2022".

The Chair invited all members to participate in a robust discussion to consider the questions to ask of the technical assessor.

The considerations the Council members considered important were:

- Provide an analysis of the proposed model, which would be expected to be sufficient to draw out the key features, drivers, risks and uncertainties.
- Assess the financial out-performance suggested by the proposed model when compared to the UK model referred to in the paper.
- Scenario test the proposed model (use of real-world ESGs (economic scenario generators) is preferred but not a requirement); and
- Investigate the impact of changing the two key variables in the proposed model's smoothing formula on a periodic basis: expected long term return (i) and/or weighting (p).
- List the key assumptions and assess these assumptions underpinning the proposed model;

- Stress test individual assumptions / scenario test; and
- Model a number of plausible adverse scenarios (e.g. 1-in-25 year stress events to market or mortality/longevity risk) at varying spot years in the future.
- Assess the drivers of performance in the proposed model.
- Assess the various assertions made in relation to the proposed model in an Irish context including the acid test of the proposed model's durability in the event the scheme is closed to new entrants at some future date and net assets fall to zero.

The Council agreed it was also interested to understand:

- The extent of the proposed model's reliance on one or more key assumptions and the reasonableness of the proposed assumptions into the long-term future.
- The main determinants of outperformance of the proposed model.
- The differing levels and types of risk in the proposed model.
- The implications if the assumptions prove to be incorrect.
- Any relevant limitations of the stochastic modelling employed.
- The ability of the proposed model to allocate returns in a fair manner over the long term on a steady state basis and when the fund is decreasing in size (for example due to long term demographic changes) and/or there is a long-term shift (upwards or downwards) in relevant investment markets.
- The risks and potential rewards to different cohorts of members through the smoothing formula.
- The effectiveness of the longevity option and its ability to provide a reliable and stable income.
- The ability of the proposed model to adjust to a 1 in 200 year unforeseen event due to the assumptions in the proposed model (e.g. smoothing in the proposed model).
- The performance of the proposed model in tail events including, if the smoothing formula can or should include a factor to take account of black swan events.
- The impact of a 1 in 200-year adverse event (market or longevity/mortality or combination thereof) occurring after 20, 50 or 100 years on the sufficiency of the proposed buffer account, and hence on the potential costs to the State should it be insufficient.
- Commentary on if/how costs could expand beyond the State i.e. cost to participants (for example if they had to return to work to make up any shortfall).
- The most important lessons from the review of the proposed model to incorporate into any policy recommendations.
- Any other observations that the successful candidate considers relevant.

The Council members agreed to review a terms of reference and request for quotation that would be drafted by the Chair and approved via email. They also approved the publication of the terms of reference and request for quotation and agreed that it should be published without delay. Ideally, the technical assessor should complete their work over the summer. AB to assist the Chair with drafting and procurement requirements.

5. Next Meeting

The next meeting is scheduled to be held remotely via MS Team on Wednesday, 21 June 2023 at 15:00.

Action Items:

No.	Action Details	Person responsible	Date to be completed:
1	Prepare strawman TOR and circulate amongst the members	RB	16 June
2	Provide comments and feedback on the TOR document	All members	21 June