
PENSIONS COUNCIL

Meeting on Thursday, 24th September 2015 at 3.30pm
Verschoyle House, 28/30 Lower Mount Street, Dublin 2

Attendance: Jim Murray (Chairman)
Roma Burke
Marie Louise Delahunty
Kirstie Flynn
Anthony Gilhawley
Brendan Keenan
Helen McDonald
Sandra Rockett
Sinead Ryan
Shane Whelan

Apologies: Peter Brazel
Brendan Kennedy

Also present: Conor Dunne
Jenny Robinson (Secretariat)

Minutes

1. Adoption of agenda

The proposed agenda for the meeting was agreed.

2. Conflict of interest

Anthony Gilhawley mentioned that he will be working with the Pensions Authority on a consultancy basis in relation to a Part X review. Sinead Ryan noted that she is working with Zurich as a speaker on their pensions road show. Both were not believed to be conflicts of interest.

3. Approval of minutes

The minutes of the meeting held on 16th July were approved.

4. Draft MOU

The draft Memorandum of Understanding (“**MOU**”) between the Pensions Council and the Pensions Authority was discussed. The Chairman noted that there may

need to be more information in the MOU regarding IT services and support. Roma Burke queried whether the Council would be exposed to certain risks by having the Pensions Authority manage the entire IT system for the Council as the Council is supposed to be an independent body. While not an immediate problem the Chairman said this point could be reviewed as the work of the Council develops. The MOU was agreed.

5. Pension charges

Roma Burke presented the report she prepared with Anthony Gilhawley. It was noted that at the last meeting of the Council, the discussion focused around not just reducing charges but getting better value for money.

Roma noted that it became apparent that while preparing the report that it would be difficult to examine all pension products in one go, therefore it was proposed that the Council should create an initial survey asking providers to disclose the reduction in yield (“**RIY**”) for Approved Retirement Funds (“**ARFs**”) only. A discussion ensued and Anthony Gilhawley commented that charges are especially important considering investment growth is quite low at the moment. Anthony also noted that in relation to collecting data from providers, the CCPC can compel providers to provide information and can publish it. It was also noted that Insurance Ireland could help in the collection of data or another route could be for the Council to write directly to providers. It was agreed that a preliminary survey of charges for ARFs would be carried out and this would be progressed by Anthony and Roma for the next meeting.

6. Budget 2016

The Chairman noted that it is important that there is provision for the Council in the 2016 estimates. Helen McDonald confirmed that she has submitted a research budget request of €50,000 for 2016 and €50,000 for 2017 for the Council. Helen also confirmed that there are separate budget streams for items such as travel and subsistence, staff and research and that a budget request needs to be made separately for each item. Helen noted that with regards to staff, the Employee Control Framework needs to be taken into consideration and also that it may be more appropriate for the Council to take on an Administrative Officer as its research intern as this grade is generally a research role. The Chairman commented that any decision on hiring staff would have to have the agreement of the Council. The Chairman confirmed that when preparing the staffing cost estimates, the intended salary was that of an Assistant Principal.

Roma Burke queried whether the Council should have its own IT budget however the Chairman commented that he was under the impression that IT costs will come in under the Authority’s budget. Marie Louise Delahunty queried the date to

which it will be known if the research budget request has been approved and Helen confirmed that it will be some time in November. There was a discussion around which method of recruitment would be best, secondment, direct recruitment, contract for services or job-bridge. Helen confirmed she will look into the possibility of a job-bridge intern and Marie Louise commented that in the meantime, the Council should make a budget request for staff.

7. Sources of information and evidence

Gender issues

The Chairman asked the Council how it should go about obtaining information on gender and pensions. Sinead Ryan noted that the EU Commission prepared a report in 2011 on the gender gap in retirement and that Ireland fared slightly worse (41%) than the EU average (40%). Sinead also noted that the IAPF prepared a report three or four years ago and confirmed that she will source the report for the Council. Helen McDonald confirmed that the CSO are re-running the QNHS Pension Provision module in Q4 2014 and that results should be available by Q2 2016. Sandra Rockett confirmed that McKinsey have prepared a report on Retirement Readiness and that she will source a copy of same for the Council.

Information on Ireland and UK

Shane Whelan presented a broad overview of charges in pension products offered to individuals in Ireland and highlighted the key issues. The key issues he identified were:

- (i) The variability of charges in the industry, with pension savers having a lack of appreciation of charges and that commission is seen to increase the costs.
- (ii) The lack of variability in charges in PRSAs, and their reasonable value compared with other pension products in Ireland and in the UK.
- (iii) That the 2012 Report made no attempt to estimate the average cost to the typical individual pension saver in altering or changing their pension policy, although some helpful figures are given. Estimates from a UK study put this at 15% the accumulated fund at retirement.
- (iv) The 2012 Report does not estimate a RIY in the decumulation phase, but the charges outlined for the ARF option appear as high as charges in the accumulation phase. This could be a significant additional expense for those who do not take the annuity option.
- (v) A small correction to implicit charges of investment management is suggested, based on the conclusion reached by the UK Pensions Commission, that such charges might be 0.5% per annum for a balanced fund, rather than the 0.1% – 0.3% but ‘possibly much higher’ allowed for in the 2012 Report.

8. Any other business

There was no other business to discuss.

9. Next meeting

The next meeting will be held on Thursday, 15th October 2015 at 3.30pm at Verschoyle House.