
PENSIONS COUNCIL

**Meeting on Thursday, 17 October at 3.00pm
Goldsmith House, Pearse St. Dublin 2**

Attendance: Jim Murray
Alan Flynn
Roma Burke
Joanne Roche
Deirdre Cummins
Kirstie Flynn
Conor McGinn
Sandra Rockett

Apologies: Sinead Ryan
Tim O'Hanrahan
Brendan Keenan
Shane Whelan
Brendan Kennedy

Also present: Alice Kearns (Outgoing Secretariat)
Niamh Crowley (Incoming Secretariat)
Brian Purcell (DEASP)

Minutes

1. Adoption of agenda

The Council members agreed that the last meeting of the current Council would occur on Thursday 23 January 2020.

2. No new conflict of interest

No new conflicts of interest were declared.

3. Approval of draft minutes

The approval of the draft minutes were approved with changes from Kirstie Flynn, Conor McGinn and Shane Whelan.

4. To Do List from previous meeting

Alan Flynn to update the Council re Council assessment and procurement rules

Alan Flynn had selected three firms about the Council assessment and contacted two directly. He agreed to liaise with Jim, after 25 October, about the dates for a consultation regarding the type of assessment needed.

Alan Flynn to liaise with DEASP on research needs

This item is to be discussed.

Alan Flynn to check with DEASP re dates for Minister's meeting

This item is to be confirmed.

Jim Murray to contact CBI and CCPC re research

Jim Murray contacted the Central Bank of Ireland regarding the internal exchange of research results and there was no reply from CBI.

JM to review opinion for DEASP and circulate to members

This item was completed and circulated to Members for review.

Members to review new draft of paper to DEASP

This item is currently under review.

Members to develop proposals for research

Alan Flynn informed the Council that the research budget for next year, 2020, is €100,000 and advised that milestones should be set in January 2020 and executed by December 2020. The Council discussed various areas of potential research including:

1. The effect of the housing market on Pensions, taking into account housing needs and the drop of income at pension age.
2. The effect of the HAP payment in future in regard to Social Welfare
3. Data in relation to mortgage payments at retirement
4. The relationship between the Fair Deal system, pensions and housing
5. Projected changes in home ownership and retirement
6. Further research into the area of financial literacy
7. Changes in the education system in regard to financial literacy

5. Response to questions from DEASP - discussion with Roshin Sen (DEASP) re progress on AE

Update from Roshin Sen regarding AE

Roshin Sen (DEASP) gave the Council an update on the progress of AE. She stated that in March 2019, 6 focus groups from different age brackets and employment backgrounds (including the self-employed) were targeted and coordinated in collaboration with the Pensions Authority. The results are being reviewed with the ESRI examining the macro and micro data. The areas highlighted to work on include the role of Central Processing Authority (CPA), Decumulation and Investment Strategy. In September 2019 there was a Cabinet Committee that will move to Government in the next few months. By the end of 2019, the CPA and financial incentive areas will be reviewed, by Q1 2020, the areas of Decumulation and Default fund design will be reviewed. She stated that the DEASP would like input from the Council. Alan Flynn and Sandra Rockett discussed the relationship between Climate Change and Pensions as an area to be explored. Roshin Sen discussed various areas of AE including investments via the CPA, the final design of AE, the role of providers as fund managers, the legal structure of AE, issues regarding financial incentives, transfers in and out and the operation of these. Council members discussed the carousel design of AE, Roshin Sen informed the Council that the AE team are working with the EU structure team in engaging in a tender process via CPA for Providers but that there is no formal expression of interest at the moment. She added that there are issues regarding AE and providers and that structural decisions regarding how the system will operate needs to be reviewed. Regarding decumulation, Roshin agreed to source information for the Council. In regard to the role of the CPA, the areas of information provision, calculators and product comparison need to be reviewed. Concerning financial incentives, issues regarding the tax relief system, tax incentives, equitable incentive and salary changes are to be reviewed. She added that the team are meeting with the IDTRG group regarding design of AE.

Response to questions from DEASP:

Q.6 What key factors have to be considered in ensuring the decumulation phase of AE delivers on its objectives without creating tension with decumulation options in existing supplementary pensions?

The Council members discussed this question noting a risk analysis of AE should be conducted. They also noted that decumulation is affected by tax incentives and AE could serve as something other than pension saving. The Single Service Pension Scheme was noted in terms of its option to purchase additional pension benefits public service and its status as a career average scheme for the public service. Jim Murray noted that this question is dependent on question 1.

Q.5 Apart from ill health and enforced workplace retirement, are there any other grounds under which early access may be warranted?

The Council members agreed that they were against early access to AE funds; they agreed to add more detail to their answer regarding a paternalistic approach and target market. They added that the IDTRG group were drafting a report on early access.

Q.4 What factors should be considered when determining the appropriate drawdown age (i.e. should it be the prevailing State Pension Age, or should greater flexibility be built into the system)?

Council members suggested that this their answer should be changed to 'a range of employment'.

Q.3 Is it in the best interests of members to enable them to allocate their pension fund across all decumulation options?

The Council members agreed to replace 'All' by any decumulation option. The areas of lifestyle strategies and options were discussed in terms of what would work best for members.

Q.2 Should the provision of advice be incorporated into the AE system (particularly during the decumulation phase of the system)?

The Council members discussed the area of financial advice and suggested that the CPA should not provide this advice. They also discussed whether there should be an additional service by providers for advice or whether it should be under the governance of Trustees, the risks and the costs involved. Jim Murray discussed whether providers should levy advice, if this would be cheaper and prevent a conflict of interest. The Council agreed to revisit this question at a different point in time.

Q.1 Under what conditions may it be appropriate to mandate a minimum proportion of a members fund is annuitised (i.e. should it be linked to fund size or other factors)?

Roma Burke suggested that the sentence regarding AMRFs be removed.

The Council members discussed Conor McGinn's opinion on this question. Roma Burke noted that if bonds were made accessible to the public, they would assist in removing a longevity risk. Shane Whelan's point to adjust the rate over time and limit how much is invested in the scheme was noted. Conor McGinn noted that accumulation should be mentioned in addition to decumulation. Roma Burke noted that there should be a return from AE investment for spending on road and transport infrastructure. Sandra Rockett noted that the Government could introduce bond longevity and that issues regarding annuities and unspecified periods should be mentioned. Council members added that a discussion regarding the CPA should be added. Jim Murray summarized the discussion to include the following:

- Point out the existing regime
- Idea of reservations
- Bond purchase notion
- Provider taking on task – provide good pensions to everybody.
- The issue of longevity
- Brokers should be excluded
- Bonds should not be as low as German bonds but better than annuities.

6. Discuss research projects

This item was discussed in Item 4.

7. End of Term – including responses to two questionnaires

This item is to be determined at the next meeting following feedback from Members. Roma Burke suggested that the requirement for the Council should be reviewed now against when the Council started in 2014. She added that the Irish Economy has changed in recent years and there are different challenges to consider.

8. Other Business

No other business was discussed.

9. Next Meeting: 14th November 2019

The next meeting will be held on 14 November 2019 at 3pm at Verschoyle House, 28-30 Mount Street Lower, Dublin, D02 KX27.

10. To-do list

- Alan Flynn to liaise with Jim Murray regarding the Council AF and JM assessment
- Contact Central Bank of Ireland regarding their Code of Practise JM
- Roshin Sen to send on information regarding Decumulation in RS Auto Enrolment
- Revise answers to AE questions JM