
PENSIONS COUNCIL

Meeting on Thursday 18 July at 3.00pm
Verschoyle House, 28/30 Lower Mount Street, Dublin 2

Attendance: Jim Murray
Alan Flynn
Sinead Ryan
Roma Burke
Shane Whelan
Sandra Rockett
Joanne Roche
Tim O'Hanrahan

Apologies: Brendan Kennedy
Brendan Keenan
Deirdre Cummins
Kirstie Flynn
Conor McGinn

Also present: Alice Kearns (Secretariat)
Brian Purcell (DEASP)

1. Adoption of agenda

Shane Whelan's paper, 'Longevity Risk in Retirement' was added as an additional item to the agenda.

2. No new conflict of interest

No new conflicts of interest were declared.

3. Approval of draft minutes

A change was made to Item 10.

4. To Do List from previous meeting

Alan Flynn to review the CIB assessment for the Council

This item was completed – this particular assessment was not appropriate for the Council but another option would be explored.

Shane Whelan to draft a paper on longevity risk in terms of Auto Enrolment

This paper was completed and discussed in Item 6.

Alan Flynn to check with Roshin Sen re circulation of AE documentation

Alan Flynn informed the Council that once the papers are approved by Government, they will be circulated to the Council members.

Respond to Minister's questions

This was discussed in Item 6.

Prepare opinion(s) on AE

This was discussed in Item 6.

Decide on research projects for 2019

This was discussed in Item 5.

Publish Gender Study in September

Sinead Ryan updated the Council that the paper is due to be published in early September. It was agreed that the Council is to prepare comments in advance of the paper's publication. Jim Murray agreed to work on this with Sinead Ryan.

5. Research Project(s)

Alan Flynn suggested that the Council examine the changes in the structure of the housing market and the impact in a pensions context in the future. In addition, Roma Burke added that there could be a possible increase in application for the Housing Assistance Payment (HAP) scheme in the future, if less houses are privately owned. Jim Murray requested that Brian Purcell look into housing trends, current pensioners in receipt of the HAP scheme, the ESRI's gender study in relation to pensioner's income and renting, issues of longevity and equity release. Once material is circulated regarding the above areas, a research proposal could be developed and the procurement procedure can then be completed. A preliminary title of 'Housing and Pensioners' was discussed to include research areas on older pensioners and the current Fair Deal system.

The Council members discussed the issue of pensions advice and determining 'good' or 'bad' advice. Jim Murray noted that advice is a risky area for consumers and Tim Hanrahan noted that the accumulation of percentages that brokers take from consumers has a cumulative impact on members, adding that the DEASP wrote a report on this. He suggested that the Council could examine the value of the pension system over the lifecycle of a pension scheme. Roma Burke added that the concept of reduction in yield is difficult to comprehend for consumers with Jim Murray adding that charges for schemes can be hidden in brokers' charges. Jim Murray requested that Brian Purcell look at research regarding the types of pensions sold to consumers. Alan Flynn agreed to ask the DEASP regarding 'mystery

shopping' i.e. asking for financial/pensions advice from 5 or 6 brokers and noting the information provided to the consumer. Alan Flynn also suggested engaging with the Competition and Consumer Protection Commission, as there could be scope for a joint project with the Council in the area of advice.

6. Prepare opinion(s) on AE / Shane Whelan's paper on 'Longevity Risk in Retirement':

The Council discussed the questions from the Minister regarding Auto Enrolment.

- 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)?*

As a first approach, the Council felt that annuitisation was not appropriate for smaller pension pots, and for some time to come AE pension pots would mostly be relatively small. Furthermore, if the state pension retains its value, full annuitisation (of the total pot) was unlikely to be appropriate. Reference was made to the paper on AMRFs by Roma burke and Tony Gilhawley. For small pension pots the Chairman questioned the utility of an ARF.

At this point, Shane Whelan introduced his paper on 'Longevity Risk in Retirement' to the Council. He gave an overview, noting that there is a 50% risk of a member dying before their pension fund is exhausted highlighting that this risk is difficult if not impossible for an individual to manage. He agreed to provide figures comparing a 'cost neutral' AE annuity versus a private annuity. He added that it would not cost the State to provide an annuity but that it would create competition in the private market, citing Roma and Kirstie's paper as a reference to these rates. Roma Burke requested that Brian Purcell examine the current rates in comparison to a potential Government annuity rate. Jim Murray requested that Shane Whelan develop the idea of a default option available in AE, in the form of a supplement to the state pension. In addition, he requested that Shane contextualise his paper in AE, examining the risk to the State in terms of life expectancy, diversifying risk to the State and managing the risk of AE in addition to the State Pension. The Council agreed to look into this particular area in more detail. Brian Purcell agreed to research the AE scheme in the UK in this particular area.

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

The Council discussed who would provide the advice to AE recipients. Brian Purcell noted that in the UK, a State body called 'Pension Wise' provide free advice for an hour and it is open to all members. Sinead Ryan noted that the default option is good as it provides a simple option for the public, in addition to other options available. In regard to a default option of a 'State top-up' Jim Murray questions whether this would depend on longevity statistics and whether advice should be offered five years

before retirement and paid out of the AE system. Brian Purcell noted that in Ireland, the cost of advice depends on the level of experience of the person providing it, ranging from €110-€200 per hour. He also referenced an OECD study on the provision of pensions advice. Shane Whelan argued that the State should not encourage the public to spend their pension fund and that they should not subsidise pensions advice. Alan Flynn added that advice should be an option and available to members under AE but that the default option is a valuable provision in its absence. Sinead Ryan stated there are 3 options in this regard, for the State not to finance advice, to provide a voucher for advice or to have it mandatory with AE but optional to members and paid for from the fund. Sandra Rockett stated that Member Benefit Statements are mandatory on a legislative basis and therefore should provide the same information. Alan Flynn suggested that the Council should discuss default options and advice over the cycle of a pension scheme and present their views to the Minister.

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

The Council members discussed whether this option was feasible given that AE would be a relatively small fund.

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)?

The Council members discussed this in relation addressing the gap of the current State Pension Age and the retirement age outlined in an employment contract. Brian Purcell noted that the current Public Service single scheme members can retire at 55 years old. The Council agreed that there should in principle be an option for early drawdown in AE.

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

Sinead Ryan suggested that the rules should be the same as a normal pension scheme. Alan Flynn advised against early encashment of benefits for a housing deposit.

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 the possible conflict between AE and other occupational pension schemes, suggesting that policies could mitigate any conflicts. Shane Whelan suggested that the same supports should be available to AE and other private schemes.

Jim Murray agreed to draft the answers to the questions above and circulate them to members.

7. Work Programme 2019

This item was not discussed.

8. End of Term

Alan Flynn said that he would circulate a questionnaire used in other cases for members to answer as a step in preparing an End of Term Report.

9. Any Other Business

There was no other business discussed.

10. NNext Meeting - 19th September 2019 at 3.00pm.

The next meeting will be held on 19 September 2019 at 3pm at Verschoyle House.

11. To-do list

- Council members to complete the self-assessment questionnaire circulated by Brian Purcell ALL
- Brian Purcell and Alan Flynn to contact past members re questionnaire and to collate questionnaire data BP and AF
- Alan Flynn to check with DEASP regarding the Council's impact on pension policy AF
- Alan Flynn to check the cost of consultancy firms with the DEASP re Council assessment and the possibility of conducting a pensions cost exercise AF
- Brian Purcell to research the following areas: AE annuity rate, housing trends, recipients of the HAP scheme, Gender Study (re poverty in old age), issues of longevity, equity release, types of pensions sold to consumers and look at UK AE scheme in relation to risk. BP
- Jim Murray to draft answers to AE questions and circulate them to the Council members JM
- Jim Murray to circulate research areas/proposal to members JM
- Shane Whelan to contextualise longevity paper into AE SW
- Shane Whelan to compare the cost an AE/Government funded annuity versus the private annuity market SW
- Alice Kearns to check Council minutes regarding Roma Burke's and Tony Gilhawley's paper on AMRFs AK