
PENSIONS COUNCIL

Meeting on Thursday, 24 September at 3.00pm
Microsoft Teams

Attendance: Jim Murray (Chair)
Joanne Roche
Kirstie Flynn
Munro O'Dwyer
Roshin Sen
Stephen Gillick
Tim O'Hanrahan

Apologies: Brendan Kennedy
Deirdre Cummins
Eoin Dormer
Roma Burke

Also present: Niamh Crowley (Note taker)
Brian Purcell

Quorum: Quorum present
7 of 11 Council Members present (6 required)

Minutes

1. Adoption of agenda

The proposed agenda for this meeting was agreed.

2. Conflict of interest

No conflicts of interest were declared.

3. Approval of draft minutes

The minutes of the meeting held on 3 September 2020 were approved by the Council.

4. Review of recent developments

Roshin Sen provided an update on the recent developments from DEASP:

- Work is ongoing for the transposition of IORP II and the design of automatic enrolment.
- We expect a Memo to go to Government on the establishment of a Commission on Pensions in the coming weeks.
- There will also be a Memo on the new Retirement Payment referenced in the Programme for Government.
- Legislation to defer the increase in pension age will have to be enacted before year end to prevent the increase to 67 set to take place 1st January 2021.

5. Working Groups

A) DC Investment in the context of Automatic Enrolment

Joanne Roche circulated a note reflecting observations made by Council members at our last meeting on 3 September 2020.

Joanne expanded on the ESG section, suggesting that at a minimum at least one well diversified ESG labelled fund should be on the menu of funds offered as part of the AE system. Adding that it would also be worth considering integration of a sustainable investment approach for the default and perhaps all funds in the AE System.

Joanne further explained what should be the risk/return objective for any default funds, noting that there are a number of variants on the lifestyle or target date fund theme but essentially most 'de-risk' from a growth asset portfolio to a 'lower risk' asset portfolio over a period of time which may range from 5 to 10 years from retirement. In so doing the industry makes a number of implicit assumptions about individuals risk / return objectives. Joanne added that we should take care not to overestimate what individuals' risk / return objectives are – a lower return and lower risk objective may be valued more highly than the industry has necessarily allowed for in the past and this may be all the more relevant to the AE population of novice pension investors.

Joanne Roche to circulate revised note to Council members and a 10 day approval period will follow.

A) Future of Funded DB schemes

Stephen Gillick presented his paper on the Future of Defined Benefit to the Pensions Council, commencing with the Defined Benefit statistics published by the Pensions Authority. The paper focuses on five main areas:

- Defined Benefit Schemes for Sponsoring Employers
- Economic Factors and Liability Calculations
- Current Work on Defined Benefit Schemes in the UK
- Current Methods of Defined Benefit Risk Reduction
- The Reasons for the Decline in Popularity of Defined Benefit Pensions

There was a discussion around the funding standard and whether it is still fit for purpose. It was queried whether we should rebalance the risk more than what has been done recently and whether the funding standard be revised. Munro O'Dwyer expressed concern over maturing Defined Benefit schemes which over time have more pensioners than active members. He also explained that there are a large

number of members in Defined Benefit schemes that are no longer accruing benefits and are classified as deferred members. How secure should they feel about their legacy DB benefit. Jim Murray added that a job for life is a decreasing factor and as people move jobs more often, it will raise the questions of portability and transferability.

Council members suggested that the paper should look at identifying what would ensure peace of mind for members.

Stephen Gillick explained the process of buy-outs and how it eliminates risk for the sponsoring employer. The cost of buy-outs can be very high and most DB schemes that require de-risking will not be in a position to afford a buy-out. Similar to buy-outs, buy-ins require the payment of a premium to an insurer for taking on the risk but the sponsoring employer is still responsible for providing remaining members' benefits. Tim O'Hanrahan acknowledged that there was a big market for buy-ins and buy-outs in the UK and queried whether this is the case for Ireland.

There was a discussion around Enhanced Transfer Values (ETV) as a form of risk reduction. Stephen Gillick explained how the sponsoring employer provides members with the opportunity to transfer their accrued benefits out of a DB scheme and into a DC scheme by offering members a higher amount than the cash equivalent transfer value that would generally be offered to members by trustees.

Munro O'Dwyer noted that there is a gap in compensation framework, adding that there is no compensation for life companies and compensation for investment firms is limited.

Roshin Sen suggested that it would be useful to have a section outlining the main differences between the UK and Ireland from a regulatory and scale point of view.

B) Recent Market Movements

Jim Murray asked the Council to reflect on recent market movements, what are the emerging issues in these already difficult times and what effect its having on the pension environment.

The Council agreed that low interest rate in Ireland is impacting assets and liabilities on the balance sheet along with the reduction in equity values. There was a discussion around the increased interest in ESG investing and the recent developments in EU Taxation for sustainable activities.

6. Other Business

Housing and Pensions Research

The ESRI research on Pensions and Housing is due to start in October 2020. The ESRI will make a short presentation and will answer questions at the next Council meeting on 21 October.

7. Next Meeting:

The next meeting of the Pensions Council will take place on Wednesday, 21 October. Future meetings will now take place on a Wednesday while they are online, and this will be reviewed again when physical meetings commence.

Proposed meeting dates:

- Wednesday, 21 October 2020
- Wednesday, 18 November 2020
- Wednesday, 9 December 2020

8. To-do list

Stephen Gillick to amend Future of Defined Benefit Schemes paper to capture additional comments and circulate to members for agreement. SG

Jim Murray to compile bullet points on Recent Market Movements and circulate to members. JM