



An Chomhairle Pinsean The Pensions Council

Pensions Council Meeting

14 December 2022 @ 3:00 pm

Venue: MS Teams

Minutes

Council members in attendance:

Roma Burke (Chair) (RB)
Olive Gaughan (OG)
Brendan Kennedy (BK)
Munro O'Dwyer (MD)
Tim O'Hanrahan (TH)
Rob O'Toole (RT)
Joanne Roche (JR)

Council members apologies:

Deirdre Cummins (DC)
Clare Dowling (CD)
Stephen Gillick (SG)
Ciara McLoughlin (CML)

Also present:

Aaron Bayle (AB, DSP)
Brendan Beere (BB, CBI)
Marco Carlesso (note taker, secretariat)
Christine Lutz (secretariat)

Quorum: Quorum present – 7 members present (6 required for Quorum)

1. Conflict of interest:

No 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 Agenda:

The Agenda was approved by the members.

3.CBI – Research on decumulation

The Chair welcomed Brendan Beere (Manager, Consumer Policy and Research, Central Bank of Ireland,) who gave a presentation to the Council on research done on decumulation, i.e. the process of converting pension savings to retirement income.

BB explained that the purpose of the CBI research was to identify any gaps in the consumer protection regulatory framework and analyse whether additional consumer protection rules are required in relation to pensions. The study focussed on the responses provided by a cohort of randomly selected individuals which were interviewed or responded to an online survey across the Republic of Ireland and grouped into three categories of consumers: those “pre-retirement” (over 45), those “approaching retirement” (over 55 and likely to retire in the next five years) and those “post retirement” (over 55 who have already retired). The sample did not include individuals with no supplementary pension or only a public sector pension.

Pensions are perceived to be complex by many respondents and more complex than, say, a mortgage, for example. Among the key findings were that the vast majority of respondents imagine that the State pension will be central to fund their retirement; people tend to favour certain “comforting ideas” when they visualise retirement (e.g. security, guaranteed return, strong investment performance, low risk); there is some uncertainty about the differences between an approved retirement fund (ARF) and annuity. The terminology of pensions is considered confusing; clarity is required around fees and charges appearing on pension statements. BB also pointed out the existence of an “engagement gap”, the period of time between the time an individual starts a pension (on average at age 32) and the engagement with their pension pot (at age 56).

BB thanked the Chair and the Council for the opportunity to present the preliminary research findings. BB informed that the report would become available around Q1 of 2023. The Chair thanked BB for the interesting presentation.

The Chair suggested that the Council might consider issuing a brief observation paper when the report is published.

4. Operational matters

At the last meeting, the Council discussed whether to make a submission to the Public Consultation on the Draft Heads and General Scheme of the Automatic Enrolment Retirement Savings System Bill 2022. The Chair confirmed that a submission was not made, primarily as the Council had already provided views on many AE matters directly to the Minister.

5. Minutes

The minutes for the November 2022 meeting were approved, subject to a minor amendment suggested by TH, which was agreed by the Council.

6. Developments in the pensions' environment

The Chair noted CD's apologies. AB provided a brief update on behalf of the DSP. AB stated that the pre-legislative scrutiny of the Draft Heads is progressing. DSP addressed queries in front of the Oireachtas committee in December, a recording of which is available online on the Oireachtas website. The publication of the AE retirement systems bill is expected in mid-2023. DSP is engaging with several stakeholders including the UK AE master trust, Nest. The Chair and several other Council members conveyed some questions to AB, who agreed to channel them to the relevant DSP colleagues.

The Chair thanked AB and asked the Pensions Regulator (BK) to provide an update from the Pensions Authority ('Authority').

BK stated that the Authority is currently continuing its ongoing work focussed on monitoring schemes' compliance with IORP II. He then stated that in early November a questionnaire focussed on Liability Driven Investments ('LDI') was sent to the largest 30 DB schemes. BK noted that, from the preliminary results currently available, at least half of the schemes surveyed seem to have at least some LDI exposure. BK highlighted that the data needed to be analysed, and that the results should be available by the end of Q1 2023, offering to discuss them with the Council once available.

7. Strategic work in progress

Lump sum paper

The Council reviewed and approved the final draft of the report and agreed to send it to the Minister.

The Chair thanked all members involved in the report for the work done.

ESRI Housing Research – Council Position Paper

The Chair thanked all members involved in preparing the draft paper and invited the Council members to provide their feedback and comments. A broad discussion followed.

The members discussed the option of accessing retirement savings early to allow purchasing a home. BK observed the risk of an income shortfall in retirement if funds are accessed from retirement savings early. MD pointed out that purchasing a property is a more onerous commitment than starting a pension. JR noted that if part of the retirement savings goes towards the purchase of an individual's first home, this can have a gearing effect as it will allow the individual to immediately save on rent and

start paying off their mortgage. OG pointed out that it might be preferable to avoid using hard coded monetary amounts in the report, or at least to provide some mechanism to index or periodically review them, to ensure that the figure is proportionately relevant to future property prices. TH noted existing OECD work and pointed out that a key issue might be the level of supply of properties on the market, and that without an increase of the properties available for sale, prices will be driven up. The Chair thanked all the members for their valuable input.

BK and TH agreed to review the paper, and to provide a version with their comments to be discussed at the January meeting. The Chair invited the other members to provide their feedback.

8. Consideration of research topic

The Council members discussed the proposal which they have received from Colm Fagan to arrange for an independent review of his design proposal on an auto enrolment (AE) retirement system. The members discussed whether research requests received from an individual fall into the remit of the Pensions Council. And also whether obtaining a view from consultants on the basis of a subjective proposal would add value and whether any findings could be produced by the Council on foot of an opinion.

BK stated that the Pensions Authority was asked in the past to facilitate a review of an auto enrolment proposal by Colm Fagan and that after careful consideration decided against doing so. BK stated that he considered it of utmost importance that the decision which was taken by the Pensions Authority in the past did not influence in any way any decision arrived at by the Pensions Council. Therefore, BK stated that if there was a decision to be voted on in this respect, he would abstain from a vote.

The Council members exchanged views and agreed on the importance of offering consumers a choice rather than mandating one investment approach. It was discussed that in Ireland individuals value the ability to freely decide between alternatives. Council members saw issue with the implicit presumption of outperformance of equity markets in the AE design proposal.

It was agreed that Council members would consider the terms of reference discussed during the December meeting, and if applicable discuss them in a future meeting.

9. AOB

The Chair summarised the work done by the Council in 2022, highlighting the quality of the discussions and of reports published, thanking all the members for their valuable insights, input, and attendance at meetings. The Chair invited members to consider possible research topics for 2023.

The Chair referred to a new meeting schedule for 2023 Council meetings and invited the members to contact the Secretariat should they have any comments.

The Chair wished to all the Council members and other attendees to the meeting a happy festive period.

Action Items:

No.	Action Details	Person responsible	Date to be completed:
1	Convey members' questions on AE status and forward them to DSP	AB	January meeting
2	Review Council Position Paper on ESRI Housing Research	BK, TH	January meeting
3	Send lump sum paper to Minister	Chair	end January
4	Consider possible research topics	All Council members	January meeting