



Society of Actuaries in Ireland

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## **End to End DC Journey**

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Roz Briggs, Brian Grimes, Tom Matthews 29/05/25

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# Agenda for the session



- Recap on approach so far
- Play back the refined Principles
- Propose a range of possible initiatives
- Initial feedback (using mentimeter)
- General Q&A
- Next Steps



# Background

The Society has identified  
“decumulation” as a key priority under  
the Public Interest area of focus in our  
2024-2026 strategy

In December, our President Roz Briggs  
set out a call for volunteers to attend a  
workshop to explore this further.

## Message from December

Given the decline of defined benefit pension provision outside of the public sector, the vast majority of our fellow citizens can expect to manage most (or all) of their future retirement savings through some form of defined contribution system (e.g. via occupational pension scheme(s), PRSAs or through the national Auto Enrolment regime once this is established). This transition from the collective to the individualisation of pension provision requires decision-making by individuals both while they are accumulating their retirement pots and as they choose how to draw on their savings.

It's a very tricky area, particularly the drawdown or decumulation phase, once described as the “nastiest and hardest problem in finance” by no less than the Nobel Prize winning economist Bill Sharpe.

The challenge of enabling good financial decision-making by individual pension savers is a major public interest theme for the SAI and is a subject close to my heart having spent a career as a pension consultant. It's a very broad topic and includes challenges such as how best to:

- Facilitate investment in productive/return-seeking assets in a manner that suits the risk tolerance of a typical individual pension saver;
- Manage an efficient transition from accumulation to the decumulation phase of a pension saver's journey taking account of their unique personal circumstances and risk preferences;
- Accommodate an efficient pooling of longevity risk.

Although members may differ on his proposed solution, Colm Fagan has brought a very sharp and sensible focus on the underlying problems of the current system. We have addressed this broad subject matter at a number of recent CPD events including the September presentation on the Royal Mail's new CDC scheme, our October Finance and Investment Forum and Kevin Hollister's session at the November Convention. In order to focus our attention on what the Society should do in this area, we are planning to hold a workshop with interested parties in order to discuss the issues with a view to ultimately determining how best the SAI can harness its resources and lend its collective expertise to the issues at hand.

The aim of the workshop will be to share opinions on how Irish pension savers are currently served. If we believe that something is broken what are the key problem(s)? In this first workshop we will refrain from proposing solutions. The focus on the workshop will be diagnosis and to get a common understanding of the problem set. This will allow us to shape how the SAI can use its collective expertise, in collaboration with other stakeholders to address some of the problems. The ultimate aim of the workshop will be to define the scope for further work



# Initial Workshop

Some 50 members with invitees from the Pensions Authority, Dept of Finance, Financial Planning Standards Board and others, met on 26<sup>th</sup> February 2025 to diagnose the current state of the end-to-end journey.

The group was broken into 6 teams who discussed respectively

- **Consumer knowledge & dashboards**
- **Advice**
- **Investment Vehicles**
- **Longevity**
- **Regulatory Framework**
- **Use of the home**

Each team was presented with a “Principle” which proposed to summarise the ideal state of the market in that area. The team was asked to

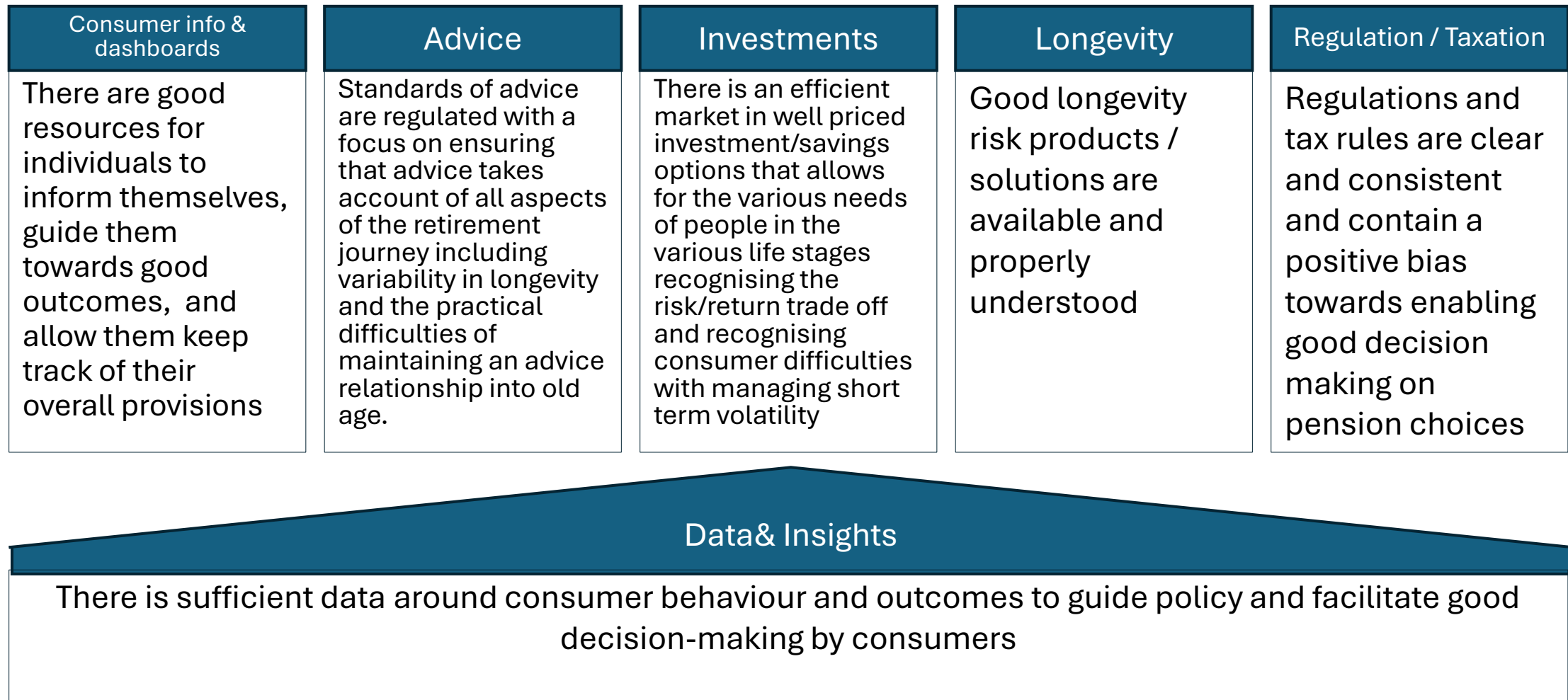
- a) Refine the Principle and scope so it conforms with the team’s view of how that central plank should be described
- b) Critique how the current pensions system/framework measured up against the Principle



# The Principles



# Overview of refined principles





# Consumer Info & Dashboards

Principle	<p>Universal access to a user-friendly platform that provides comprehensive information on overall retirement savings. "What have I got? How is it doing? What will it do for me?"</p> <p>Generic information provided on the nature of retirement savings and drawdown journey, "recommended" approaches based on various personas as well as tools to facilitate bespoke financial planning. Key points are appropriately "pushed" at the population in the knowledge of reliable data on how people are acting. To include wider financial consideration such as use of home.</p>	
Current context	<ul style="list-style-type: none"><li>• No dashboards of note in place. Examples in other jurisdictions include some run by State (Sweden, NL) and others commercial (Guiide in UK)</li><li>• Very little public information on key aspects of pensions (other than tax reliefs etc)</li><li>• Benefit statements have tended to focus on binary choices available <u>at point of</u> retirement rather than expenditure requirements <u>throughout</u> the course of retirement</li><li>• AE presents an opportunity to encourage State participation in provision of information and potentially guidance</li><li>• Department of Finance's Financial Literacy Program could be a useful platform</li><li>• The benefit of home ownership in retirement provision is not well understood.</li></ul>	
Key stakeholders / potential collaborators	<ul style="list-style-type: none"><li>• Department of Social Protection</li><li>• NAERSA</li><li>• Department of Finance</li><li>• Citizen's information Board</li><li>• Industry</li></ul>	<ul style="list-style-type: none"><li>• Pensions Council</li><li>• Central Bank</li></ul>



# Advice

<b>Principle</b>	Standards of advice are regulated with a focus on ensuring that advice takes account of all aspects of the retirement journey including variability in longevity and the practical difficulties of maintaining an advice relationship into old age.
<b>Current context</b>	<ul style="list-style-type: none"><li>• No established orthodoxy for decumulation advice so sense that longevity is not fully understood with few tools available to illustrate challenges</li><li>• No mortality tables that are suitable for calculations</li><li>• Focus on “what if I die and my fund disappears”</li><li>• No requirements on trustees to ensure that retirees are supported in making correct choices</li><li>• No regulation required allowing for how drawdown plans are designed catering for expected longevity, ongoing advice, declining faculties of client or advisor with age etc.</li></ul>
<b>Key stakeholders / potential collaborators</b>	<ul style="list-style-type: none"><li>• Central Bank</li><li>• FPSB</li><li>• LIA</li><li>• IoB</li><li>• Pensions Authority</li></ul>



# Longevity

<b>Principle</b>	Good longevity risk products/solutions are available and properly understood	
<b>Current context</b>	<ul style="list-style-type: none"><li>• Strong link with Advice stream. Some sense that neither the problem of allowing for longevity, or the solutions are fully understood by the public or those who advise on them.</li><li>• Describing longevity to the public is non-trivial</li><li>• There is a scepticism among many stakeholders about annuities and this reinforces the average person's view</li><li>• There is no mortality data set that is appropriate to the average person with decisions to make in respect of pensions savings (e.g. someone with accumulated saving of greater than €100 k)</li><li>• The desire to leave funds to next of kin has a significant impact on how pension funds are used (at the expense of ensuring that income is maintained into the future)</li><li>• The conundrum of how to retain ownership of personal assets while opting for a degree of longevity pooling is topical in many other jurisdictions (e.g. UK and Germany) so there is an opportunity to benefit from emerging ideas and practices</li></ul>	
<b>Key stakeholders / potential collaborators</b>	<ul style="list-style-type: none"><li>• Department of Social Protection</li><li>• LIA /FPSB/loB</li><li>• CSO</li><li>• Pensions Council</li></ul>	<ul style="list-style-type: none"><li>• Personal Finance Media</li><li>• ESRI</li><li>• Relevant international bodies</li></ul>



# Investments

<b>Principle</b>	There is an efficient market in well priced investment/savings options that allows for the various needs of people in the various life stages recognising the risk/return trade off and consumer difficulties with managing short term volatility	
<b>Current context</b>	<ul style="list-style-type: none"><li>• The group noted the immense volumes going into ARFs vs Annuities - potentially motivated by a desire to retain investment in productive assets . However various concerns were raised including:<ul style="list-style-type: none"><li>➤ Sense that many ARFs are invested in cash/bond assets thus undermining the rationale for eschewing annuity option;</li><li>➤ Need for more attention (under advice pillar) to conflict of interest caused by commissions discrepancy between ARFs and annuities (while recognising that ARFs require more ongoing advice which needs to be remunerated);</li><li>➤ Concern over shrinking of local annuity market and consequences for impetus to innovate</li></ul></li><li>• There is a general belief that real assets provide better outcomes in the long run, but it brings challenges such as tolerance of and attitude to risk.</li><li>• Any promotion of riskier assets would need to come with significant public education</li><li>• Overall sense (brought out in Colm Fagan's paper) that the focus on retirement age as an investment term, rather than looking through to when the money is actually needed is a driver of sub-optimal investment choices.</li><li>• Colm Fagan's paper &amp; CDC in the UK and other jurisdictions warrant a better look at smoothing/risk sharing options</li><li>• Practical difficulty of widening DC investment portfolios to include infrastructure and PM etc. due to regulatory restrictions and over-focus on daily liquidity requirements</li></ul>	
<b>Key stakeholders / potential collaborators</b>	<ul style="list-style-type: none"><li>• Product providers</li><li>• DSP / NAERSA</li><li>• Pensions Council</li><li>• Pensions Authority</li></ul>	<ul style="list-style-type: none"><li>• Dept of Finance</li><li>• CBI</li><li>• Advisor community</li></ul>



# Regulation & Tax

<b>Principle</b>	Regulations and tax rules are clear and consistent and contain a positive bias towards enabling good decision-making on pension choices
<b>Current context</b>	<ul style="list-style-type: none"><li>• The current Exempt/Exempt/Taxed regime seems to be in keeping with OECD best practice but some anomalies exist including:<ul style="list-style-type: none"><li>➤ Requirement to take all tax free cash at the one time can lead to money sitting in deposits.</li><li>➤ Differences in treatment (e.g. N/80s vs 25% TFC rules) can have unintended influence on individuals' choices</li><li>➤ Requirement for binary decision on DB schemes (transfer all or nothing) doesn't allow for optimal decision-making</li><li>➤ Complexity caused when AE scheme commences operation under a different system of State incentive to save</li></ul></li><li>• No obvious nudges towards encouraging optimal behaviour</li><li>• No requirements of trustees in relation to decumulation</li><li>• Current mortgage rules have potential to significantly defer pensions saving</li></ul>
<b>Key stakeholders / potential collaborators</b>	<ul style="list-style-type: none"><li>• Revenue</li><li>• Dept of Finance</li><li>• Dept of Social Protection</li><li>• Pensions Authority</li><li>• Pensions Council</li></ul>



# Data & Insights

<b>Principle</b>	There is a sufficient data around consumer behaviour and outcomes to guide policy	
<b>Current context</b>	<ul style="list-style-type: none"><li>• There is very little information gathered in respect of choices in savings or at retirement</li><li>• By contrast, since the introduction of pension freedoms in April 2015, the UK government and regulatory bodies like the Financial Conduct Authority (FCA) have collected and published extensive data on retirees' choices regarding their pension pots. This data includes:<ul style="list-style-type: none"><li>• Types of Pension Plans Accessed: Information on the number and types of pension plans accessed for the first time, including drawdown plans and annuities.</li><li>• Withdrawal Patterns: Statistics on regular or ad hoc partial withdrawals from pension plans</li><li>• Use of Financial Advice: Data on the proportion of retirees who took regulated financial advice when accessing their pension pots</li><li>• Annuity Sales: Details on the types and numbers of annuity options sold</li><li>• Pension Transfers: Information on defined benefit (DB) to defined contribution (DC) pension transfers</li><li>• Total Withdrawn Amounts: The overall value of money withdrawn from pension pots, including lump sums and fully encashed plans</li></ul></li><li>• It is not obvious that there are useful statistics gathered in the UK in relation to investment choices in savings.</li></ul>	
<b>Key stakeholders / potential collaborators</b>	<ul style="list-style-type: none"><li>• Department of Social Protection</li><li>• NAERSA</li><li>• Department of Finance</li><li>• CBI</li></ul>	<ul style="list-style-type: none"><li>• CBI</li><li>• Insurance Ireland</li><li>• IAPF</li></ul>



# Possible initiatives

# Menti





# List of possible initiatives

No.	Initiative	Consumer	Advice	Investments	Longevity	Regs	Data
1	Specify ideal data set to facilitate insights (options at retirement, behaviour during retirement) and identify pragmatic approach to collation (perhaps pulling on UK approach)						

*\* Low reliance on others to specify an approach, huge dependency to get something implemented*



# List of possible initiatives

No.	Initiative	Consumer	Advice	Investments	Longevity	Regs	Data
2	Hold Forum to showcase innovation in strategies and products for decumulation						



# List of possible initiatives

No.	Initiative	Consumer	Advice	Investments	Longevity	Regs	Data
3	Work with Financial Advice education bodies and CBI to arrive at a key principles of decumulation advice						

*\* Low reliance on others to specify an approach, huge dependency to get something implemented*



# List of possible initiatives

No.	Initiative	Consumer	Advice	Investments	Longevity	Regs	Data
4	SAI creates a mortality table for average person making pension decisions and develops tools to allow use by advisors and consumers						



# List of possible initiatives

No.	Initiative	Consumer	Advice	Investments	Longevity	Regs	Data
5	Lend support to development of calculator based on Pensions Council Living Standards. This should encourage refinement of standards (e.g. differentiate between renters and home-owners, facilitate consideration of separate “tranches” of retirement spending and recognise different stages of retirement)						



# List of possible initiatives

No.	Initiative	Consumer	Advice	Investments	Longevity	Regs	Data
6	Develop Point of View that “scale” providers (master trusts, State) be mandated to provide minimum longevity supports/default strategies possibly connected with introduction of in-scheme drawdown.						



# List of possible initiatives

No.	Initiative	Consumer	Advice	Investments	Longevity	Regs	Data
7	Survey of retirees to understand preferences and attitudes to longevity protection						



# List of possible initiatives

No.	Initiative	Consumer	Advice	Investments	Longevity	Regs	Data
8	Quick win paper in support of Pension Council idea that Tax Free Cash regime might be amended to create better outcomes (e.g. don't insist it be taken all at once)						



# List of possible initiatives

No.	Initiative	Consumer	Advice	Investments	Longevity	Regs	Data
9	Full end to end paper on coherency of legislative/taxation framework						



# List of possible initiatives

No.	Initiative	Consumer	Advice	Investments	Longevity	Regs	Data
10	Develop point of view on need for regulatory change to facilitate investment in more efficient asset classes e.g. illiquids, infrastructure						



# List of possible initiatives

No.	Initiative	Consumer	Advice	Investments	Longevity	Regs	Data
11	Create position statement on AE raising awareness of investment and decumulation issues						



# List of possible initiatives

No.	Initiative	Consumer	Advice	Investments	Longevity	Regs	Data
12	Follow up on Pension Council's remarks that further research on smoothed funds may be worthwhile and seek sponsors for wider review including political aspects						



# List of possible initiatives

No.	Initiative	Consumer	Advice	Investments	Longevity	Regs	Data
13	Seek to build commitment to creating dashboard to allow people view their total picture in one place. Project itself would be huge and have high dependency on others. However, an initial study is more in our control.						



# List of possible initiatives

No.	Initiative	Consumer	Advice	Investments	Longevity	Regs	Data
14	Hold competition in schools regarding longevity and investment problems (providing some education first – in style of Young Scientist). Key aim would be raising awareness of the issues.						



# List of possible initiatives

No.	Initiative	Consumer	Advice	Investments	Longevity	Regs	Data
15	Position paper on home ownership and retirement planning (to include obvious impacts of ownership vs renting at retirement, delays to pension savings caused by LTV, equity release)						



# Q&A



# Next Steps



# No small challenge

- A lot to do
- Dependence on external organizations
- Politically sensitive
- Lack of authority in some areas
- Fighting behavioural economics





# What's required

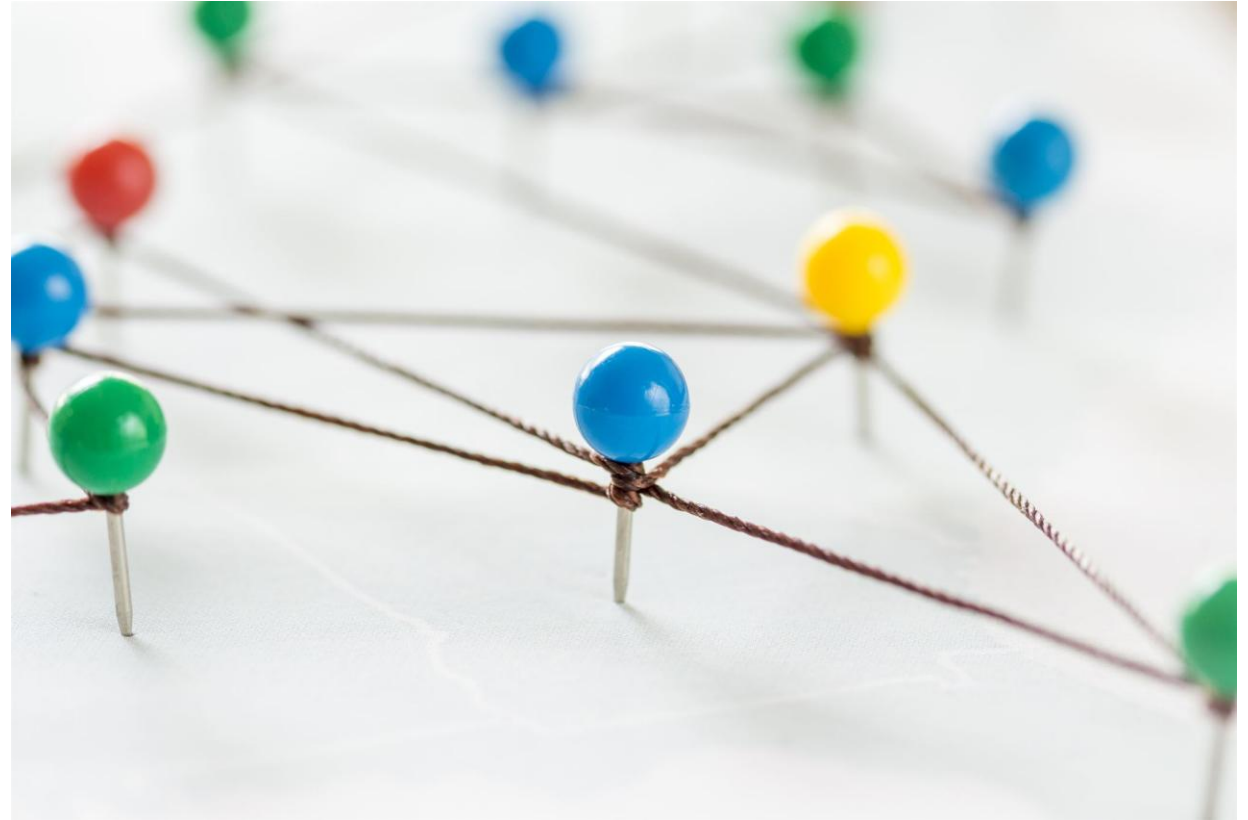
- Understanding of current framework and behaviours
- CX skill
- Design skills
- Programming knowledge
- Demography
- Research skills.
- Writing.
- Tax and regulations





# Governance

- Establishing a clear framework for program operations.
- Prioritizing initiatives
- Scheduling
- Ensuring connectivity with broader programs and stakeholders.
- Facilitating collaboration





# Next Steps



- Share presentation deck with all members
- Ask for feedback (good and bad) by end of June
- Invite expressions of interest for participation in Governance and/or initiatives
- ...tap on some shoulders!