



Society of Actuaries in Ireland

ACTUARIAL STANDARD OF PRACTICE PEN-11

DISCLOSURE OF DIRECTORS PENSION COSTS UNDER IRISH STOCK EXCHANGE LISTING RULES

Classification

Mandatory

MEMBERS ARE REMINDED THAT THEY MUST ALWAYS COMPLY WITH THE CODE OF PROFESSIONAL CONDUCT AND THAT ACTUARIAL STANDARDS OF PRACTICE IMPOSE ADDITIONAL REQUIREMENTS UNDER SPECIFIC CIRCUMSTANCES.

Legislation or Authority

The Listing Rules of the Irish Stock Exchange, trading as Euronext Dublin

Application

Any actuary responsible for the calculation of transfer values of the increase in accrued benefits for directors for the purpose of disclosure in a company's annual report as required under the Listing Rules.

Version	Effective from
1.0	14.02.2007
1.1	01.11.2010
1.2	01.04.2020
1.3	01.07.2024

Definitions

“*ASP*” means Actuarial Standard of Practice issued by the Society

“*should*” (where the context requires) indicates that members of the Society to whom this ASP applies must comply with a particular requirement or prohibition, unless the circumstances are such that the requirement or prohibition is inappropriate and non-compliance is consistent with the standards of behaviour, integrity, competence and professional judgement which other members or the public might reasonably expect of a member

“*the Society*” means the Society of Actuaries in Ireland

“*the Listing Rules*” mean the Listing Rules of the Irish Stock Exchange, trading as

Euronext Dublin, as set out in Book II of the Euronext Dublin Rule Book.

1 Disclosure of directors' pension costs

- 1.1 LR 6.1.84 (12) (Director's remuneration report) of the Listing Rules includes requirements in respect of defined benefit pension scheme disclosures for directors.
- 1.2 The accrued benefit should be calculated by the Registered Administrator to the Scheme in the first instance but where the accrued benefit is estimated by the Actuary for the purpose of the calculation of the increase in value over the period this should be notified to the client. The amount of the increase in accrued benefit is calculated as the difference between the accrued benefit at the end of the period and the accrued benefit at the beginning of the period.
- 1.3 Where the director leaves service or retires, the calculated amount should be the accrued benefit payable from normal retirement age. Where the director has retired during the period, the actuary should indicate any difference between the accrued benefit and the benefit actually payable. For directors who are appointed during the period, the increase in accrued amounts is from the date of appointment to the end of the accounting period. Thus any increase in the accrued benefit arising on appointment is excluded.
- 1.4 For the purpose of the Listing Rules, when calculating the transfer value of the relevant increase in accrued benefit, the approach to be followed is:
 - (a) Base the calculations on the financial conditions and relevant actuarial standards of practice prevailing at the end of the period (at the current time ASP Pen-2 which reflects the fact that the assumptions to be used in the calculation of standard transfer values are now set out in Statutory Guidance issued by the Pensions Authority. In a period where the Pensions Authority amend the underlying assumptions set out in Statutory Guidance the Actuary may wish to prepare comparative values using the previous assumptions for information purposes);
 - (b) Calculate the value at the end of the period of the accrued benefit at the beginning of the period (adjusted for such increases in deferment as would have applied to deferred benefits on leaving service at the beginning of the period) by reference to the benefit terms and conditions that existed at the beginning of the period;
 - (c) Calculate the value at the end of the period of the accrued benefit at the end of the period by reference to the benefit terms and conditions that exist at the end of the period.

The difference between the values calculated in (c) and (b) represents the value of the relevant increase in accrued benefit. The amount of the director's own contributions during the accounting period should be deducted from this value.

- 1.5 Where the benefit terms and conditions have changed during the period it may be appropriate for the purpose of providing meaningful disclosures to identify

the part of the transfer value which arises from this change.

- 1.6 In calculating the transfer value, account should only be taken of early retirement options and discretionary benefits to the extent that they are included in transfer values for members who leave service. The allowance included for dependants' benefits should be the same as is included in the calculation of transfer values for members who leave service.
- 1.7 The transfer value should not take into account any reductions being applied to transfer value payments as a result of the scheme failing to satisfy the funding standard and, for the avoidance of doubt, should not reflect any Scheme specific transfer value factors in use (where this is different to the Statutory Guidance issued by the Pensions Authority). Where no transfer values are payable from the scheme, the valuation should be consistent with transfer values for other schemes of the same employer.
- 1.8 If benefits are payable from a scheme established outside the Republic of Ireland, the transfer value calculation should use the transfer value basis and method employed by the scheme (if applicable) and be consistent with any relevant regulatory requirements and actuarial standards of practice in the country concerned. In the absence of a transfer value basis applicable to the scheme, relevant regulatory requirements and actuarial standards of practice in the country concerned, the transfer value calculation should use methods consistent with ASP PEN-2, taking account of economic conditions in the country concerned.
- 1.9 For directors who retire during the accounting period, the valuation of accrued benefit at the point of retirement should be carried out on a consistent basis to the calculation of transfer values. All values for directors who retire should be calculated at the point of retirement and no adjustment is required to the amount for end of accounting period figures.
- 1.10 In cases where no benefit entitlement arises until a specified minimum period of service or scheme membership has been completed, there is a nil pension cost for the initial specified period. In the first accounting period after the specified period the cost is then correspondingly larger to reflect the extra vesting of benefits.
- 1.11 Where there is a negative increase in benefit or a negative value, this should be reported by the actuary to the Company leaving it to decide whether to disclose a negative or nil item.
- 1.12 Where a director remains in service until after normal retirement age there would be no relevant increase in benefit if the benefit increase is equal to the actuarial increase for later retirement.
- 1.13 The cost of death in service or disability benefits provided during the accounting period may also be required for disclosure purposes. In communicating the transfer values for disclosure, it should be made clear that these costs are not included.
- 1.14 Particular care should be exercised when undertaking calculations where a director's pension benefit is (or was) subject to an order made under the

Family Law Act, 1995 or the Family Law (Divorce) Act, 1996. In particular, in the year in which the adjustment order is made, the transfer value calculation should take into account the full accrual of benefit in that year, including any benefit allocated to the non-member spouse.

- 1.15 Disclosure of directors' pension costs may also be required under separate legislation and accounting standards. This ASP relates to disclosure requirements under the Listing Rules only.

EXPLANATORY NOTE

ACTUARIAL STANDARD OF PRACTICE PEN-11, VERSION 1.3

This Explanatory Note does not form part of the ASP.

Version 1.3 was introduced having performed a review of version 1.2 and the following amendments were made:

It was noted that the accrued benefit should be calculated by the scheme administrator in the first instance – and if the Actuary has done the calculation then this should be noted to the client.

Where the assumptions underlying the Statutory Guidance are amended in a particular reporting period, it was noted that the Actuary may wish to prepare comparative values using the previous assumptions for information purposes.

It was noted, for the avoidance of doubt, that the transfer value calculation should not reflect any scheme-specific transfer value basis (where this is different to the Statutory Guidance issued by the Pensions Authority).