



Submission form

Consultation on the reform and simplification of supplementary funded private pensions

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Send your submission by 3 October 2016:

- by email to: policy@pensionsauthority.ie
- or by post to: Policy Unit, The Pensions Authority, Verschoyle House, 28-30 Lower Mount Street, Dublin 2.

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Proposed changes to trusteeship (page 14-19)

Q1	What are your views on trusteeship generally and how it operates in practice from your own experience?
A1	<p>In our opinion the trustee model remains appropriate for medium and large schemes and in the main works well for them. In our view, however, trusteeship can be onerous (and possibly unnecessary) for small schemes.</p> <p>In our experience the main weaknesses of (non-professional) trustees currently tends to be a lack of investment knowledge and an over-reliance on advisers. We also find that there tends to be big reliance on the Chairperson to steer decisions. We believe that, subject to reform of the PRSA regime, contract-based PRSAs represent a reasonable alternative model for smaller schemes (see A18). Alternatively, smaller schemes could use master trust vehicles (where governance should be stronger than for small single-employer schemes given the potential for large membership and funds under management) as envisaged in the consultation document.</p> <p>The current widely-adopted practice of doing a Trustee training course every two years is repetitive and does not represent valuable learning.</p>



	<p>In our experience diversity of trustee boards is generally a positive feature of the current model. In particular, the inclusion of “lay” trustees nominated by the members can add value, and employer nominated trustees can bring a business focus to the table.</p> <p>Our perception is that independent, professional trustees, where they are involved, generally add value in terms of improving the effectiveness of trustee boards, albeit their involvement does tend to bring an additional cost and additional risk (such as conflicts of interest or over-reliance on an individual) which needs to be managed. In some instances, conflict of interest can arise where the trustee is a corporate trustee affiliated with the trust service(s) provider.</p>
Q2	Do you agree that the introduction of trustee qualifications as proposed will help increase standards of trusteeship? If not, why not?
A2	<p>Agreed. Qualifications need to be relevant and case-study based rather than “book” based learning. Events / opportunities (e.g. as part of a continuous professional development programme) to share experiences with other trustee boards should also be encouraged. In stipulating the qualification requirement care needs to be taken that these are not too onerous or so costly as to discourage enrolment and participation, particularly amongst the current cohort of highly effective trustees. Consideration should be given to grandfathering or exemptions for current experienced trustees e.g. those acting as independent trustees with other pension qualifications and significant prior experience in the pension industry. It would be helpful if a third-level academic institution or industry body could provide a course leading to a diploma / qualification in pension trusteeship.</p>
Q3	Do you consider that the enhanced trustee qualification requirement should apply to a trustee board collectively or to each member of a trustee board individually?
A3	<p>Agreed, that an enhanced minimum trustee qualification requirement should be introduced and applied to the Board on a collective basis (see A5). We would suggest that a trustee board should comprise a minimum of 3 individuals with the optimal number in our view being around 5. In our view one third of trustees (rounded up) should have the trustee qualification requirement. Failure to comply should be automatically advised to the Pensions Authority.</p>
Q4	Do you agree that <u>all</u> directors of a corporate trustee company responsible for a master trust should be required to fulfil either the qualification or the experience requirements (subject to a minimum of one trustee director meeting the experience requirement and a minimum of one trustee director obtaining the qualification)?
A4	<p>All directors of a trustee company solely running a master trust should be qualified or meet the experience requirements. There should also be at least three directors in our view.</p> <p>Governance of the master trust and the use of independent and suitably qualified trustees will be key considerations of the master trust framework. The Pensions Authority should retain a list of professional trustee companies and suitably qualified individuals which it deems appropriate to act in the capacity of trustee of master trust arrangements. Any conflicts or potential conflicts of interest between trustees and the master trust provider or one of the service providers should be declared and the Pensions Authority should review the conflict and any suggested ways to mitigate this as part of its authorisation process for master trusts.</p>



Q5	Do you agree that recognising experience gained as a trustee should be taken into account when determining minimum standards for trustees? If not, why not?
A5	Agree and that it should be applied to the trustee board on a collective basis whereby two-thirds of trustees (rounded up) should possess either the experience or qualification requirement. We note from the consultation document that the practice of a corporate trustee acting as sole trustee would continue to be acceptable and that corporate trustees would be required to have a minimum of two directors, one with a mandatory trustee qualification and one who meets the prescribed criteria for experience. It is unclear as to how the collective qualification and experience requirements might work when individual trustees act in conjunction with a corporate trustee.
Q6	Do you have any suggestions on what is appropriate trustee experience and how this could be measured?
A6	We agree with the proposed minimum experience requirement proposed by the Authority of two years. It would be useful if the Authority could stipulate / prescribe in relation to the 2 year experience requirement e.g. would experience as trustee in an overseas jurisdiction count? We understand that the experience requirement will apply to the Trustee Board on a collective basis and therefore some of the trustees may potentially have no or little prior experience. With that in mind we would propose that the 2-year minimum experience requirement for the trustees who are required to meet this should also reflect experience of trustee meeting attendance. Overall we suggest that the experience requirement for the trustees who are required to meet this is a minimum 2 years' experience overall coupled with attendance at 6 trustee meetings.
Q7	Do you think all trustees should be subject to annual CPD? How many CPD hours per annum do you think would be appropriate? If you do not favour CPD, please state the reasons why and suggest an alternative approach.
A7	<p>Agree with CPD requirement and we believe the requirement should be outcome-based rather than focused on achieving a stipulated minimum number of hours.</p> <p>If an hours-based system is adopted, we suggest an annual CPD requirement of between 5-10 hours with a requirement to attend at least one external event per annum. There should be a higher requirement for professional trustees than lay trustees. CPD activities should be tailored toward areas which are typically challenging for trustees such as investment, assessment of value for money around charges and delivering positive member outcomes.</p>
Q8	Do you agree with the proposed additional eligibility restrictions?
A8	Agree.
Q9	What are your views on the proposal to impose “fit and proper” requirements on trustees?



A9	<p>Highly desirable but should not be overly onerous to encourage enrolment and participation.</p> <p>Directors of a trustee company must already comply with the requirements of either the Central Bank or the Department of Justice as well as having their normal obligations under the Companies Act and hence any additional requirements imposed should not duplicate these.</p> <p>The consultation document focuses on the ability of the trustees to perform their duties. We would also encourage the Authority to give consideration to the potential capacity of trustees to discharge their responsibilities properly e.g. by imposing a limit on the number of schemes for which a trustee can act, similar to the limit placed on non-executive directors in terms of the number of roles they can assume.</p>
Q10	Are there any other persons that should be prohibited from acting as trustee? If yes, please say whom and state the reasons why they should be prohibited.
A10	<p>We suggest that the Authority should have discretion to refuse permission to act as a trustee (under the proposed fitness and probity regime) if there has been a finding of misconduct, or prima facie evidence of misconduct, against someone under a professional body's disciplinary scheme.</p>
Scheme authorisation (page 19-23)	
Q11	Would pension schemes benefit from the introduction of an authorisation process? Do you agree with the broad proposals set out by the Authority? If not, what alternatives would you suggest for achieving better scheme governance?
A11	<p>We agree that the introduction of a pre-establishment authorisation process would lead to a more robust pensions system. We note that the OECD-IOPS guidelines were published in 2008 and it would be of interest to see if best practice has developed since that time, and to consider the requirements of the IORP II Directive.</p> <p>We believe that the proposed approach is reasonable for new DC schemes, although the detail of how the requirements are addressed in practice will need to be considered carefully. The document states that "Under some of the above headings [scheme structure and formation, governance and management, investment, business plan], it is proposed that documentation will be required to be submitted for review, in other cases, confirmation that the document exists will suffice as a condition of authorisation." The balance between reviewing documents and requiring confirmation that they exist will depend, inter alia, on the Authority's resources and we would suggest that initially it may be appropriate to weight the process towards the latter – i.e. that the Authority would not, for example, review the scheme documents or SIPP, but would look in some detail at the governance structure.</p> <p>The authorisation process needs to be sufficiently flexible that it would not unduly delay pension negotiations between (for example) employer and employee groups. We note that as part of the requirements for authorisation, a proposed scheme needs to submit its business plan dealing with potential members. In that regard, does the Authority expect that it will only authorise new schemes above a certain size? If so, it would be useful to signal this in advance.</p>
Q12	Are there specific areas that are not outlined on pages 22 and 23 that should feature as part of the authorisation process?



A12	The proposals as set out in the document do not include two areas which are referenced in the OECD Guidelines – funding and risk controls. The submission of actuarial advice on funding would be essential for any new DB scheme being established, recognising that such cases will be relatively few. A document setting out the proposed risk controls could be included in the documents to be submitted in relation to both DC and DB schemes.
Q13	What do you see as the key challenges posed by the introduction of an authorisation process for pension schemes, members, trustees and/or the pensions industry?
A13	<p>The key challenge will be to convince those establishing pension schemes that the requirements are intended to lead to a better result for all stakeholders – including members and sponsors – and are not merely additional bureaucracy which might lead employers to decide that setting up a scheme was not worth the hassle.</p> <p>In practice, it should not be onerous for trustees/advisers to provide the information to the Authority as these issues should all be addressed as part of the establishment of the Scheme – the difference will be that they must be sorted out before the Scheme commences which may lead to some delays in establishing schemes. It will therefore be important that the authorisation process is as streamlined as possible and allows for schemes to evolve in their level of sophistication over time.</p> <p>As noted above, the authorisation process needs to be sufficiently flexible that it would not unduly delay pension negotiations between employer and employee groups, or where a new pension arrangement has to be established within a short timescale in the context of corporate activity. It would be necessary for the Authority to commit to a certain turnaround time in respect of scheme authorisations (once all requested documentation has been submitted), for example, 2 months.</p>
Q14	Do you see the proposals giving rise to regulatory arbitrage for schemes? If so, at what points in the process do you see this arising? What efficiencies can be gained by sharing information/processes with any other relevant supervisory authority (e.g. the Central Bank/Revenue)?
A14	<p>We do not understand the reference to regulatory arbitrage – the choice for establishing a new (Irish) pension plan will be between an occupational (DC) scheme and a “group” PRSA, both of which are regulated by the Authority, who can ensure that scope for arbitrage between the two systems does not arise. There may be some additional activity in the RAC and BOB markets in advance of their closure by individuals for whom the “old” rules are perceived to be more favourable but this is inevitable if the date of closure is announced in advance. It is very important that the authorisation/approval process is as seamless as possible and we note that the Authority is in discussion with the Revenue Commissioners about this.</p> <p>We suggest that the Pensions Authority could reasonably rely for the approval of trustees on the Fitness & Probity regime adopted by the CBI.</p>
Q15	Are there any other issues relating to scheme authorisation that you would like the Authority to consider?



A15	<p>We note the statement “where the requirements are no longer met, this [the scheme not being managed to the standard required at authorisation] may ultimately result in the revocation of a scheme’s authorisation, though this would be as a last resort only”. It would be helpful to explain what consequences would flow from this i.e. would the scheme be terminated with compulsory transfers to PRSAs for all members? Actions against trustees? Tax penalties? It would also be helpful to know the proportionate Pension Authority response in relation to individual elements of the authorisation process not being maintained to the required standard.</p>
<p style="text-align: center;">Enhancing the current supervisory and enforcement processes (page 23-26)</p>	
Q16	<p>Do you have any views on the Authority’s proposed enhanced supervisory and enforcement powers?</p>
A16	<p>Supervision by reference to binding requirements should make the requirements clearer for Trustees and should also make it easier for the Authority to identify and address “non-compliant” cases although there is a concern that trustees might simply “tick the boxes” rather than consider issues in a more constructive way. It would be desirable that the binding codes are principles-based rather than granular in detail as this would serve to avoid box-ticking and would also help to address the tendency for all pension schemes to gravitate towards these, so that the “minimum” becomes the standard adopted by all.</p> <p>We agree that the Authority should have greater powers of enforcement where trustees do not take appropriate actions themselves. This will in any event be a requirement under IORP II. It is important that the powers are exercised in a proportionate manner so that trustees are not frightened off.</p> <p>The IOPS Guidelines set out good principles which we support.</p> <p>We note that the Authority would propose to issue directions to Trustees where necessary which is an enhancement of its current powers. We recommend that this be a measure of last resort as otherwise it could be abused by trustees i.e. they might do nothing in order to force the Authority to act, thereby transferring blame for an unfavourable outcome to the Authority and away from themselves.</p>
Q17	<p>Do you share the view that codes of practice should be put on a statutory footing? If not, why not?</p>
A17	<p>This seems appropriate if they are to form the basis of the Authority taking action on a proportionate basis if they are not followed. If the codes have a statutory footing, it is even more important that they are principles-based so that trustees are not encouraged to tick boxes in order to meet the statutory requirements, rather than focussing on how best to address the issues, within the principles set down.</p>
<p style="text-align: center;">Rationalisation of pensions vehicles (page 26-28)</p>	
Q18	<p>Do you agree with the proposal to rationalise pensions vehicles in order to simplify the landscape for consumers?</p>



A18

The rationalisation focuses on ceasing the sale of RAC and BOBs, allowing existing RAC and BOB contracts to continue, and presenting a single DC contract for new accumulation stage pension saving, based on the current PRSA regime, with some reform of the PRSA legislation. In addition to this contract based option, an occupational scheme based DC option will continue to exist.

We wholeheartedly agree with the need to rationalise pension vehicles. We believe that the proposal may not go far enough, and may not articulate clearly enough a vision for the future of DC pension arrangements.

In particular, we recommend that consideration be given to developing a single DC pension arrangement (perhaps based on PRSAs, but with significant reform of the current regime) which could be used both for the accumulation and decumulation stage of pensions. Such a contract could be used as a tax efficient and simple way of encouraging saving for retirement, and also as a post-retirement drawdown product. Simplicity and flexibility would be key to ensuring that the product could meet the needs of retirement savers at any stage in their life cycle.

For people with existing RAC and BOB contracts, we do not believe that it would be beneficial to require those contracts to transfer into the new arrangement, as this may not be in the best interests of consumers. However, a straightforward and flexible DC contract that could meet the needs of consumers both pre and post retirement could encourage consumers with RACs and BOBs to transfer to the new arrangement.

This could help eliminate inconsistencies between contracts and allow savers consolidate their pensions into one arrangement. For the purpose of easy management of pensions, a principle of the pot following the saver would help improve customer outcomes and should lead to efficiencies in their costs.

If the changes are limited to the rationalisation proposal set out in the consultation paper, then we agree that the rationalisation proposal will improve the position, relative to the current situation, but we feel that these changes cannot be made independently from looking at PRSA legislation. If there is to be a greater reliance on PRSAs as a DC vehicle of choice, then it would be important to look at PRSA inflexibility, charging restrictions and disclosure requirements. PRSA providers should be subject to a fiduciary duty, similar to that applicable to trustees of trust based arrangements, to ensure that good customer outcomes are their central focus. This may be achieved by proposed product oversight and governance regulations expected to be introduced in the near future.

In addition, the use of a trust-based system for some individuals and a contract-based for others seems like an unnecessary complication, and though it would require a rationalisation of contribution and retirement rules to align both types of arrangement, a further simplification could be the phasing out of trust-based one-member schemes, moving these to a contract structure.

A related point arises in respect of one-member schemes where the trustees are no longer willing or able to act as trustees under the new regime. In such a situation it would be important to have a solution which protects the interests of scheme members. Transferring to a flexible contract based DC structure could be a potential solution to this challenge.

Whilst it is possible that ARF contracts could also be phased out if the new DC structures have sufficient flexibility to meet the needs of decumulation stage consumers, we recommend that a distinct open market option for all should remain at retirement in order to maintain competition and choice.



	<p>Equally a single DC pension arrangement which could allow for accumulation and decumulation could be offered as part of master trust arrangements. The single vehicles could allow for cost sharing with members in terms of reduced cost of sales, set up costs, persistency experience.</p> <p>The proposed single vehicle covering both accumulation and decumulation would pose additional challenges for trustees and employers of smaller DC schemes who may be reluctant to take on the additional risks which would arise in the pay-out phase and in particular would not wish to be faced with situations where members' funds were extinguished before they died. Hence we expect that this would be considered only by larger DC schemes and those governed by a master trust.</p>
Q19	Are there any other additional issues presented by the cessation of RACs and BOBs?
A19	<p>We agree with the recommendation in the reform paper that prior to the rationalisation of BOBs and RACs, a fundamental review of the current PRSA regime be undertaken such that a suitable, flexible, product representing good value for money is available as an alternative.</p> <p>If PRSA's are the future vehicle then member outcomes may not be improved, without significant reform of the PRSA structure:</p> <ul style="list-style-type: none">- PRSAs in their current form are often more expensive than BOBs and RACs, and do not always provide the best value for money in terms of advice, fund choice and service.- pension lump sum rules are different under occupational schemes so members could be materially disadvantaged where transferred to a PRSA on wind-up. It may result in some trustees transferring benefits to occupational type arrangements like master trusts rather than PRSAs so the operation of such arrangements needs to be considered in tandem. <p>PRSAs need to be more flexible and more easily changed to allow flexibility on terms (e.g. pricing/investment options) if they are to be the cornerstone of future provision. There should be scope, for example, to offer flexible terms on bulk transfers (e.g. from defined benefit scheme wind ups) as is currently the case in the event of bulk transfers to BOBs.</p>
Q20	Do you foresee any practical difficulties with the removal of the 15 year rule limiting transfers from schemes to PRSAs?
A20	No
Q21	Do you foresee any practical difficulties with permitting BOBs to transfer to PRSAs?
A21	<p>Rules around Certificates of Comparison would need to be updated to reflect this change however note the wider comments around Certificate of Comparison changes in our response to Q23.</p> <p>PRSA rules permit the drawdown of up to 25% of the fund as a pension lump sum whereas some BOB's may have no allowance for lump sum drawdown (for example due to the policyholder having waived the right on leaving employment to maximize the tax free element of the severance payment). This issue also applies to transfers from occupational pension scheme. This inconsistency would need to be addressed.</p>



Q22	Do you foresee any practical difficulties with permitting RACs to transfer to schemes?
A22	We don't believe that significant practical difficulties are likely.
Q23	Do you have any practical suggestions which the Authority can take into account as part of its review of the certificate of comparison and reason why statement required, in certain circumstances, for transfers from schemes to PRSAs?
A23	<p>Certificates of Comparison are typically far too long, and it can be very difficult for a lay person to understand the key points. It is not clear therefore that they currently serve the purpose they were designed for. In addition, they are costly to produce and review and these costs are ultimately borne by the customer. It is also unclear why a Certificate of Comparison should be required for transfers to PRSAs and not to other forms of pension saving, such as a transfer to a DC scheme. For Certificates of Comparison to be useful they need to be significantly simplified. Replacing the detailed and often repetitive descriptions of benefits, including financial projections, with a shorter assessment of key advantages / disadvantages would be more helpful. The Society would be happy to engage with the Authority on potential approaches to the preparation of a simpler Certificate of Comparison.</p> <p>It could be possible to cover the requirements needed for a reasonable comparison of transferring and receiving arrangements under the reasons why statement provided by an adviser, particularly where these are both DC arrangements. The combined requirements act as a barrier to easy transfer of benefits to PRSAs and should be reviewed in the context of any planned rationalisation of pensions. The aim should be to ensure that there are sufficient safeguards to prevent consumers making poor decisions or receiving poor advice without presenting undue barriers to consolidation.</p>
Master trusts/multi-employer pension schemes (page 29-32)	
Q24	What is your view on the appropriate supervisory approach to master trusts?
A24	Master trusts have been available in the UK for a number of years and the market there has developed potentially suitable governance structures. The master trust assurance framework provides an independent review of schemes against a defined set of criteria agreed by The Pensions Regulator. The framework sets out how trustees should report against a series of 'control objectives' related to governance and administration of the master trust, which are aligned with the standards set out in the UK Pension Regulator's DC code. The framework also sets out the procedures that independent reporting accountants should carry out in assessing whether a master trust is fit for purpose -



	<p>http://www.icaew.com/~media/corporate/files/technical/technical%20releases/audit/aaf%200714.ashx</p> <p>Whilst the UK is advanced in some areas of governance, the protocols around the set-up of master trusts are relatively light touch which has led to concerns in some quarters over the sustainability of the large number of arrangements which have been set up. In order to avoid similar potential issues in Ireland, we believe that a robust approval process should be put in place. This should involve assessment of defined criteria prior to the set-up of new arrangements and we have set out some suggestions under A27 below.</p> <p>We have no specific view on the appropriate trustee structure required for a master trust, except that the changes to the current regime proposed earlier in this document would be necessary to ensure appropriate obligations are placed on trustees in the management of these arrangements.</p> <p>It would be appropriate that there is significant focus on capital requirements to provide for costs that will arise where the master trust winds-up.</p> <p>There is a consideration around costs, but if these master trust arrangements are to be a central plank of Irish DC savings into the future, it is difficult to see where the regime deemed appropriate in the UK could be compromised for Irish pension savers.</p> <p>Given the relative size of the Irish market and as a result the relatively high degree to which various insurance companies / benefit consultancies / trustee companies / individual trustees are intertwined there is potential scope for material conflicts arising. However, by the nature of the arrangements, master trusts are commercial entities working in a competitive market, therefore you would expect that charges/costs would be minimised due to competition. A key driver in managing this will be transparency and disclosure of information.</p> <p>One example of how this could be managed is if all entities are required to disclose charges in a standard manner and these were held in a central, publicly available database. Master trust providers could be required to disclose their administration charges to members against market benchmarks. Similarly, stringent requirements on trustees to monitor investment options should assist in reducing potential conflict of interest issues. We recommend that a review of international best practice (e.g. New Zealand, Mexico) in the area of the communication of summary cost / service level information would potentially be helpful.</p>
Q25	What is your view on the feasibility of master trusts in Ireland and the potential for them to generate economies of scale and reduce costs for members?
A25	<p>There is evidence that larger schemes can generate greater purchasing power than smaller schemes (certainly from a “member costs” perspective), so this would suggest some potential for members to save on costs and get access to a broader range of services.</p> <p>Greater governance standards will add a layer of cost – one which we believe it is necessary to add in the interest of creating confidence in the system – and in the short term these costs may be significant relative to funds invested. This will be a challenge to the feasibility of master trusts.</p> <p>There is a range of existing pension vehicles in place so the feasibility of master trusts will in part be dependent on their ability to replace and absorb existing pension arrangements. Rules on transferring into master trusts (e.g. RACs/PRSA to master trust), and between</p>



	<p>master trusts, would need to be practicable – as it should be envisaged that there would be significant levels of transfers, both initially and on an ongoing basis.</p> <p>At this stage of the consultation and regulatory review and in the absence of significant additional detail, it is not possible to assess the size and scale that a master trust needs to attain in order to deliver the purported economies of scale and reduce costs on members. However as noted in A24, the requirements at set-up should be such that there are not a large number of small/unviable arrangements set up.</p> <p>There is a consideration around the potential for master trusts being used to bundle costs which would then be borne by members, thereby resulting in savings within the pension system, but where the sharing of these savings was inequitable between members and employers. However, this type of model is common in smaller arrangements at the moment in any event.</p> <p>There should be a requirement for clear benchmarking of costs and services from each master trust, including member investment costs being incurred (e.g. Total Expense Ratio by fund). This will encourage competition within the master trust system to drive the best value for money. A policy of controlling charges does not necessarily lead to better outcomes and market competition/disclosure is likely to lead to a more efficient approach e.g. PRSAs are often more expensive than BOBs. Any benchmarking of costs must align with the services being provided in order to allow easy comparison between low cost/low service arrangements with higher cost arrangements providing broader services like communications, advice and diverse fund options.</p> <p>The introduction of a single DC pensions vehicle (as referred to in A18) which would allow for both accumulation and decumulation and consolidation of all previous pension savings within a Master Trust would serve multiple purposes. Such a vehicle should result in reduced charges given lower cost of sales (one set-up cost), and higher persistency rates for master trust providers.</p> <p>Such a consolidating vehicle would help address the two-tier regulatory regime which currently exists whereby the governance and oversight effort by trustees is focused on the pre-retirement period with much fewer protections (including in the area of charges and decumulation) for members and consumers in the post retirement world.</p>
Q26	Do you agree with the issues identified by the Authority? Are there any additional issues that you would raise in relation to the operation of master trusts?
A26	<p>The potential issues identified by the Authority are valid. However many of these can be managed through an appropriate governance structure and this would achieve the ultimate result of fewer schemes and possible costs savings/service enhancements for pension scheme members.</p> <p>These schemes, by their nature, have the ability to become significant in scale and as a result detached from their membership. The UK NEST scheme operates an Employer Forum (https://www.nestpensions.org.uk/schemeweb/NestWeb/includes/public/docs/employers-panel-terms-of-reference,PDF.pdf) and a Member Forum (https://www.nestpensions.org.uk/schemeweb/NestWeb/includes/public/docs/members-panel-terms-of-reference,PDF.pdf) with clear terms of reference, responsibilities and regular reporting. This transparency and interaction would appear to be a desirable property of any master trust regime in Ireland to strengthen the relationship between participants and providers.</p>



	Employers should have the ability to give input on direct communications from the master trust to their employees which would bring back a degree of “layman” or “local” input for the members.
Q27	Do you agree with the proposed requirements that should be placed on master trusts? Are there any additional requirements that you would suggest to ensure good governance in master trusts?
A27	<p>Reflecting on the UK experience, we would identify the following additional points:</p> <ul style="list-style-type: none">• Master trusts should be required to develop a business plan demonstrating that they can achieve scale and survive in the market into the long term (resulting in protection of their members’ interests).• Validation of the business plan to determine viability should be required.• A master trust should be required to have appropriate insurance cover for compensation of members in the event something goes wrong.• There should be a requirement for an exit strategy or a discontinuance plan to be developed for each master trust. As part of this exit strategy, it should be documented as to how and where money is held (including the amount, and how it has been determined) on behalf of the members to be used to cover the costs of wind-up if necessary.• The master trust system should be able to cope with a departure from the market to ensure members are protected and not disadvantaged (including where these members would be transferred to – potentially a master trust of ‘last resort’).• There should be a requirement for Service Level Agreements with all Third Party providers,• Details of the controls in place to manage benefits and assets,• How conflicts of interest are managed. <p>As an aside, similar requirements could be placed on all pension administrators to strengthen governance generally.</p>
Q28	Do you see the proposals giving rise to regulatory arbitrage? If so, at what points in the process do you see this arising?
A28	We do not envisage this giving rise to regulatory arbitrage and it would be unhelpful if regulatory arbitrage were a feature (given it has been an unhelpful feature of the current pension regime). In fact, if pension arrangements were to be rationalised to remove BOB’s without a major overhaul of PRSA rules then having master trust arrangements available for transfers on scheme wind-ups may be needed to provide trustees with a suitable option for receiving benefits in order to maintain consistent member benefit options.



Q29	Are there any other issues relating to the authorisation or operation of master trusts that you would like the Authority to consider?
A29	It would be unhelpful if new businesses were dissuaded from entering the market by the regulatory process and requirements, to the extent that competition was to be limited. Therefore, a reasonable balance needs to be achieved between the governance structures in place and the initial barriers to entry. There also needs to be a balance between the ongoing requirements on master trusts and the flexibility of providers to be able to control their costs if better member outcomes are to be achieved.
Q30	Are there any methods that you would suggest to facilitate the transfer of existing schemes into master trusts?
A30	The current Bulk Transfer rules contain information that is not necessarily appropriate for 'defined contribution only' transfers. It could be expected that there would be regular movements of funds from one master trust to another (e.g. where an employer decides that they wish to change arrangement) and this needs to be easily facilitated both in the transfer rules and by setting protocols around how such transfers would be managed across the industry as the practical difficulties of changing providers currently acts as a barrier to movement from one provider to another.
Other issues (page 32-33)	
Q31	Are there any other matters relevant to funded supplementary pensions that you think should be included in consideration of reform?
A31	<p>The Society believes that it is necessary to undertake a comprehensive review of the pensions system, covering State, proposed supplementary universal pension, occupational and personal provision. We appreciate that this would require the involvement of a number of Government Departments and agencies and is outside the scope of the current review.</p> <p>It is essential that there is a political consensus around the future direction for pensions – state pensions, public sector, and private sector pensions - in order to address the long term challenges as these will never be comprehensively addressed within a typical 5-year electoral cycle. A key objective must be to increase the level of supplementary pension coverage in order to reduce the potential for an additional burden on the State in future years.</p> <p>Within this broad framework, some specific issues are:</p> <p>In order that pension coverage might be increased, it is clear that there needs to be a change in the general public's understanding of the benefits of saving for pensions. Simplicity, transparency, good governance and cost effectiveness would be key, but other aspects might also be considered such as partial early access, as is allowed in other jurisdictions. Public information campaigns might usefully be considered as a means to communicate clearly with the general public as to the benefits of and the need for pension savings. The use of phone apps and instant technology may help to engage younger cohorts in saving for retirement.</p>



	<p>The regime in respect of the decumulation of pension benefits would benefit from greater attention, including in particular, regulation around 'in retirement' advice where an individual opts for an ARF option.</p> <p>Policy needs to be formulated to address the increasing gap between the age at which State pensions will become available and the (near) static mandatory retirement ages in force in the majority of workplaces.</p> <p>The defined benefit regime remains inflexible (e.g. fixed minimum funding standard basis, limited periods available for recovery plans, no consideration of employer covenant) and may not cope well as the environment continues to evolve.</p> <p>The rules on trivial commutation should be simplified and modernized for a defined contribution / low interest rate environment – the reference to €330 pa pension pre commutation of lump sum is outmoded and the figure of €20,000 is too low. In addition, the taxation treatment should be simplified (e.g. a straight 10% tax on all trivial benefits). The implications of the complexity in the current rules is that they cost too much to administer properly in the best interests of members with low value pension benefits and can lead to members receiving practically nil pension benefits into retirement (rather than a lump sum at the point of retirement).</p> <p>Phased drawdown of benefits should be permitted where individuals have DB and DC benefits from the same employment but are locked from drawing DC benefits until their DB benefits are available – facility for early drawdown of DC benefits would assist with retirement planning.</p>
Transition (page 34-36)	
Q32	Do you agree with the objectives of transition set out on page 34?
A32	Yes, the objectives are reasonable and it would be appropriate to consider ways of reducing the number of different types of legislation applying to benefit drawdown as part of the greater objective of reducing the complexity of the system.
Q33	Are there any other issues which you think should be taken into account in transition?
A33	<p>As previously stated, the reform of the PRSA regime and Revenue involvement in Pension Reform/ Rationalisation upfront will be critical to the success of the proposals.</p> <p>The three most significant external factors that should be taken into account as part of the transition are:</p> <ul style="list-style-type: none">• The requirements of the IORP II Directive and their likely timetable in Ireland.• The likely timetable for the introduction of any Universal Pension system.• The expected length of time for approval of new pension arrangements as they are formed.
Q34	What is your view on the transition proposals for existing schemes of 2-100 members?



A34	The implementation deadline for such schemes seems reasonable – again it would be interesting to compare this timetable with the expected timeframe for the introduction (if any) of a universal pension savings arrangement in Ireland, as these size schemes/employers may be particularly sensitive to any universal arrangements.
Q35	Are there specific provisions that you think should apply to single member schemes?
A35	<p>Those in single member schemes represent a demographic who have made savings for retirement – a behaviour which the Authority rightly continues to encourage. Any reforms should not unfairly disadvantage this cohort or result in dis-improvements in outcomes as compared with the outcome expected from the product bought into in good faith.</p> <p>We recommend that the operation and supervision of such arrangements should be considered separately so that any changes which are introduced for schemes with more than one member are not constrained in order to address issues which are only relevant for one-member schemes. One possible approach would be to require all new single member schemes to be established as PRSAs (if the other recommendations in respect of PRSAs are implemented). The extension of this approach to encouraging all existing one-member schemes to convert to PRSAs could also be considered.</p>