

Press Release

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Society of Actuaries Urges Caution in Relation to New Pension Directive Disproportionate Impact on Small Pension Schemes Highlighted

The Society of Actuaries in Ireland supports the objectives of the EU IORP (Institutions for Occupational Retirement Provision) II Directive to improve governance and risk management in pension schemes in order to provide better outcomes for scheme members.

However, the Society is concerned that the decision of the Minister for Employment Affairs and Social Protection to apply the full requirements of the Directive to small schemes is disproportionate and carries the risk of adverse consequences for scheme members, including the possibility of many such schemes being wound up. This would lead to a reduction in pension provision which is directly contrary to government policy to increase pension coverage.

The Directive states that the provisions should be implemented in a proportionate manner, and permits Member States not to apply the Directive, in whole or in part, to schemes which have fewer than 100 members (known as “small schemes”). This derogation also exists in the existing Directive and was used by Government to exempt small schemes from the requirement to issue a full annual report with audited accounts, which we believe was a reasonable and proportionate approach.

The transposition of the IORP II Directive in Ireland is now overdue by 6 months, and we call on the Minister to progress this so that pension scheme trustees may consider and implement the new requirements. However, the Society supports providing small schemes with a derogation from the requirements of the Directive for an initial period of three years.

The derogation would allow time for consultation with relevant stakeholders and a full impact assessment. Any new requirements for small schemes could then be timed to coincide with the implementation of the Government’s Roadmap for Pensions Reform, including the introduction of Master Trusts and the new Automatic Enrolment system. These new structures may provide an appropriate alternative vehicle for pension provision for companies who currently operate small defined contribution schemes. For small defined benefit schemes, it is important that the IORP II Directive is implemented in a proportionate manner that does not have a detrimental impact on members of such schemes.

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Society of Actuaries in Ireland

The Society of Actuaries in Ireland is the professional body for actuaries practising in Ireland. Actuaries provide advice on and relevant solutions for financial, business and societal issues involving uncertain future events. Most of the Society's members work in the financial services industry, and members of the profession hold statutory or regulated roles relating to the financial management of pension schemes and insurance companies. The Society seeks to make an impartial contribution to public debate on social policy and public interest matters where an actuarial perspective can add value.