IIPM December Webinar

2 December 2021

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Irish Institute of Pensions Management

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George Nolan
Head of Retirement and Technical Insights
New Ireland Assurance

Head of Retirement & Technical Insights with New Ireland. George provides pensions technical support and business solutions for New Ireland and BOI Customer Service teams, Commercial division and three Distribution channels. This includes handling complex pension queries, running pension webinars, seminars and training programmes as well as preparing technical newsletters and updates issued to the market.

George is currently leading out the technical aspects of the New Ireland and BOI IORPII implementation project specifically for Corporate Pensions.

George has over 25 years of experience in the Life & Pensions industry. He is a member of the Insurance Ireland Pension Committee and IAPF DC Committee. He is a trustee of the Lifetime Group Retirement and Death Benefit Plan and a regular presenter at Life Insurance Association (LIA) pension seminars. George is also lecturer for the LIA Certificate of Retirement Planning Advice (RPA).

The (long and winding) Road to Pension Simplification

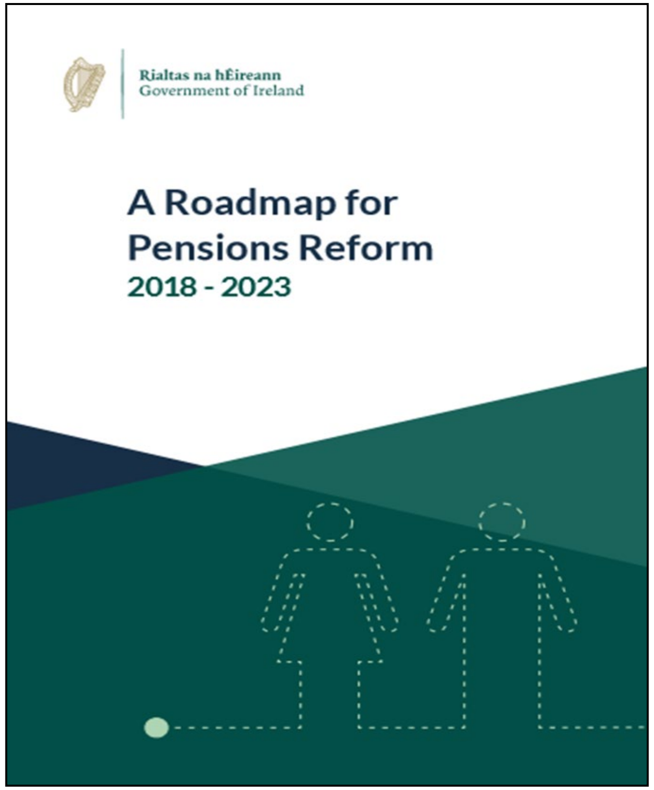
George Nolan

Head of Retirement & Technical Insights

New Ireland Assurance

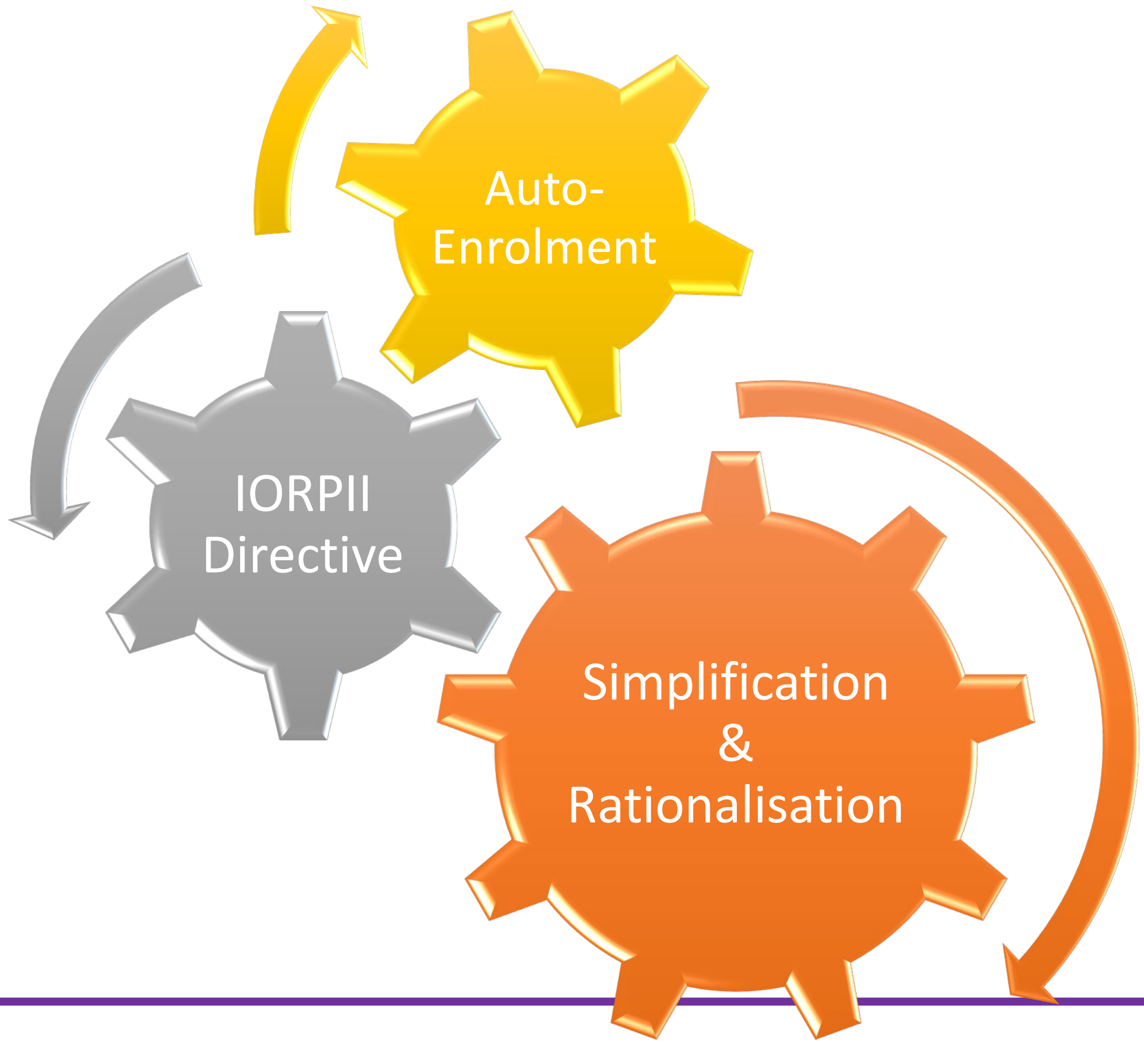
Irish Institute of Pensions Management

Every journey starts with a single step…

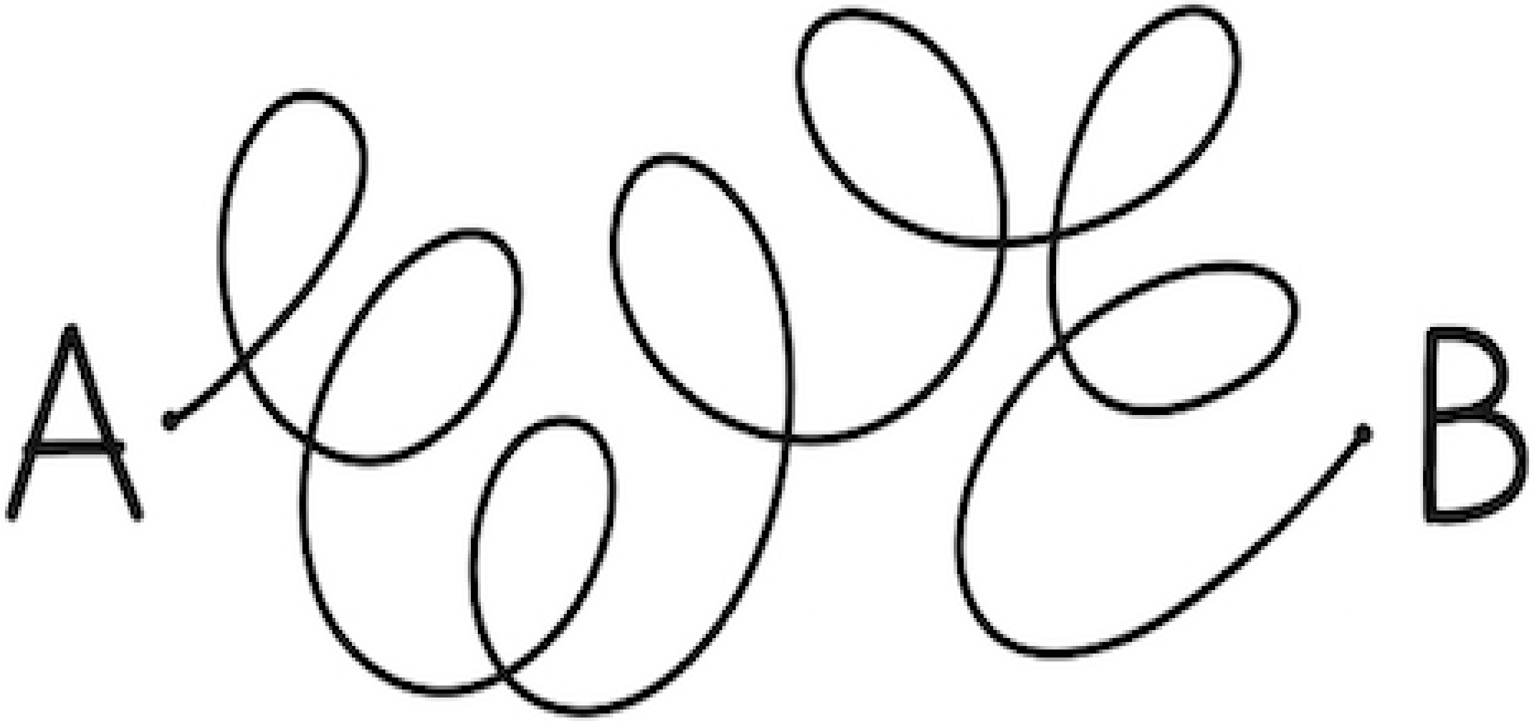


Published 28 February 2018

A clear path for Supplementary Pensions



So why does it feel like we've ended up here?



Performance review

Reform of the State Pension STRAND 1

- Set formal benchmark of 34% of average earnings (end of 2018)
- Future changes explicitly linked to CPI (end of 2018)
- Introduce Total Contributions Approach (Q3 2020)
- No further increase in qualifying age prior to 2035
- Changes after 2035 linked to increases in life expectancy
  - Actuarial assessment in 2022

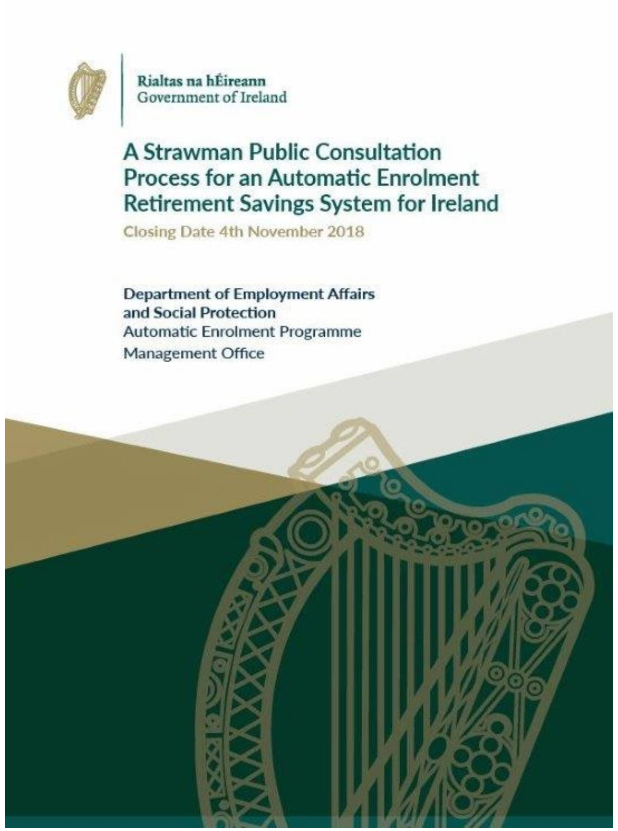
What happened next….

Report of the Commission on Pensions

- Benchmarking still on the table
- Total Contributions Approach ASAP (?)
  - 10 year phased transition for those who are better off under Yearly Average
- Qualifying age to rise by 3 months each year from 2028
  - 67 in 2031
- Qualifying age to rise by 3 months every second year from 2031
  - 68 in 2038
- Is that it?

A New Auto Enrolment System STRAND 2

- Strawman public consultation (Q2 2018)
- Finalise design (Q1 2019)
- Legislation to give effect to AE (Q1 2020)
- First enrolments no later than 2022


Rialtas na hÉireann
Government of Ireland

A Strawman Public Consultation Process for an Automatic Enrolment Retirement Savings System for Ireland

Closing Date 4th November 2018

Department of Employment Affairs and Social Protection
Automatic Enrolment Programme Management Office

"The only way this plan could be derailed was if there was something Earth-shattering between now and 2022"
Former Minister Regina Doherty

What happened next….

Latest on Auto-Enrolment

- Consultation response:
  - *“diverse and often conflicting range of views”*
- New target for first enrolments “officially” is ~~2023~~ 2024
- “Economic conditions need to be right”
- Phased introduction
  - “The phase-in period could last as long as a decade”
- SSIA style
- Central Processing Authority (DEASP)
  - Four fund managers

Improved Governance & Regulation STRAND 3

- Transpose IORPII Directive (Q1 2019)
- New Governance Codes (Q1 2020)
- Interdepartmental Pensions Reform & Taxation Group
  - Identify and progress measures to improve the harmonisation of rules to eliminate anomalies in the treatment of different retirement arrangements (Q4 2018)
  - Identify options and develop recommendations to rationalise individual pensions (Q2 2020)
  - Broad review of the ARF option (Q4 2018)

What happened next….

IORPII

- Directive transposed April 2021
- Derogation for existing one member arrangements
- Public Consultation
- Final Codes of Practice 18 November
  - Policies – plan management, conflicts of interest, risk management, internal audit, member engagement….
  - Procedures – plan management, managing data, trustee meetings…
  - Assessments – performance of administrator, own risk…
  - Contracts – Employer & Trustee, Investment managers, outsourcing, SLAs…

Where's the guidance for Registered Administrators?

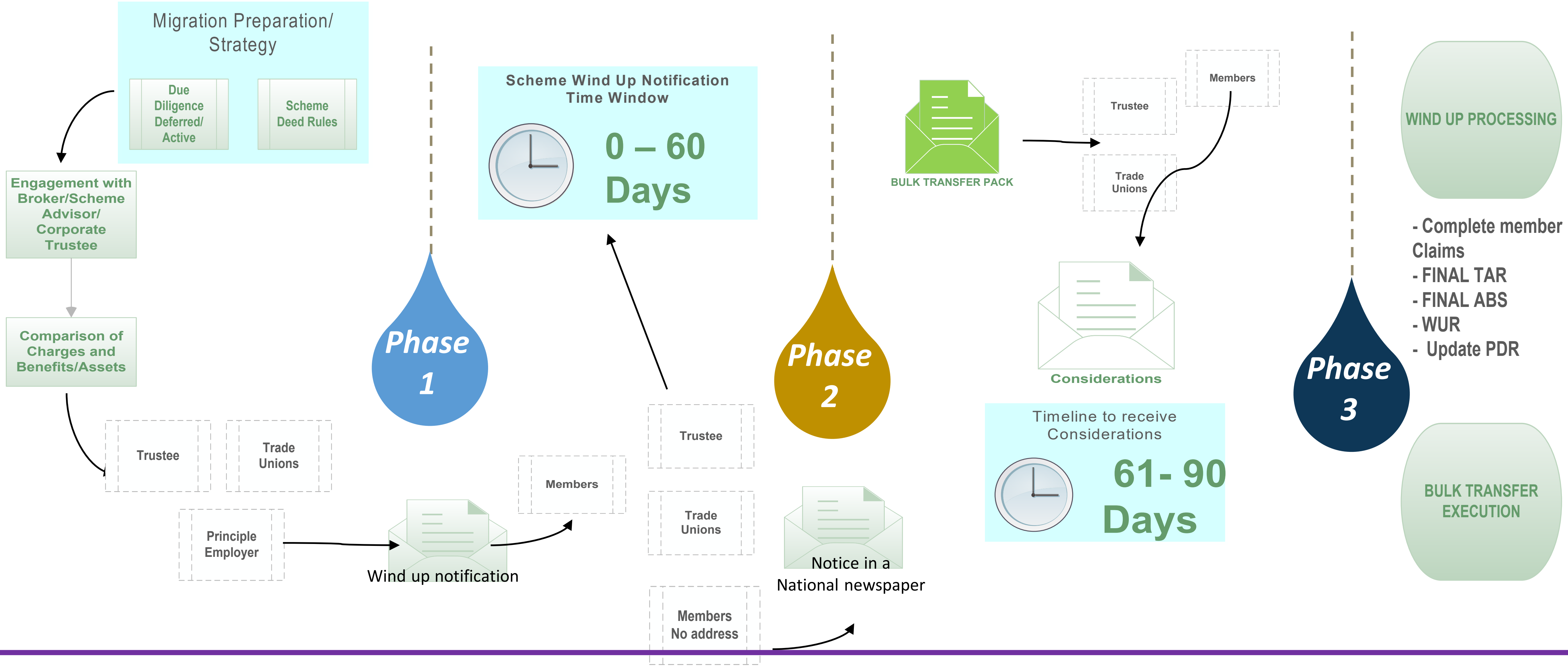
It appears that all roads lead to….

Pension Consolidation

Easier said than done

- No simplified process for wind-up and transfer
- Pensions Act Disclosure requirements & Bulk Transfer Regulations
- Tracing and communicating with deferred scheme members
- Frozen schemes with no sponsoring employer and Trustees
- Historic scheme structures with significant benefits to members

Just do this and you'll be fine….



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IDPRTG report & recommendations

No mo
PP or BOB

ARF for
dependants
on DIS

No 15 yr.
OPS to
RSA

No AMRF/
specified
income

ing fence
tions O
PRS

ARF
replaced by
whole of
life PRSA

Review
pprova
proces

IHT on ARF
distribution

Amendments
Non-
Standard
RSA

Early
access
from 55

ncrease
upper age
to 75

Harmonise
Ill Health

No BIK
employer
contributions
to PRAS

Max
Funding for
PRSAs

Transfers
from BOB
to PRSA

Tr
from P
OPS

Discounts
on OPS to
PRSA (bulk)

S785 cov
to sta

In scheme
drawdown

RSA
ctronic
comms

S78 cover
to stay

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What happened next….

Finance Bill 2021

Proposed changes in the Finance Bill

- Removal of AMRF and specified income requirement
- Changes to rules on transfers from OPS to PRSA
- No compulsory requirement to purchase dependant(s) annuity on death in service

Removal of ARF and specified income requirement

- With effect from the passing of the Finance Act
  - Both requirements will be removed for new claims
  - Vested PRSAs will no longer require a “set aside amount”
- With effect from 1 January 2022
  - Existing AMRFs convert to ARF
  - Full value of Vested PRSA will be accessible

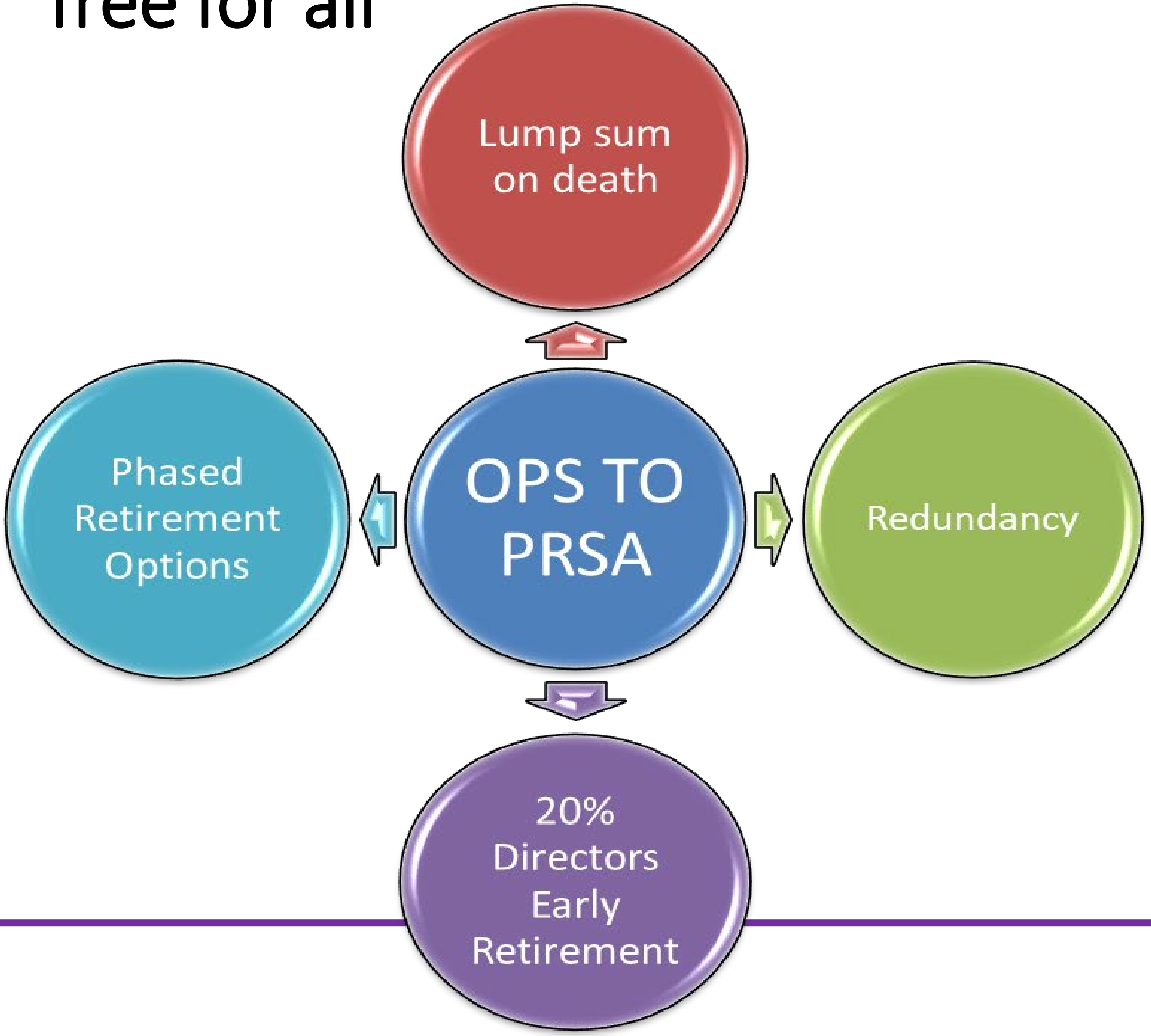
Removal of ARF and specified income requirement

- Full access = increased bomb out risk?
- Imputed distributions will apply on full funds after 60/61
- Will taxable cash option be more widely used?
    - No PRSI v PRSI to 66 on ARF withdrawals
- Is the trivial pension option now a bit redundant?
- What happens those retiring before the changes?

Changes to the rules on transfer from OPS to PRSA

- With effect from the passing of the Finance Act
  - Requirement to have less than 15 years "scheme" service will be removed
- Do you still have to be leaving service?
- What about the Certificate of Benefits Comparison?
  - Not applicable on scheme wind-up
  - Does it add value anyway?

OPS to PRSA “free for all”



ARF option for dependant(s) on DIS

- With effect from the passing of the Finance Act
  - Dependants will have the option to purchase an ARF with any balance over Revenue maximum DIS lump sum
- Greater flexibility but still issues where no dependant(s)
- Does it extend to taxable cash?
- Practical issues
  - How do you set up an ARF for a dependant child?
- Would it not have been easier to align the rules to PP and PRSA?

Work of the IDPRTG

- BIK on employer contributions to PRSAs
- Comparable maximum funding rules for PRSA
- Review of retirement options
  - Ring-fencing lump sum

How are we doing?

Reform of the State Pension — STRAND 1

“Tends to get easily distracted in class. Has shown some improvement recently”.

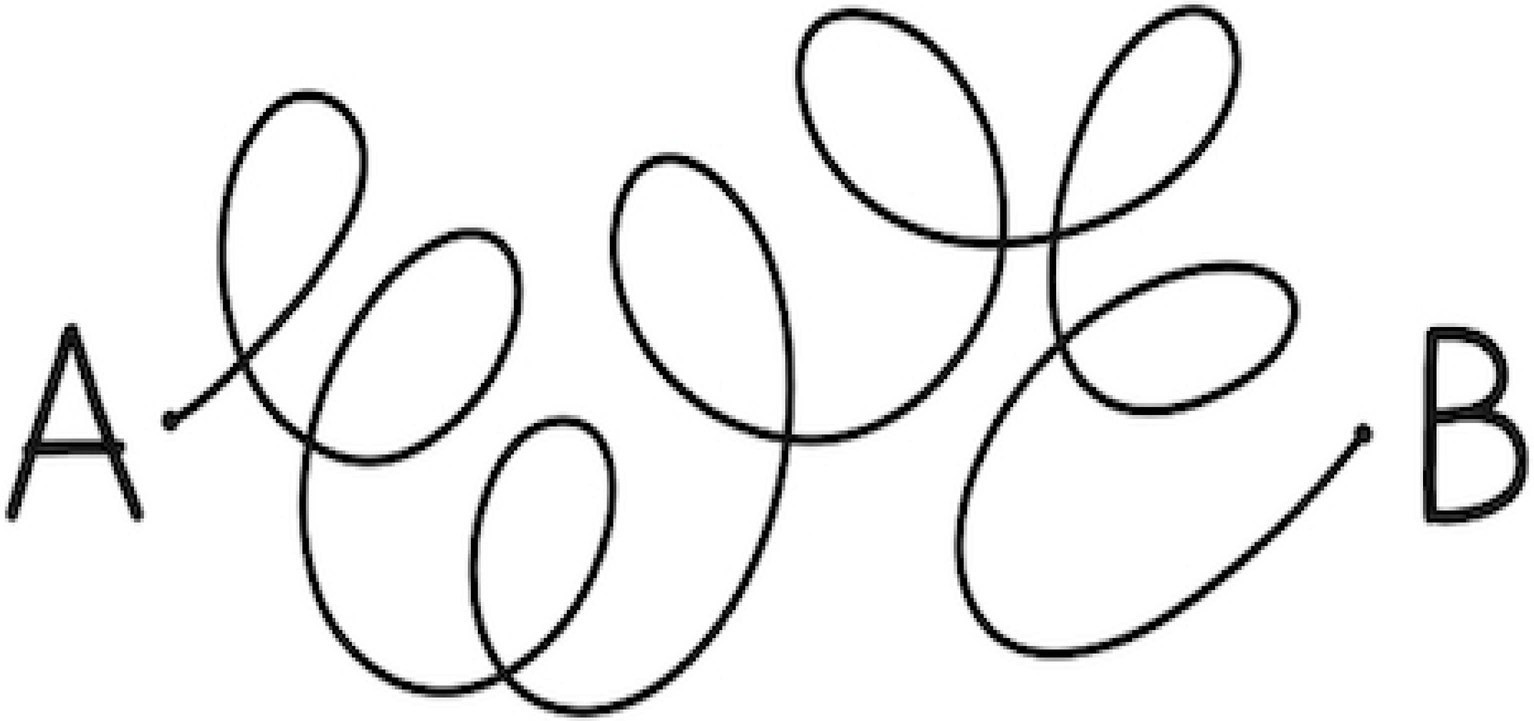
A New Auto Enrolment System — STRAND 2

“Appears to give up quite easily when a task appears difficult. Tries their best but struggling to keep up with others in the class”.

Improved Governance & Regulation — STRAND 3

“Sometimes too focused on getting independent work done quickly which can lead to issues with accuracy. Does not always include a clear beginning, middle and end in their answers.”

Maybe we have ended up here….

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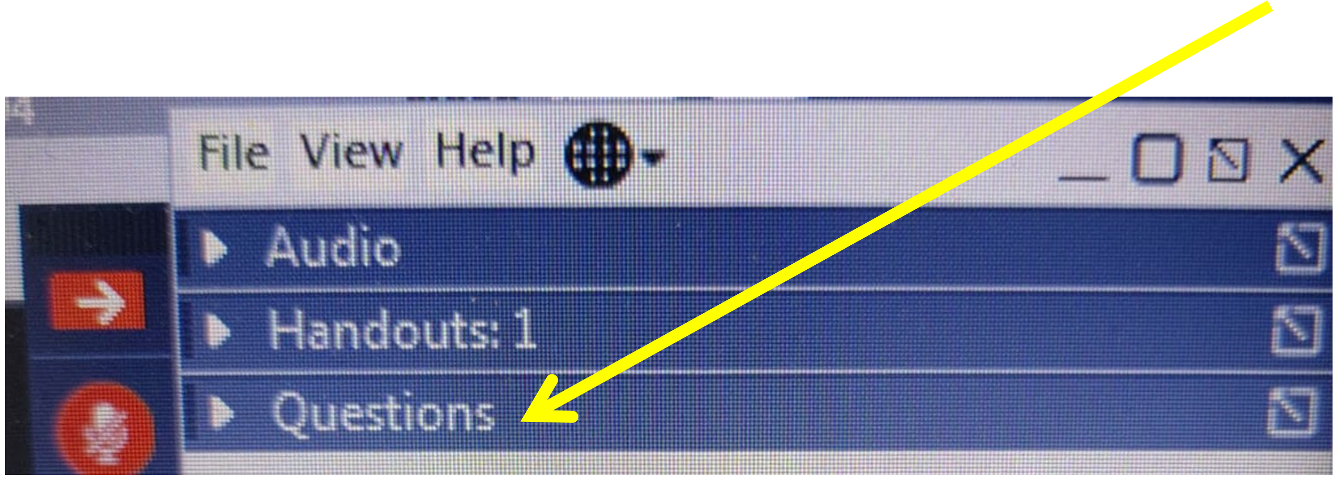
Questions?

Please use the question section in the drop downs



Law & Governance for Trustees

Leads to the Qualified Pension Trustee Designation

- Commences the week of the 14th February 2022
- Induction will be run the week before class commences
- Classes run for 6 weeks – 3 weeks with a 3-week break and then a final 3 weeks
- Information session: 9:00-9:30 Friday 17th December

For more details visit iipm.ie or search 'Griffith QPT'

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Paul Ryan
Director
Paul Ryan Pension & Financial Consultants Ltd

Paul has over 40 years experience in the Pension and Investment Industry. During this period he achieved Pensioneer Trustee Status. Paul is a member of the Committee of the Association of Pensioneer Trustees of Ireland and is a director of Paul Ryan Pension & Financial Consultants. He is also a member of the Irish Institute of Pension Managers. Paul previously worked as a Director of Goodbody Stockbrokers before he decided to set up Paul Ryan PFC.

Executive Pensions
Paul Ryan FIIPM
2nd December 2021

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Executive Pensions - Paul Ryan FIIPM

- Executive Pensions Background (Trust Based + Letter of Exchange)
- Old Fashioned DB and DC Pensions
- Sole Trade Vs Company Sponsored
- AVC's
- Investment Income & Implications
- SSAS + SDIO
- Death Benefit and Frozen Pensions
- PRB options
- Need for Advice

Executive Pensions Background

- In past most schemes were DB and as mobility in work force expanded the need for DC came about.
- Employers realised that “open chequebook” on DB was prohibitive
- In the past no entitlement to benefit on leaving service
- 1990 Pension Act and amendments clarified this and now 2 years Pension Service is sufficient for retained pension benefit

Executive Pensions Background

- People tended to stay in one or two jobs for life.
- No emphasis on planning for retirement.
- OAP was the main source of income in retirement plus maybe a small DB benefit where many schemes had integrated benefits.
- Life expectancy in the mid to late 70's –Now late 80's and rising
- Annuity rates were at high rates maybe as high as 10% overall and often higher in times of high inflation.

Life Expectancy is Extending With Medical Science
Current State Pension €12,912

Irelands Pension Savings Gap

Some €27 Billion per year

4 workers per
retired Person

In 2050 Expected to be 2 workers for every
retired person

Average Life expectancy circa 81 years but increasing substantially with Medical Science
a 60 year old today is likely to live on average close to 30 years

Old Age State Pension payments likely to rise towards age 70 before coming into play

Will the OAP be still in place after Auto Enrolment or will it reduce

Executive Pensions Background

- Developed a number of Hybrid type schemes
- AVC and other adding vehicles to enhance pension in retirement.
- Transferability to & from other jurisdictions and other employments
- Development of the ARF and need for Investment Strategy advice in the long term.
- Inheritance issues on ARF/PRSA and Large DC type schemes.
- Death Benefit Issues Vs Other Pensions – Equalisation needed
- Company Acting as Trustee Needs to be addressed

Executive Pensions – Funding Levels Vs PRSA

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Executive Pensions Funding Retire age 65

PRSA/PPP	Age	Executive/Group
15% of Income	25	47.3% of Salary per annum
20% of Income	30	54.1% of Salary per annum
20% of Income	35	62.1% of Salary per annum
25% of Income	40	75.7% of Salary per annum
25% of Income	45	94.5% of Salary per annum
30% of Income	50	126.2% of Salary per annum
35% of Income	55	189.3% of Salary per annum
40% of Income	60	378.7% of Salary per annum
40% of Income	64	946.7% of Salary per annum
Based on Salary of €115,000 Max for Personal Tax Relief	Uplifted Salary Scale	20 years Pension Service – Not Limited on Personal Tax Relief

Executive Pensions – Funding Levels

- Current Annuity Rates within 5 years of NPD – Is this long enough for a company to fund adequate pension similar to a DB Pensions
- What Benefits Can you Provide for Member, Spouse and indexation
- Once Off Contributions.
- Late Retirement after age 70 and contributions – watch overfunding because of annuity rates.
- Employer Funding benefits after leaving Service
- Employee Funding benefits before Leaving Service – Plan continuation

Executive Pensions – IORP's and Implications

- European Legislation and some differences from country to country.
- QROP's Transfers
- Much more reporting and transparency –Hence Increased Costs.
- Products Covered.
- Trustee issues.
- Training and qualifications & Reporting
- 5 years from April 2021.
- Requirements from Pension Authority November 2021.

Executive Pensions – SSAS-SDIO-Insured

- Costings of Each
- Is this the End of The Road for SSAS/SDIO ?
- Investment Options on each
- Regulated & Unregulated Investment 50% Rule implications
- IORPS 2 & Reporting
- Flexibility of Investment Manager
- Master Trusts and PRSA's ?
- What will be the implications of Auto Enrolment on Executive Schemes?

Executive Pensions – Sole Trader & Company Sponsored

- Sole Trader employees & Company Sponsored Both are the same and many of us consider only PRSA/Personal Pension for Sole trader employees
- Funding availability
- Many Traditional Sole Traders have service companies which allow for Executive pensions.
- AVC's & AVC PRSA have a place in the market to consider
- Need for Advice

DC Schemes Vs PRSA issues

- Salary and Service options on 1.5 X salary
- Ring Fencing the Salary/Service option in a new contract
- The life cover options on death how will they impact in new Contract
- PRSA approval for Flexi contract Choice of funds and charging structures and not new approval every time.
- PRSA option for Whole of Life to replace ARF ?
- Security of PRSA as Scheme – Legal challenges on assets
- Guaranteed Benefits and old "Capital Units"

Executive Pensions – Death & Other Benefits Issues

- Death Benefit 4 X Salary Rule
- Lump Sum Option on 1.5 x Salary
- Frozen Scheme options - Transferability and Early Retirement
- Ill Health Options –Terminal
- Funding availability - Current Annuity Rates within 5 years
- BOB Options & Retained Benefits & Transferability
- Watch for previous redundancy – Lump Sum may have been waived
- Need for - Advice Plan of Action on Existing Schemes

Executive Pensions – What is the Future ?

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Executive Pensions What Might it Look Like?

- Executive Pensions as they are now will virtually cease but we will have legacy issues as we had in previous major changes in legislation
- Trust based products for individual schemes have effectively come to an end, but an equivalent contract based product needs to be developed, maybe around PRSA.
- Need to look at current protection under a Trust based scheme and ensure a contract based scheme has same protection in service and also in retirement.
- Group Pensions will be needed in similar format that currently exists

Executive Pensions What Might it Look Like?

- Maybe a Corporate PRSA with similar rules to existing funding on Executive Pensions
- Auto Enrolment will catch many but will not offer flexibility that was available under Executive Pension
- PRSA may be the product but need major overhaul on options and Funding/Death & Separation/Divorce issues.
- Need for advice based on differing requirement and investment options for company owners/senior staff to that of employees

What is Needed ?

- A new Contract that Offers same funding regime as Executive Pension, this will be contract based rather than Trust based.
- The security of the contract needs to be secure to legal challenges
- Potential for a phased retirement option between age say 55 and 75
- Full transferability within all pension products, whether they are PRSA, PPP, BOB or group
- Look at allowing Current Annuity rates used for maybe 10-20 years prior to NRD Giving Employer time to fund adequate pension benefits compared to DB schemes

What is Needed ?

- Death in Service Benefit Options around ARF
- Individual PFT Thresholds for divorced or separated Members
  - in place for Lump sums why not full PFT allowance
- Maybe look at the multiples on DB Schemes for calculating PFT to have better equalisation given low interest rates
- What will the role be for Master Trusts in Executive Pensions
- Develop a Flexi Corporate non standard PRSA that allows wider Investment options and flexibility on charges say a minimum of .25% and a maximum of say 1.25% without PA approval every time.

PFT Comparisons

All Service prior to 1/1/2014 is counted at a multiple of 20

Age	Current Multiple	Annuity Rate Non Index 50% Spouse	Multiple	Annuity Rate Index 50% Spouse	Multiple
50	37	2.157%	46.36	1.037%	96.43
55	33	2.447%	40.86	1.288%	77.63
60	30	2.824%	35.41	1.624%	61.58
65	26	3.327%	30.05	2.081%	48.08
70	22	4.025%	24.84	2.731%	36.61

What does this mean for the future of SSAPs?

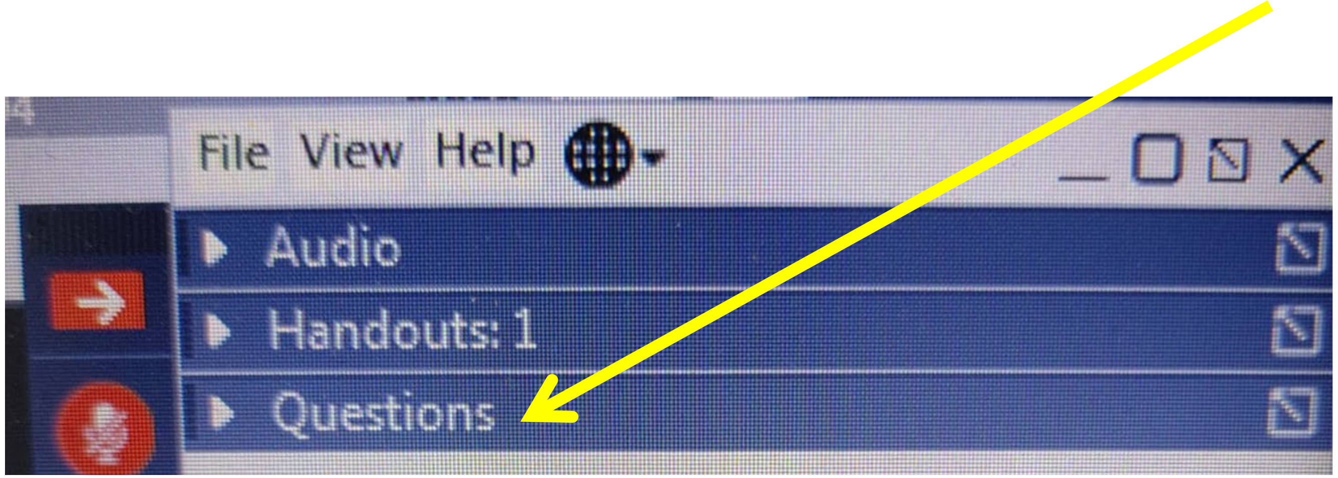
- It certainly means the end of any new SSAPs being set up through borrowing or full direct property purchase but existing borrowing for schemes set up before April 22 will not be impacted. A new SSAP could be set up for direct property purchase but only where all the SSAP assets of that new SSAP meet the *“predominantly on regulated markets 50% rule”.*
- Importantly, the Pensions Authority has set out dates against schemes having to comply with certain aspects of the Directive. They have advised that compliance with the new rules around investment and borrowing will be their **immediate focus** following the transposition of the Directive.
- We await guidance??

What does this mean for the future?

- We have many changes over the years and we got over them
- There will always be a need for advice
- Hopefully we will have a clearer and more flexible landscape on pensions for our younger people going forward

Questions?

Please use the question section in the drop downs



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