

Presentation to IAPF Benefits Conference

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- Thanks to the IAPF for the opportunity to speak this morning. My objective is to provide more information on a number of the changes that are going to occur starting in 2019..
- I will mostly be focussing on the implications of IORPs II early next year. However, I will also refer to the stress tests and to the new data collection obligations.
- In talking about IORPs II this morning, my objective is to give you an overview of the responsibilities and expectations of trustees in the IORPs II environment. I am not setting out the detailed provisions, which we will publish in due course.
- The deadline for transposition of the Directive is 13 January next year, and the necessary legislation and regulation are being finalised by the Department of Social Protection and the Attorney General's office.
- Many of the provisions of the Directive and the likely changes to the Pensions Act are defined in terms of high level obligations – for instance the requirement for adequate internal control procedures or the obligation to undertake an own risk assessment. The Pensions Authority will therefore supplement the legislation by publishing guidance which will set out in practical and specific terms what we expect trustees to do, and the standards against which we will assess them.
- Yesterday the Pensions Authority published a document which gives an overview of the future responsibilities and expectations of trustees. I want to draw out the most important points.
- The Directive requires that the supervision of pensions be forward looking and risk based. This means that the Authority be required to assess whether members' interests are being looked after and to intervene before any threats to members' interests materialise. This will change both the nature of the Authority's interaction with the scheme and our expectations of the trustees
- This new approach will mean ongoing engagement between the PA and the scheme trustees, in contrast to the present situation where contact is usually by exception. Our objective will be to examine how the scheme is being run and assess whether there is any likelihood that the members' interests will suffer.
- As the supervisor, our objective will be to build an understanding of how the scheme is being run. The four areas we will be looking at will be:

- (a) The composition, skills, experience and functioning of the trustee board
 - (b) The culture of the scheme, i.e. the approach that the trustees take to looking after the interests of their scheme's members
 - (c) The processes that the trustees have put in place to fulfil their responsibilities
 - (d) Evidence and documentation that the processes have been followed
- Clearly this is a qualitative rather than a quantitative process. It is not simply about ticking off whether trustees have undertaken various tasks. It is certainly true that the list of prescribed tasks will be much longer, more specific and more demanding than under current legislation, but the supervision will be at least as much about how well trustees have carried these tasks out.
 - Furthermore, and again in contrast to the current oversight regime, it will be the responsibility of trustees to satisfy the Pensions Authority that they are carrying out their responsibilities satisfactorily.
 - For both DB and DC schemes, we will expect the trustees to have a full understanding and control of their scheme. Most if not all schemes will outsource significant activities such as administration, communications and investment. Many trustee boards will use professional advisers. However, trustees must ensure that they are properly monitoring the performance of their outsourced activities, and that they are making informed decisions, and not simply endorsing what their advisers tell them.
 - The new own risk assessment will be a particularly important part of the trustees' responsibilities. This will have to be a thorough and realistic assessment of the condition of the scheme. Although the risk management function-holder will play a central part in this task, this is not something that the trustees can delegate to their advisers. We will expect the trustees to participate fully in the process, to be familiar with and in agreement with the results and to act on them.
 - Member interests will be the focus of all activity, and this will mean more work for trustees. I do not want to minimise in any way the significance of the changes that will be involved. Furthermore, the Pensions Authority remains committed to significant consolidation of Irish occupational schemes.
 - Trustees, employer and the pensions industry will need time to make those changes once the full details have been published. We will allow reasonable transition times for those concerned. But there can be no question but that considerable work will be needed during 2019.

- Also during 2019, larger schemes, both DB and DC, will be obliged to participate in stress tests being run by EIOPA. These obligations will apply to DB schemes with assets of more than about €300-400 million and DC schemes with assets of more than about €20-25 million. The relevant data will be as at the end of 2018, and the work will take place over the summer 2019. The Pensions Authority will contact the affected schemes before the end of this year. For those schemes affected, the Authority will provide a full set of instructions and FAQs and an enquiry service. We will also organise seminars. However, the work required of schemes is not minor, and I suggest that affected schemes include it in their 2019 planning.
- 2019 will also involve the implementation of data reporting to the ECB and to EIOPA. Rory McElligott of the Central Bank will be talking about the ECB project in a little while. There is much overlap between the requirements of those two bodies and we are working with the Central Bank to try to develop a joint approach. We will provide specific information to the schemes affected as soon as possible.
- Before I finish, I want to remind you of our consultation on master trusts. The closing date for responses is Friday 5 October, and I would encourage you to respond.
- It is obvious that there will be very considerable change in 2019 and following years. We know that trustees and their advisers need specific actionable information, and we are committed to providing it as soon as it is available.