

New Regulations

New Challenges for Trustees

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New Priority rules

- WELCOME

But not without their problems!

Case history

- Plan winds up

Annuities previously bought for old pensioner cohort including future increases

More recent pensioners paid from fund

Case history

- Enough assets to cater for current pensions
- Shortfall for other members
- No coverage for future pension increases

Implications of H Williams Supermarket Judgement

- Recover from insurers cost of pension increases

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But - no contractual obligations on insurers

IMPLICATIONS

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- If annuities required - should contracts have cancellation terms?
- Should Pensions Board regulate?

Other Complications

- Requests for T/Vs at or after NPD?
- Include / subsequently award increases?
- Terms - SOA?
Annuity value?

Other Complications

- T/V terms have improved???

SOA or Pensions Board view?

Other Complications

- Member surrendered pension?
- Include value of annuitised increases in valuations?

P.S.

- Effect of H Williams judgement on DC Plans

EQUITABLE LIFE??

DE - RISKING

- Emerging Consensus for DB:
Lower benefits with greater certainty

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- Emerging Consensus for DB:
 - Lower benefits with greater certainty
- Same philosophy for DC?

DC - Investment

- 80% members in default option.
- Typical default option - high equity, some with Lifestyle.
- Time for Trustees to reconsider

DC - Investment

- Lifestyling in last 5/10 years
inadequate?
- Index linking prudent?
- Absolute return strategies more
appropriate?
- Trustees must be positively engaged.

DC - Communication

- Clarity needed more than ever
- Do Trustees themselves understand?
- Resources an issue
- Providers documentation ?

Trustee Training

- Growing awareness of responsibility
- Indemnity limitations
- Trustee training essential

BUT

Deficits on Wind-up

- Wind-ups now all too common
- Can/should Trustees recover deficits?
- Trust Deeds vary
- No Irish case law.
- Possibility of success - VS - Cost

Deficits on Wind-up

- How much ?
- MFS?
- Accidental surplus?
- Possibility of legal action against Trustees

Deficits on Wind-up

- TAKE GREAT CARE

Section 50 / 50A

- Allows Plan to continue
where MFS not affordable
- Trustees must
 - De-Risk / Stress test
 - Take legal advice
 - Consider all options including wind-up
 - Advise members / allow time for input

Section 50 / 50A

- Examples :

Employer wants benefit reduction

Section 50 / 50A

- Examples :

Employer wants benefit reduction

Employer and Members agree
changes

Section 50 / 50A

- The real challenge:

Employer and Members cannot
agree

Issues surfacing

- Reliance on Trade Union vote?
- Section 50 - n/a if a Statutory Scheme
- Where past practice ignored
Pens salary reductions

Issues surfacing

- Limitations on Pensionable Salary increases
(eg Max 2% or CPI if less)
- Deferred possibly better off!
- Section 50 application?

NOT IN DOUBT

- Increased potential for Legal Action

Section 50 order SOME protection!