



SUPERVISING REGISTERED ADMINISTRATORS (RAS)

**MARY HUTCH
HEAD OF REGULATION**

**THE PENSIONS BOARD
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An Bord Pinsean -
The Pensions Board
Authority for Pensions

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AGENDA

- Legislative Background
- What's Required
- Supervising RAs
 - Board's powers
 - Purpose of on-site inspections
 - Overview of Pre-inspection process
 - Overview of Inspection process
 - Initial outcome
 - The future
- Annual Scheme Information (ASI)
- Project on RA data anomalies
- Non-compliance and sanctions
- Questions and Answers

LEGISLATIVE BACKGROUND

- Social Welfare and Pensions Act 2008 introduced new “RA” regime
- Part VIA of Pensions Act 1990 (the “Act”) and S.I. 276 of 2008 (the “Regulations”) give effect to RA regime
- The Act requires annual registration where “core administration functions” being performed
- RA self certification – “competent and capable and have adequate administrative systems and procedures in place”

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What's Required?

- Since 1 November 2008 trustees of every scheme (including large Trust RACs) must appoint an RA to provide “core administration functions”
- Core administration functions are:
 - preparation of annual reports
 - preparation of benefit statements
 - maintenance of sufficient and accurate member records to discharge above
- No RA qualification specified but RA must be satisfied they are competent and capable of:
 - providing core administration functions
 - have systems and procedures in place to deliver services

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WHAT'S REQUIRED?

- Trustee can appoint themselves as RAs if they can fulfill above requirements
- 1 member schemes must appoint RA for benefit statement/ records/ASI information
- RA can apply to be registered for either or both core administration functions and must maintain records for function for which appointed
- RA also required to provide statistical information for ASI returns
 - applies to RA responsible for preparation of annual report if more than 1 RA
 - Registration and Renewal process

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BOARD'S POWER'S

- Board has power to:
 - require RA to furnish it with such information it considers necessary, either on scheme or trust RAC specific basis or generally with respect to RA activities
 - carry out on-site inspections of RAs premises or of any outsourcee's premises

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PURPOSE OF RA ON-SITE INSPECTIONS

- To determine if entities concerned are complying with legislative requirements
- Self certification of RA competency and capability must be assessed
- Initial inspections are focused on RAs record keeping capacity in order to discharge core functions - This will change over time
- Authorised Officers will carry out checks to verify the competence and capability of RAs to include:
 - Examining what checks and controls the RA undertook and continues to undertake to satisfy themselves of their competencies as RA
 - Identifying and investigating any weakness in RAs record-keeping systems and recommending remedial action
 - Performing sample checks to check record accuracy in order to verify that records held are capable of yielding correct values on MBS
 - Preparing reports on findings of inspections

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ON-SITE INSPECTIONS – OVERVIEW OF PRE INSPECTION PROCESS

- S18 letter issued to CEO of RA
 - usually 4 weeks notice of inspection date
 - 1 week to furnish two hard copy sets of information listed in Appendix 1
 - information to be made available on-site is set out in Appendix 2
 - other requirements e.g. relevant RA personnel, facilities also specified
 - Some schemes selected for inspection notified at this point - remainder will be identified on first day of inspection
 - expect to complete inspection within 1 week

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ON-SITE INSPECTIONS – OVERVIEW OF PRE- INSPECTION PROCESS

- Information to be submitted in advance of inspection (Appendix 1) includes:
 - organisation chart
 - copies of template TARs/AARs/MBS
 - copies of TARs/AARs/MBS relating to a number of specified schemes
 - internal control reports
 - details of processes and procedures in relation to contribution reconciliations, transfers, maintaining and updating scheme information
 - IT security controls

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ON-SITE INSPECTIONS – OVERVIEW OF PRE- INSPECTION PROCESS

- Information/access to information advised to be available on-site for sample schemes selected for inspection (Appendix 2) includes:
 - access to administration/accounting systems that allows for adequate reporting for individual schemes (likely to require a demonstration from relevant RA personnel)
 - copies of SLAs, if any, between Trustees and RAs
 - details of membership records process and how it interacts with the contributions records system
 - evidence to show correct monies are allocated to each scheme member and associated control procedures

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ON-SITE INSPECTIONS – OVERVIEW OF PRE-INSPECTION PROCESS

- Information under Appendix 1 submitted to Board
- Analysed and audited by Authorised Officers
- Remaining sample of RA's schemes identified for inspection on-site

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ON-SITE INSPECTIONS – OVERVIEW OF INSPECTION PROCESS

- Opening Meeting
- Authorised Officers explain format of inspection process
- Demonstration of RA's systems
- Identification of additional schemes for inspection
- Work testing programmes commence by reference to sample schemes selected
- Essential to have ongoing contact with relevant personnel
- Closing meeting
- Draft report submitted to senior RA personnel for comment
- Any remedial actions monitored to full close-out

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ON-SITE INSPECTIONS 2010 – INITIAL OUTCOME

- 5 inspections carried out in latter part of 2010
- Overview of findings published on www.pensionsboard.ie
- Board generally satisfied with overall level of compliance
- Issues that need attention were identified as follows:
 - Inadequate maintenance of members records resulting in incomplete options on retirement letters
 - Poor controls and documented procedures relating to records maintenance
 - Information omitted from MBS
 - “Alternative” versions of TARs/AARs
 - References to out-of-date legislation
 - Misinterpretation of Annual Scheme Information (ASI) requirements
 - Discrepancies in relation to RA renewal process

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THE FUTURE

- Continuing acceleration of RA on-site inspections through 2011 and beyond on risk-based and random selection
- All RAs can expect Board inspection
- Board expects full compliance with legislation including ASI returns and all schemes on Board's register having RA registered for core functions – “No orphans”
- Regular communications of inspections findings
- More details of inspection process to be communicated online
- Evolving process that will be adjusted based on practical experience
- Meetings with RAs on Board's premises will also continue

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ANNUAL SCHEME INFORMATION (ASI) REQUIREMENTS

- EU Regulation concerning structural business statistics requires member states to furnish Annual Scheme Information
- Information required from pension schemes and trust RACs include:
 - scheme type
 - benefits
 - status
 - membership
 - fund value
 - contributions

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ANNUAL SCHEME INFORMATION (ASI) REQUIREMENTS

- Corresponds closely to information required for Annual Reports and member benefit statements
- Information must be furnished in respect of each scheme and trust RAC within 9 months of scheme year end, commencing with the scheme year commencing on or after 1 January 2008
- Onus to prepare is on RAs for schemes and trust RAC for which they are responsible
 - for small trust RACs, trustees are responsible
 - for public service schemes, administrators are responsible
- ASI form is on www.pensionsboard.ie
- Requirements are in Schedule J of Disclosure Regulations

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ANNUAL SCHEME INFORMATION (ASI) REQUIREMENTS

- Accuracy and transmission of ASI data to date not very impressive
- Project in train to identify anomalies and highest incidence of ‘offenders’
- Discussions will be held with RAs concerned parallel to on-site inspections and also ‘offsite’
- Online Services Portal to open for ASI submissions in October 2011
- Significant ‘push back’ on RAs to get it right
- New PB system will greatly contribute to Board’s regulatory tools

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PROJECT ON RA DATA ANOMALIES

- Currently 191 RAs on Board's Register of RAs
- Approximately 124,000 schemes with at least 1 RA attached
- Where no RA has presented schemes are referred to as 'orphan' schemes
- We estimate **44,560** such 'orphan' schemes exist at this point (subject to change)
- Other Issues:

Missing Functions: RA for TAR but no RA for MBS

Duplicate Registrations: Multiple RAs are registering for the same function.

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PROJECT ON RA DATA ANOMALIES

- Project Team: Ronan Scott, Catherine McAuley, Renée O'Reilly and Barry O'Connor
- Will be contacting registered fee managers of 'orphan' schemes for information on these schemes
- Fee manager required to 'clean' their data where necessary
- A bulk amendment facility will be available through the Pensions Board's 'Online Services Portal'
- Trustees will be contacted where necessary
- Refusal to appoint RA will result in appropriate sanctions
- Incidence of 'orphans' expected to be greatly reduced after next RA renewal

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PENSIONS BOARD ONLINE SERVICES PORTAL

- Project Team Leaders: Philip Dalton (Head of Planning) and Andrew Nugent (Assistant Head of Policy)
- Project is ongoing and will continue to be rolled out with increased functionality throughout the year
- Currently live: Viewing register entries, paying annual scheme fees and making appropriate amendments to scheme details
- ‘Real Time’ system that will improve data exchange and quality between the Board and its stakeholders
 - Final link in the Boards regulatory process (risk based supervision with appropriate regulatory tools)
 - Full engagement with/by regulated entities
 - New system will support greater efficiencies with online data and form submissions
 - Non-compliance will be more easily identified and the regulatory process will be more transparent for everyone

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NON - COMPLIANCE AND SANCTIONS

- Offence for RAs to fail to carry out core functions within time limits specified
 - within 8 months of scheme year end for annual reports
 - within 1 month prior to date of issue for benefit statements
- RAs who outsource still liable for performing core functions and failure by outsourcee will be attributed to RA
- Sanctions for failure to perform core functions may include:
 - prosecution (not on-the-spot-fines)
 - subjecting RA to conditions on renewal of its registration
 - refusal to renew the registration
- RAs can rely on third party defence apart from outsource arrangement

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NON- COMPLIANCE AND SANCTIONS

- Sanction depends on degree of non-compliance and number of schemes in respect of which offence has been committed
- RA can appeal Board's decision to terminate or refuse to renew registration to High Court
- Criminal offence to carry out core functions without registering with the Board
- Trustees still retain current duties under Pensions Act to provide Annual Reports and Benefit Statements
 - where they fail to do so but can show they had taken reasonable steps to secure compliance by RA, Board will not pursue trustees

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NON- COMPLIANCE AND SANCTIONS

- If registration is made conditional, terminated or not renewed, RA must:
 - give details to trustees of schemes or Trust RAC to whom providing RA services
 - if registration is terminated/not renewed, RA must arrange for transfer of all relevant information either to trustees or new RA nominated by trustees within 2 months
- Board will publish details in Iris Oifigiul and 1 national newspaper within 28 days of its decision to make registration conditional/terminated or not renewed

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SUMMARY

- Offsite and on-site inspections
- Project on ASI returns
- Project on RA data anomalies
- New PB data system

All Support

- Board's risk-based supervision of Pensions Act
- Compliance by RAs and others
- Imposition of appropriate sanctions if, and when, necessary

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QUESTIONS AND ANSWERS

