

# Pension Update

**24th September 2013**  
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**INDEPENDENT TRUSTEE  
COMPANY**



# Agenda

- **Tax Update**
- **Security Matters**
- **Defined Benefit Schemes**
- **Policy**

# Tax Matters

- Pension Levy
- Fund Cap
- ARF Drawdowns
- DB and ARFing
- International Transfers
- Revenue Matters

# Pension Levy

- **€463m in 2011; €483m in 2012**
- **Due to finish in 2014**
- **Waterford Glass case**
- **Arrears Cases**

# Fund Cap

**Consultation on €60,000 max pension in Budget 2014**

## **Issues**

- **Conversion rate**
- **Previous PFTs**
- **Existing Contracts**
- **International Benefits**
- **Fund Growth/Risk Reserve**
- **Limit for Spouses**

# ARFs

- **New AMRF limits - €12,700 plus €63,500**
- **Will it be reversed in 3 years?**
- **Problem with investment transfers & liquidity**
- **Drawdown - Valuation date and timing**
- **DB benefits in buyout bonds – EB 72/11**

# International Transfers

- **Pensions Liberation Schemes**
- **Bona Fide requirement – April 2012 Letter**
- **Trustee/Provider Exposure**

# Security Matters

- **UK bankruptcy**
- **UK case law**
- **Insolvency Act**
- **Heffernon case**
- **Murtagh Case**



# Types of Pension Assets

- **Pension in payment**
- **Future pension Held under Contract**
- **Future Pension Held under Trust**
- **Lump sum entitlement**
- **Assets held by Trustees**

## UK Cases

- *Blight v Brewster* UK HC Feb 2012
- Lump sum available on election of defendant
- Claimant's solicitor to be appointed to exercise election
- Case under appeal
- *Raithatha v Williamson* 2012
- Williamson, a bankrupt, held certain pension policies
- Had right to take income but chose not to do so
- Trustee granted an income for 3 years plus the lump sum
- Case appealed but settled

## ESB v Heffernon & Anor 2012

**Bank had succeeded in having equitable receiver appointed to two SSASs**

**HC removed receiver as:**

- **Applicants had no legal or beneficial ownership of assets therefore Blight v Brewster distinguished**
- **Discretionary trust**
- **Trust was irrevocable in accordance with terms of Taxes Acts**
- **Deed provided that benefits could not be assigned**

# Personal Insolvency Act

- **Three new debt settlement arrangements**
- **Also impacts bankruptcy**
- **Provides significant protection to pension arrangements**
- **Doesn't include ARFs**

# Pension Protection

- **The protection afforded under the Act does not cover:**
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- **1. pension payments being received, and**
- 
- **2. payments the individual would be entitled to receive from or at the request of the person administering the pension arrangement by performing an act or exercising an option either before the date of adjudication, on the date of adjudication or within five years of that date.**

# DB Schemes

- **Waterford Glass case**
- **Risk Reserve**
- **Funding Proposals**

## Some Statistics

- **760,620 in 61,232 Schemes**
- **189,644 in 933 DB Funding Standard Schemes**
- **338,037 in 107 DB non-Funding Standard Schemes**
- **232,939 in 60,192 DC Schemes**

# Policy

- **Pension Board Split**
- **OECD Report**
- **Pension Charges Report**
- **EU Directive on Transfers**
- **Gender Report**
- **NPRF**
- **Retirement Age**



# Pension Board

**Pensions Board => Pensions Authority**

**2 Parts:**

- **Pensions Commission – 2DSP+1 DoF – regulatory oversight**
- **Pension Council – 8-12 Unpaid – advisory stakeholders**

**Pensions Board CEO => Pensions Regulator**

**- Member of Pensions Council**

# OECD Report

- **Okay to date**
- **Sustainability issues on the horizon**
- **Mandatory pensions most efficient coverage**
- **Auto enrolment also of benefit**
- **Useful international comparisons**
- **No costings**

# OECD Report

- **DB debts should be debt on employer**
- **Priority Order should be reviewed**
- **Inequality with Public sector to be addressed**
- **Social Welfare pensions need streamlining**
- **NRA should be extended further**

# Pension Charges

- **Surveyed Insured Schemes and Large scale Pension Funds**
- **Measured Costs as an RIY**
- **Costs varied from 0.09% to 3.08%**
- **Group Schemes tended to be cheaper but not all costs included**
- **Relatively good value compared to UK**

# Gender Report

- **Surveyed pensions in payment**
- **35% gap in Ireland;39% in EU**
- **3.5% in Ireland v 48% for EU at Social Welfare Pension level**
- **Report to track progress**

# Gender

- **€25k starting salary**
- **40 years of Max Contributions**
- **5% fund growth and salary escalation**

**= €1.85m fund**

- **Miss 10 years from 30 to 40**
- **Lose €350k or 20%**

## Some Conclusions

- **Overall Pensions Model in Crisis**
- **Social Welfare Pensions Underfunded**
- **Public Sector Pensions are unaffordable**
- **DB Schemes are dying**
- **Waterford Glass Liabilities need to be addressed**



**URGENT ACTION NEEDED**

Questions?