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# IORPSII

December 2017

A photograph of three people in a meeting. A man with a beard and glasses is smiling and looking at a tablet. Another man is smiling in the background. A woman in a blue shirt is in the foreground, holding a pen and looking towards the tablet. They are in a modern office setting with a whiteboard and colorful sticky notes on the wall.

# Agenda



- Objectives of IORPS II
- Governance
- Communication
- Risk Management
- Cross Border Schemes
- Other Issues
- What Pension Plans will need to do differently

# Objectives of IORPSII

- Ensure a high level of Protection and Security for members and beneficiaries of occupational pension schemes by
  - 1. Ensure good governance
  - 2. Improving Communication to members
  - 3. Facilitating Risk Management
  - 4. Encouraging cross-border activity in schemes
- IORPS II is effective from 13 January 2019

# IORPSII respects the rights and principals in the Charter of Fundamental Rights of the European Union

- Protection of Personal Data
- The right to Property
- The right of collective bargaining and action
- A high level of Consumer Protection
- Transparency of Retirement Provisioning
- Informed Personal and Financial Planning
- Facilitating the cross-border transfer of pension schemes

# Small Pension Plans

- IORPS II allows for the Pensions Authority to exclude schemes with less than 100 members from having to comply with the new directive

# Governance

## Qualifications of Trustees

- Trustees should **collectively** be fit and proper
- Should have adequate knowledge and experience
- Collectively should have adequate professional qualifications

# Governance

## Written Agreements

- Trustees remain fully responsible for discharging all of their obligations under IORPS II
- Trustees should enter into a written agreement with the service provider when outsourcing any activity.

# Governance

## Principles for Responsible Investment

- Pension Plans should explicitly disclose where environmental social and governance factors are considered in investment decisions



# Communication

## Personal Benefit Statements (PBS)

- These are to be standardised across Europe and must contain the following information
- Projected Value at Retirement
- Projected Income at Retirement using best and unfavourable scenarios
- Unfavourable scenarios should be extreme but plausible
- The above applies to all schemes where members bear the investment risk
- Information should be adequate to the needs of the user and should take into account the rights of persons with disabilities
- Benefit statements must be issued annually for active and deferred members

# Communication Disclosure of Information

Trustees should provide clear and adequate information to

- 1) Prospective members
- 2) Members and beneficiaries

When must information be provided

- 1) Pre enrolment
- 2) Membership
- 3) Pre retirement
- 4) Post retirement

# Communication Retirement Information

- Members should be given information on their options sufficiently in advance
- Sufficiently in advance is not defined
- Where benefits are not paid out as a lifetime annuity, members should receive information about the benefit payment products in order to facilitate financial planning for retirement

# Communication

## Annual Reports

- Annual accounts and annual reports should be publically disclosed on a website where possible

# Risk Management

- IORPS should produce a risk assessment for their activities
- That risk assessment should where relevant, include risks associated with
  - Climate Change
  - Use of Resources
  - The Environment
  - Social Risks
- Risks related to the depreciation of assets (due to regulatory change)

# Cross border schemes

- A company operating in Ireland with a pension plan approved and registered in Ireland with employees resident in another state, this does not constitute a cross border scheme
- Where cross border schemes are not fully funded, appropriate measures must be taken without delay to ensure that member benefits are adequately protected (a recovery plan)
- Where a Scheme is transferring to another member State, the transfer must be approved by both regulators. The transfer will also require approval from the Employer and by a majority of the transferring scheme's members

# In relation to Defined Benefit Schemes the Directive States the following

- Pension Funds should be able to opt for an asset allocation that suits the precise nature and duration of their liabilities
- Pension Funds should have sufficient flexibility to decide on the most efficient investment policy

# Benefits in Payment from DB Schemes

- Pensioners should be informed of any reduction in the level of benefits prior to the reduction taking place
- It would be best practice for the members to be consulted prior to the reduction taking place.



# Auto Enrolment

- Where members have no choice and are automatically enrolled
- Trustees should provide them with all relevant information promptly after their enrolment
- Where members are not automatically enrolled, they should be given all of the necessary information in advance, to make an informed decision

# Pension Tracking Services

**Paragraph 51 of the IORPS recommends the setting up of Pension Tracking Services across the European Union**

# Data Protection

- Trustees must comply with the Data Protection Acts
- In order to provide benefits trustees are required to obtain, store and process personal data
- All data must be obtained and processed fairly
- Keep it only for explicit and lawful purposes
- Keep it safe, secure, accurate, complete and up to date
- Obtain any necessary consent to the processing of personal data
- Ensure that it is adequate, relevant and not excessive
- Give a copy of his/her personal data to an individual, on request

# What Pension Plans will need to do differently

Annual Benefit Statements will be required for all deferred members including those in DB schemes

Annual Reports and Accounts should be publically disclosed

Members must be given retirement options in advance

Information must be provided to prospective members, pre enrolment

IORPS will be required to prepare and maintain a remuneration policy, covering all those persons who effectively run the IORPS

All IORPS must have a risk management function to identify, measure and report on the risks to which the IORPS could be exposed

All IORPS must put in place an internal audit function to evaluate the adequacy and effectiveness of the internal control systems

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