

Pension Scheme Governance & Ethics

Irish Institute of Pensions Management
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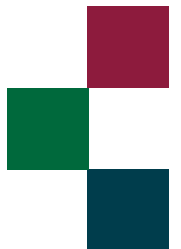
What is Governance?

“A Pension Scheme is not like a Clockwork Device – you do not Wind It Up and thereafter it Runs Itself. A Scheme requires On-Going Oversight and Management to Ensure it is Functioning Properly in the Best Interests of Members. This Management, which is the Governance Decisions made by the Trustees, has a Profound Effect on the Outcomes for the Members, that is, on the Retirement Benefits that they Eventually Receive.”

Pensions Regulator, Brendan Kennedy

Pension Scheme Governance

- Establishing a Governance Plan of Action
- Organisation of Trustee Meetings
- Managing Conflicts of Interest
- Collection & Remittance of Contributions
- Investing Scheme Assets
- Payment of Benefits
- Record Keeping
- Data Protection
- Risk Management
- Member Communications
- Value For Money



Governance Plan of Action

- Obligations of Trustees
 - Trust Deed and Rules of the Scheme
 - Legislative Regulation
- Trustees should be aware of obligations
- List of actions to be managed
- Use the Service Level Agreement to track deliverables
- Actions should be monitored & reviewed at Trustee meetings

Trustee Meetings

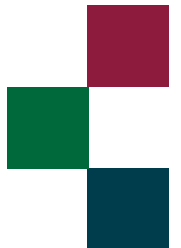
- Barometer for Standard of Governance
- Requirements for meetings set out in Trust Deed and Rules
- Extra requirements for corporate Trustees (set out in Constitution or Memorandum of Association)
- Formal meetings with agenda and minutes

Trustee Meetings 2

- Documented decisions justify the Trustees actions
- Good practice to appoint Secretary to Trustee Board
- Trustees must act in best financial interests of Beneficiaries
- Discussion points for meeting – scheme risks, investment management, scheme costs & charges and Trustee training

Conflicts of Interest

- Conflicts can arise in many ways
- Trustees should not profit from the trust
- Identify, Monitor and Manage conflicts
- Policy to deal with conflicts
- Conflicts register
- Legal advice
- Also applies to advisers to the trust



Conflicts of Interest 2

Examples include:

- The management of confidential information;
- Setting investment strategy and reviewing investment choices;
- Choosing scheme advisers;
- Setting contribution rates;
- Dealing with bulk transfers; and
- Settling a death in service benefit claim.

Collection and Remittance of Contributions

- Trustees have general duty under 58A (remittance) and s59 (collection) of the Pensions Act
- Employers must pay “meaningful” contributions
- Service Level Agreement (SLA) sets procedures
- Legal responsibility for collection of contributions

Collection and Remittance of Contributions

- Keep records and monitor payments
- In some cases statutory obligations on Trustees to inform beneficiaries where contributions are not payable e.g. maternity leave
- Obligation to report fraud & misappropriation

Investing Scheme Assets

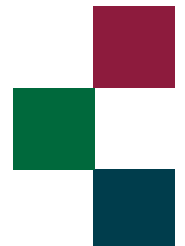
- Trustees must ensure proper investment of Scheme Assets
- Comply with Trust Deed, Pensions Act and Investment Regulations
- May appoint suitably qualified Investment Manager
- Trustees should keep costs of investment management low
- S59 of the Pensions Act – 10 day rule

Investing Scheme Assets

- Trust Deed may allow members to choose investments
- Statement of Investment Policy Principles (SIPP) required for schemes with more than 100 members
- Trustees are also required to provide a Statement of Reasonable Projection (SRP) at least once annually to members in employment.
- Default Investment Strategy (DIS) – Very Important
- Communication to members about investment important

Paying Benefits

- Appropriate system to pay benefits – s59(11)(c) of the Pensions Act
- Usually delegated to Scheme Administrator
- Retirement planning advice
- Report on payment of benefits at Trustee meetings
- Legal considerations on payment of death benefit
- Power to augment benefits?
- Deduct tax & PAO



Keeping Records



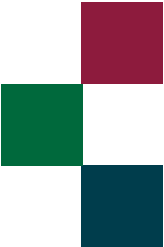
- Section 59 of the Pensions Act
- System for the creation and retention of accurate records
- Scheme Administrator should keep accurate records
- Avoid additional costs – Keep complete records
- Trustees should regularly review function
- Comply with Data Protection legislation – GDPR considerations

Data Protection

- Trustees are responsible for members personal data
- Trustees are Data Controllers and as such have legal obligations
- May outsource function - SLA
- Trustees retain responsibility for compliance with Data Protection legislation.
- Pensions Authority suggests implementing a Data Protection Policy
- Security Breach Protocol

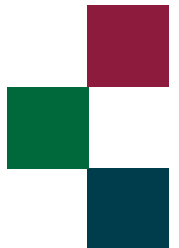
Data Protection

GDPR Obligations







- Accountability- Record Keeping, Privacy Impact Assessments (PIAs) & Data Protection Officer (DPO) 
- Consent
- Other Legal Grounds 
- Privacy Notices
- Service Providers
- Security Incidents 

Risk Management

- Risk Management System
- Risk Register to record all scheme risks
- Typical Risks
 - Fraud
 - Investment Risk
 - Cost Related Risks
 - Risk of Administrative Errors
 - Risk with Communications



Member Communications

- Obligations on Trustees to provide information to Members (Part V of the Pensions Act & Disclosure Regulations) 
- Information should be provided at various stages
- Trustees still remain accountable 
- Third party information should be reviewed before it is given to members 
- Independent Legal Advice 



Value for Money

- Legal Responsibility to act in best financial interest of Members
- Assessment and delivery of value for money forms part of responsibility
- Trustees should understand Scheme and charging structure
- Trustees should consider more than just cost
- Raise concerns with providers