

IORP II preparation survey 2020

Findings Report

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Background

In November 2020, the Pensions Authority surveyed the trustees of 100 DC and 100 DB schemes to assess trustee preparedness for pending legislation changes, following transposition of the [IORP II Directive](#).

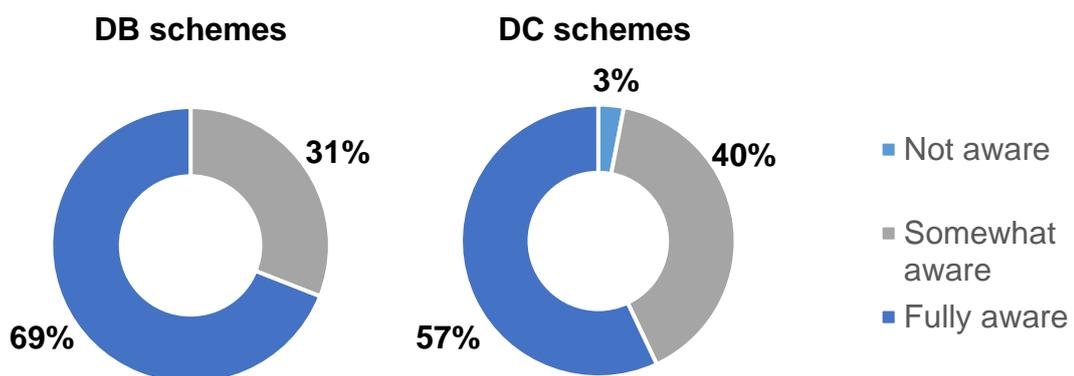
This Directive provides for EU wide pension scheme standards and requires that trustees have, amongst other requirements, an effective system of governance in place to ensure good member outcomes.

The trustees surveyed were randomly chosen from the register of occupational pensions. The survey consisted of eight questions, seven of which had fixed choice answers, and one free-text question, which allowed trustees to provide personal feedback.

The survey was voluntary and in total, just over 50% of the trustees and their schemes that were surveyed responded. 35 of the 100 DC schemes responded, and 67 of the 100 DB schemes responded.

Survey questions

- Question one: The IORP II Directive (the Directive), yet to be transposed into Irish legislation, imposes additional responsibilities on trustees. How familiar are the trustees with these pending responsibilities?**

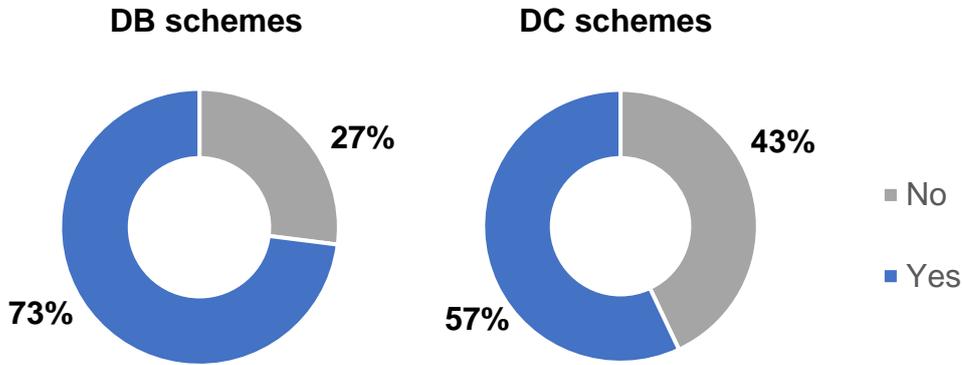


The responses were mixed; 40% of DC and 31% of DB schemes responded that they were ‘somewhat aware’ of the pending responsibilities.

57% of DC and 69% of DB schemes responded that they were ‘fully aware’ of the pending responsibilities.

3% of DC schemes responded that they were 'not aware' of the pending responsibilities.

2. Question two: Have the trustees discussed the potential effects of the Directive on the scheme with the sponsoring employer?



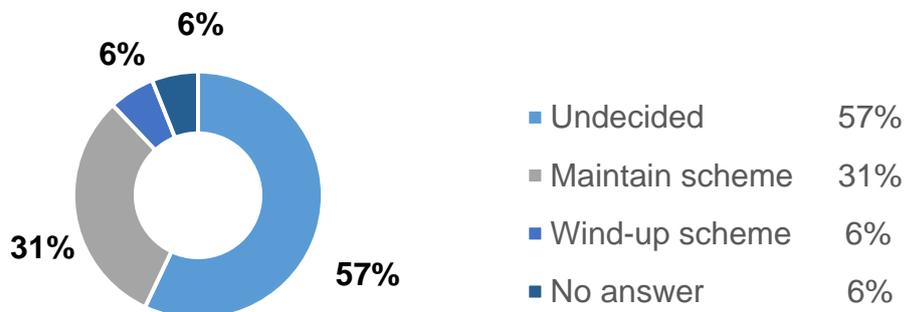
Question two had a closed yes/no potential response.

43% of DC and 27% of DB schemes responded no, that they had not discussed the potential effects of the Directive on the scheme with the sponsoring employer.

57% of DC and 73% of DB schemes responded yes, that they had discussed the potential effects of the Directive on the scheme with the sponsoring employer.

3. Question three: If there has been a conversation with the sponsoring employer about the future of the scheme, what is the most likely option for future retirement provision for members of the scheme?

This question was put to DC schemes only, and 4 possible answers were provided.



57% of schemes responded that the employer was undecided as to their options, or had not yet considered the topic.

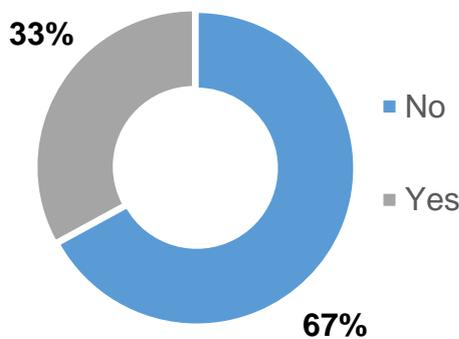
31% of schemes responded that the employer would maintain and support the scheme.

6% of schemes responded that the employer would wind-up and transfer to a multi-employer/master trust scheme.

6% of schemes did not answer the question.

4. Question four: Do the trustees currently have any legal agreement in place with the sponsoring employer regarding its financial obligation to the scheme?

This question was put to DB schemes only, with a closed yes/no option.



67% of DB schemes responded no, that they do not currently have any legal arrangement in place with the sponsoring employer regarding its financial obligation to the scheme.

33% of DB schemes responded yes, that they do currently have a legal arrangement in place with the sponsoring employer regarding its financial obligation to the scheme.

5. Question five: Do the trustees currently have a written contract in place with the following service providers?

For this question, six possible options were provided, and schemes could choose all applicable answers. The breakdown below shows the percentage of schemes that have the following service providers in place.

	DC	DB
Administrator	83%	90%
Risk Manager	3%	4%
Internal Auditor	0%	8%
Investment Manager	77%	82%
Actuary*		85%
No written contracts in place	11%	9%

*not applicable to DC schemes

6. Question six: Following transposition of the Directive trustees will be required to adopt and implement a number of policies. Do the trustees currently have the following policies in place?

For this question, six possible options were provided, and schemes could choose all applicable answers. The breakdown below shows the percentage of schemes that have the following policies in place.

	DC	DB
Administration Policy	34%	21%
Conflicts of Interest Policy	77%	66%
Risk Management Policy	26%	25%
Internal Control Policy	11%	13%
Internal Audit Policy	3%	9%
Remuneration Policy	14%	3%
None of the above policies in place	11%	30%

7. Question seven: Have the trustees taken any steps for the appointment of the following key function holders (KFH) required under the Directive?

This question asked schemes had they taken any steps to appoint any of the following three key function holders:

Internal Auditor

17% of DC and 11% of DB schemes have taken steps to appoint an Internal Auditor.

Risk Manager

20% of DC and 15% of DB schemes have taken steps to appoint a Risk Manager.

Actuary

63% of DB schemes have taken steps to appoint an Actuary.

80% of DC schemes have not taken steps to appoint an Internal Auditor, or a Risk Manager. DC schemes do not generally need to appoint an Actuary.

33% of DB schemes have not taken steps to appoint an Internal Auditor, Actuary, or Risk Manager.

	DC	DB
Internal Auditor	17%	11%
Actuary*		63%
Risk Manager	20%	15%
None of the above in place	80%	33%

*generally not applicable to DC schemes

8. Question eight: From what you know of the requirements of the Directive, which requirement will be most challenging for the trustees to implement and why?

Here schemes were given free space to express their opinions, and the responses were varied. However, certain key themes were evident amongst the responses, and answers were grouped together around the below four themes.

Increased costs, time, and resources

The additional governance, complexity, time and costs associated with the implementation of the Directive was repeated throughout responses. Almost half of DC and three-quarters of DB schemes commented that the cost of implementing the requirements of the Directive would be the most challenging for the trustees to implement. The need for additional time and resources was also a concern, with just under half of all schemes saying it would impact them.

The appointment of key function holders and related policies

The specific appointment of key function holders was a concern for almost half of all schemes. A quarter of both DC and DB schemes noted that the formal adoption of the related policies would be a challenge for them.

This is supported by questions five and six of the survey, which highlights that only a small proportion of schemes have already appointed key function holders, or adopted certain formal policies.

Proportionality for smaller schemes

There was a concern expressed about the application of the new requirements on smaller schemes. A quarter of schemes commented that they believed the requirements would be particularly challenging and costly for small schemes to implement.

The need for clarity

Many trustees expressed concern about lack of information and guidance on how to give effect to the Directive. In multiple cases, trustees noted they were waiting for the publication of transposing legislation before making changes.

Conclusion

Overall survey findings indicated there is a general level of awareness of the Directive among trustees but there is a reluctance to make changes to meet requirements until after the Directive is transposed into law. There is widespread belief amongst those who responded that new legislation will increase cost, time and resources and proportionality of legislation is a concern for schemes of all sizes. The survey findings also highlighted that further guidance from the Pensions Authority is awaited by trustees on many areas covered by the Directive.

Overall, the Authority was surprised by the low response rate amongst trustees to the survey, especially for DC schemes which may paint a more optimistic picture than actually exists. Further, while the findings did indicate a general level of awareness of the Directive, the Authority was disappointed by the inadequate preparation of many schemes and their trustees to meet the significantly enhanced obligations required of them under the Directive.

The Authority will conduct further information gathering surveys during 2021.