

IT'S ALL ABOUT STEWARDSHIP

Eleven years ago a young corporate lawyer at IPT and associate of the Taxation Institute "with a few hours to spare", volunteered his services to the IAPF. After he completes his two years as IAPF Chairman in 2009, he says he hopes he'll always have time for the IAPF. Patrick Burke spoke to Jill Kerby about his new appointment.



The IAPF is a unique organisation for a lot of reasons – not the least that its members give so much of their time and expertise to its committees and projects. But mainly because “It is the only body to represent, with a balanced view, the divergent interests of trustees, employers, and pension scheme members. With membership drawn from both pension schemes and the pensions industry, it gives us a unique voice,” explains the new IAPF Chairman. “As a consequence we’re recognised as the voice of Irish pensions and the touchstone for best practice and policy development.”

“The practical experience of our members in running pension arrangements of all size and design, and the expertise drawn from professionals across the industry, allows the IAPF to contribute significantly above its weight in debates on regulatory and policy development. While other parties may not always share the same viewpoint our contribution injects practical experience and expertise which helps satisfy the common objective of ensuring a reasoned analysis and debate.”

Improving communications at all sorts of levels is high on Patrick Burke’s agenda over the next two years.

“I would like to make sure that we are as well placed to listen, as we are to communicate our own thoughts and ideas. The space around pensions has filled in a lot since the IAPF started almost 35 years ago. We now we have a strong Pensions Board advising the government and regulating the industry and a Pensions Ombudsman to support best practice in administration and communications. There are also a number of professional bodies including the Society of Actuaries, the APLI, the IIF, the IAIM and the IIPM each of whom represent the interests of their professional members. The increased involvement of the social partners through IBEC and ICTU has also improved the breadth within the pensions debate. Through all this the IAPF, with its diverse membership, remains the one voice which balances these interests. In order to maximise the benefits of our experience and expertise we need to listen carefully to the concerns and needs of others and we need to be positioned to respond to the views and concerns of others in a constructive fashion.”

“I think the IAPF is well positioned now to move the debate along,” he says. “We’ve good infrastructure and a full-time Director – Jerry Moriarty - working to the regulatory and policy agenda and I think that will help us a lot. It means we can build further upon our depth of research, and improve our pro-activity within the consultation process.”

The Green Paper will be one of the first major policy developments that Patrick will steer through the IAPF council and committees, but he acknowledges that

“there’s been a rolling agenda on pensions for some time. While much of the current policy agenda continues to benefit from further debate, I don’t think there are many significant issues that we haven’t already started to address. Pension policy has a long life from conception to maturity and the impact of regulatory and policy change survives for a very long time. This drives a

critical reality in terms of managing down the laws of unintended consequence.”

He expects the big issues - the merits of compulsory contributions, soft mandatory or sectoral specific pension arrangements will be considered in the Green Paper - issues that the IAPF has already had considerable input over – while the Funding Standard and the requirement for flexible annuitisation/drawdown remain key to IAPF policy.

On the matter of increasing coverage and adequacy of benefit, he says that “incentives seem to be a very strong way forward – the success of the SSIA scheme and IAPF/UCD research into attitudes and behaviours in the services sector have shown this to be true. Our primary concern is whether the strong and broadly adequate voluntary system which we have at present would be undermined or threatened by effectively introducing a new standard in adequacy set close to the lowest common affordable rate? We believe that there are more effective ways of improving coverage without damaging adequacy and accept that changes of approach may be necessary to achieve this fundamental objective. Sectoral solutions like those adopted by the construction industry can play a big part in delivering on our coverage requirements and should be considered further in the context of the partnership framework.”

Research into the role of the state retirement pension in providing coverage and adequacy – such as the work done by Dr Shane Whelan of UCD - is very important he says, but to keep the debate moving forward “it cannot be considered in a vacuum, but as part of the wider provision of pensions.”

He also hopes to continue the excellent relationship that the IAPF has with the Department of Social and Family Affairs and with the new Minister, Mr Cullen. His predecessor “was very interested and

supportive. I have a great deal of respect for Seamus Brennan and the impetuous he brought to the coverage debate. Having a strong pensions minister is very important."

Aside from the Green Paper, the next two years is also a time to keep moving ahead with the changes that are happening in the Defined Benefit and Defined Contribution pension communities, Patrick explains. This is both where exciting new products and strategies are being developed – his own job with Irish Life Investment Managers is at the coal face of product design and innovation – and in the case of Defined Contribution schemes, where the growth in the IAPF's membership is located.

"We have substantial numbers of members in both Defined Benefit and Defined Contribution schemes. On the DC side we have to keep focussing attention on governance and adequacy, which are part of this wider communications agenda, product innovation to recognise the transfer of risk and responsibility and flexibility to recognise address the undesirable impact of compulsory annuitisation in the face of the changing definitions of "retirement".

"The 'DB good, DC bad' notion has to be re-evaluated. It's not as simple as that anymore. In reality a lot of employers are willing to support very favourable Defined Contribution and Hybrid arrangements whereas, due to liability and regulatory requirements, they are constrained in the defined benefit, environment. What's important at the end of the day is the actual pension benefit that's delivered and the IAPF will continue to play a lead role in informing trustees and employers on DC and Hybrid trends, in researching the key strengths and weaknesses of each and in assessing the issues to be addressed as the transition is made."

Key to supporting defined benefit and hybrid provision is, of course, the Funding Standard - another issue that the IAPF must keep a close eye on.

"In the case of the funding standard I think the IAPF has been very successful in how it has communicated the difficulties and anomalies presented by the Funding Standard. The evolution of the Funding Standard since its initial introduction largely

reflects the positive contribution of the IAPF to date regarding the need to balance security with sustainability. Further evolution is still required and we need to see a positive response from our new Minister, Mr. Cullen, to the Pensions Board recommendations made in this regard."

"I wouldn't become complacent about the funding standard," he insists. "We saw from 2000-2003 that factors can move quite quickly over a short period of time - as they have again – to challenge scheme design. Having a system that is unable to react to short term spikes, whether in interest rates, equity markets or both, changes the ball

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game very significantly. The point to keep in mind is that if the system is too rigorous, it is member benefits which ultimately bear the impact of short term responses - that's the important lesson we learned from that period.

"Since 2003," he continues, "we've seen a favourable environment for Defined Benefit schemes, with strong equity returns and more recently interest rates rising. That has all been very positive, but mustn't be taken for granted. We mustn't judge the impact of the funding standard in benign markets but rather we should benchmark a smoothed experience."

How the Minister will address the Pension Boards current recommendations about the Funding Standard will be watched with great interest by the Association, he says.

European pension issues will also take up some of his time, he says, with the next

stages of pension portability still to be advanced and improved communication with pension members here and in Europe about the position of their pensions in an increasingly globalised working community. Our contribution directly and through the EFRP has broadly had a positive effect on the outcome of the IORP's Directive, the Portability Directive and currently the Solvency II debate. We need to maintain our impact in these areas and we are fortunate to have strong working parties - led by Peter Fahy, O'Donnell Sweeney Eversheds and Maurice Whyms, Mercer - supporting these efforts.

Patrick's first big IAPF event as Chairman will be the Benefits Conference in October, which will focus on DB impact on corporates, a Hybrid case study and the DC results of the IAPF Benefits Survey. The Association's events, provide a super opportunity to pull together the needs and viewpoints of our membership and to encourage participation in the annual programme of seminars, forums and conferences, "but also a chance to keep learning", he says.

Just 38, married with a young family, he knows how difficult it can be to juggle work, family and committee work in as busy an organisation as the IAPF. "Nora Finn did a great job of building up the IAPF administration and infrastructure and we have a super team in the office. We now also have Jerry Moriarty in a full-time capacity to concentrate on policy and research," he says. "We're also very lucky to have people like Marie Collins as vice-chair. As group pensions manager in the ESB, Marie has a clear understanding of the real life needs and demands of our membership and sponsoring employers – this ensures that we remain focused in our services to members and that our policies reflect the legitimate concerns of our members."

He clearly has the IAPF mission statement in focus – "to represent the interests of scheme members, trustees and sponsoring employers ... to promote financial well being for all retired people ... and to provide a forum for discussion and debate of pensions issues leading the way in terms of pension fund governance and trustee awareness."

It's a strong platform that every new Chairman needs to keep shoring up.