



# IAPF Celebrating 35 Years

**Ex-Chairmen look back on the big issues**

**T**he IAPF celebrates its 35th Anniversary in 2008 and will be celebrating its success at the Annual Dinner which will take place for the first time at the CityWest Hotel on February 28th.

Established in 1973 just as Irish Industry was beginning to enjoy the fruits of the policy initiatives to attract overseas investment, the Association is unique in that it represents members in all areas of Irish pension investment and provision – employers, employees, fund managers, trustees and administrators and pension providers. IAPF members provide retirement security to over 200,000 Irish workers; they pay pensions to nearly 70,000 retirees and are responsible for over €90 billion in retirement saving. The two key areas in which the IAPF

acts is in pension policy, by seeking to influence the future direction of pensions in Ireland, to provide for financial security of all retired people and to ensure that the right environment continues to allow pension schemes to flourish.

IAPF is also well regarded as an authoritative voice in its dealings with legislators and regulators, in raising pension awareness (at home and in Europe) and leading the pensions debate both within the industry and in the media. The Association also offers a range of services to members, such as the trustee training programme, investment conferences, and seminars, research papers and surveys, pension-related booklets and policy documents. The Benefits, Membership and Investment committees all have full agendas for the

coming year, with a focus on topics and activities that include following the journey of the Pensions Green Paper and the treatment of ARFs; a major membership drive aimed at Defined Contribution schemes, plus finding new ways to get even more member participation at conferences and seminars and the commissioning of a new set of 'Simple' investment guides on LDI, hedge funds and bonds. The IAPF has been and will continue to work closely with the EFRP in looking at the issues surrounding The Solvency II Directive.

Thirty-five years and still going strong. Whether you are an active member of the Association or only attend the occasional seminar and Annual Dinner, the IAPF hopes to keep delivering the service – and comradeship – that began back in 1973.



## HOW WAS IT FOR YOU? FORMER IAPF CHAIRMAN TAKE A LOOK BACK



**Brian Duncan:** I had the pleasure of serving as Chair of the Association from 1979 to 1982, three year term in contrast to

the more normal two years. It is widely believed amongst some of the older members that I refused to leave office; the more mundane explanation regrettably is that it was agreed I should continue as Chair in anticipation of the imminent publication of the Government White Paper on Pensions.

My dim recollection is that much of my time as Chair was dominated by the expected publication of the White Paper. This followed the publication of the Green (Discussion) Paper "A National Income-Related Pension Scheme" in 1976 by the then coalition government. Interestingly one of the options referred in the Green Paper, was to subsume private schemes into a state scheme! I love that word "subsume". I doubt if any equivalent document today would even consider this as an option. And of course, we are still waiting for a specific proposal 31 years later.

The considered view of the Association at the time was that the best way of improving pension coverage was to significantly increase the flat rate of social welfare pension, as resources permit. Notwithstanding all the analysis, research and agonising that has been done in the meantime, I am still of the view that this is the most effective approach. I also have a clear recollection of meeting with Charles Haughey, the minister of the day during which he indicated that it was important to get a consensus on the way forward and that he thought that this might be best achieved through the establishment of a National Pensions Board. I will leave others to judge whether or not he was right!

I was very fortunate in having Louis Slater as Secretary during my term as Chairperson, Louis having previously served as Chairman. We continued to develop good relations with our equivalent organisation in the UK, which ultimately led to the establishment of the European Federation for Retirement Provision at a meeting in Guernsey.



**Eamonn Heffernan,**

**1987 – 1989:** Surprisingly, many of the issues that dominated the agenda of the IAPF Council during my years as Chairman still remain on today's pensions agenda.

When I took over in May 1987, the main focus was on the work of the National Pensions Board (NPB) which had been established by Government in early 1986. Its terms of reference required it to bring forward proposals for the regulation of pension schemes under a number of headings, including "standards of funding and requirements for ensuring financial security of occupational pension schemes and their funds ...and to advise the Minister on the most suitable method of ensuring that the proposed regulatory arrangements are effectively monitored."

The NPB subsequently published its First Report covering these (and other) issues in January 1987. The IAPF was well represented on the Board and there was widespread support among its membership for the recommendations in this report. Throughout the period 1987 to 1989 the major focus was on converting the recommendations of the NPB into workable legislation and after a number of false starts and various broken promises the Pensions Bill was eventually published by Government. After much debate within the Association, and among other interested parties, the Pensions Act was eventually signed into legislation by the President on 24th July 1990.

The terms of reference of the NPB also required it to examine "the tax treatment of pension contributions, pension funds and pensions generally" and in its

report in January 1988, it recommended maintenance of the status quo although a minority of Board members the tax exemption should be withdrawn for lump sum rights accumulating from the date of the change. Ironically within a month of the publication of the Board's report, the then Minister for Finance (Ray Mc Sharry) announced in his Budget the introduction of a 'once off' levy on the investment income and realised gains of pension funds, designed to raise a sum of £15m.

This was a period when the government of the day was setting about correcting the public finances, and pension funds were seen as a 'soft target'. The Minister and his officials, showed that they had little understanding of how pension funds

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operated. Our objective became one of ensuring that the levy was workable and, as the Minister had promised in his budget speech, was 'once off'.

The Department's main objective was to raise tax revenue of £15m and the methodology and rates had been suggested by IAPF as being sufficient to raise this sum. Whenever I have met Liam Murphy (the responsible official in the Department) in the interim period he has not been slow to remind me that they fell 6% on imputed investment yield (9% of asset value as of January 1, 1998) - short of their target - they only raised £11m!



**Anne Maher:** I was honoured to be IAPF Chairman from 1993 to 1995.

When I took up office in May 1993 we were in the middle of trying to respond to a Budget initiative of the then Minister for Finance, Bertie Ahern, which had the objective of getting pension funds to invest in venture capital and the bigger picture of the tax treatment of pension funds was also topical.

The venture capital issue culminated in a Pension Fund Investment Report and an agreement by the pension funds that

0.08% of pension fund assets would be invested in venture capital. It was a satisfactory outcome all around and the money invested by the funds re-activated the dormant Irish venture capital market with several new players entering the field. The discussions on the tax treatment of pension funds also ended happily with general acceptance of the strongly held IAPF view that a voluntary private pension system could not succeed without tax encouragement.

The next issue on which Council focused was the need for Ireland to develop a national pension policy. IAPF kick-started this process in March 1995 when it held

the first Pensions Forum in Dublin Castle and the subsequent report seem to me to stand the test of time and are still worth considering.

IAPF also recognised the need to develop its role and influence in the EU pension scene around this time and we saw the Irish pension model recognised as a good one.

As I look back, I remember it as a good time working with a great Council and with the IAPF's remarkable co-ordinator, Camilla McAleese, who made sure IAPF remained high on all of our agendas. We also had some good fun!

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**Paul O'Faherty - 1997-1999:** I took on the mantle of the Chairmanship from Brian Aylward in May 1997 and it was straight

into the fray as we worked to finalise our submission to the National Pensions Policy Initiative. This was a fine document and a great credit to the team that created it was gratifying to all involved that so many of the proposals made by the IAPF found favour in the 1998 report.

Apart from its content our submission was a great example of the unselfish ethos which has always been at the core of the IAPF where "commercial hats are left at the door" in favour of acting in the best interests of pension funds and their members. Its great to see this noble tradition is still alive and well today.

In early 1998 we celebrated the 25th anniversary of the IAPF in style at our Annual Dinner in the Burlington at which we unveiled the new logo, which it's nice to see has stood the test of time. I remember this dinner very well – our guest of honour was Mary Harney. She spoke brilliantly, and without notes. It was also a bit disconcerting: as we walked into the ballroom she asked me what I was going to cover, and then proceeded to weave most of my well researched facts and figures into her own speech!

The big story of 1999 was the introduction of the ARF regime by Charlie McCreevy. In classic McCreevy style this was a change which took everyone by surprise. With the benefit of hindsight, I have to admit ARFs did not precipitate the type of doomsday scenario which some of us feared.



**Tom Finlay – 1999-2001:** My first observation is that it doesn't seem like almost seven years since I was IAPF chairman! The period

proved to be one of consolidation after the National Pension Policy Initiative (NPPI) process which had taken place during the chairmanship of my immediate predecessor Paul O'Faherty. The IAPF submission to the NPPI proved to be one of the most influential and so we mostly took a policy 'breather' after all the skilful efforts under Paul's chairmanship.

We did, however, place much emphasis on improving communication to IAPF members. Among our initiatives was the launch of Irish Pensions magazine in 1999. Like every IAPF activity, the creation of the magazine was a team effort and its subsequent high quality is a tribute to Jill Kerby's expert and independent editorship.

Another communication initiative launched around this time was the Trustee Forum, a joint initiative with the Social Partners and the Pensions Board. Its sessions brought a new 'non-expert' and practical

feel to pension issues through the eyes of trustees.

A final thought is that my abiding memory of both my chairmanship and also my 15 or so years on the IAPF Council is of the importance of the team approach involved. IAPF depended then, and continues to depend now, on the voluntary effort of so many members of its council, committees and working parties and highly professional staff. It makes IAPF the unique organisation that we all know and love.



**John Feely - 2001-2003:** "As many of my fellow past Chairman will understand, two years leading the Association is full of highlights - the annual dinner and the development of new services for members, active engagement with the leading lights of the pensions industry, high level interaction with Government, the Pensions Board and the media, dealing with the challenges posed by the issues of the day, global and European developments, to name but a few. But, looking back, two issues stand out.

In the early 'noughties' pension funds began to face their most critical financial challenge in recent times. The triple-whammy of falling stock markets, falling interest rates and increasing longevity took a massive toll on the financial strength of pension funds in a relatively short time-frame.

A media frenzy ensued as if we had all just woken up to the fact that stock markets could fall. I remember fending off arguments that pension funds should switch all assets to Irish equities as these had fared better than global stock markets. Hindsight is a wonderful thing!

The other main development was the Pensions Directive which was successfully

negotiated through the European Commission, Parliament and Council of Ministers. Not having been involved previously in European developments, the whole process of achieving consensus on issues that many see as fundamental to social solidarity was an eye-opener.

While it's still early days there are signs that the pan European pensions market is beginning to develop at last, especially for defined contribution plans.

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**Gerry Ryan - 2003- 2005:** My outstanding memory of my term as Chairman of the IAPF was of the enjoyment I had! This was possible because of the hard work of

Nora Finn and her team and all the dedicated volunteers who serve on the Council and committees. Their efforts made representing the Association and its members relatively easy and I was able to approach the issues with a clear focus.

I was also fortunate that there were no major controversies during my two years. We were able to pursue the IAPF's goals in a measured and co-operative way; it's very satisfying to feel that you are contributing to progressing issues which will, after all is said and done, be very important for the future.

Hosting the annual dinners is something every Chairman has to look forward to during their term. I'd expected to find the Chairman's speech daunting, but I found that, as always, good preparation is key. It was easier than I expected (however painful it may have been for the listeners!)

Overall I found the Chairmanship a great experience and I can honestly say that it was both enjoyable and fulfilling.



**Joe Byrne - 2005 - 2007:** Policy took centre stage in 2005 when the National Pensions Review (NPR) was brought forward a year by Minister Seamus Brennan. This was a huge project completed within a short timeframe and we put forward our main submission, the IAPF Discussion Document on a State Annuity Fund and the research paper, "Pension Provision in Ireland for the 21st Century" prepared for the IAPF by Dr. Shane Whelan.

The NPR was published in early 2006 and supported our views in a number of areas such as;

- Incentivising of pension contributions at higher levels of tax.

- Encouraging SSIA's into pension by removal of exit tax.
- Simplification of the PRSA regime.

We continued to pursue vigorously the extension of ARF's to Group Defined Contribution schemes; we kept the Funding Standard at the top of our agenda much focus was also placed on the Trusteeship model and the greater need for Trustee education.

Significant resources were also applied to research which resulted in the Benefits Survey 2007, the Investment Trends Survey, the IAPF Pension Trends Survey and the Asset Allocation Survey. A new website was launched providing more informative and user friendly information

to members.

Europe played ever increasing role in the development and regulation of Irish pension schemes and the highlight of my two year term was the IAPF Benefits Conference in September 2005 when EU Commissioner McCreevy launched the EU Pensions Directive. The ensuing banter between the Commissioner, the Minister Seamus Brennan, George Lee from RTE and the rest of the press corp at the conference left everyone in great spirits.

The end of my term coincided with the retirement of Nora Finn, who along with Anne Kelly and Diane Mulrennan my predecessor Gerry Ryan and successor Patrick Burke had provided me with great support.