



IAPF Pensions Quality Standard (PQS) for Defined Contribution Schemes



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Established in 1973, the Irish Association of Pension Funds (IAPF) is the leading Irish body providing representation and other services for those involved in operating, investing and advising on all aspects of pensions and other retirement provision. Our members provide retirement security to over 260,000 employees, pay pensions to nearly 90,000 people who have already retired and are responsible for some €75.5 billion (end 2010 figure) in retirement savings.

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1. Introduction

As Defined Contribution (DC) pension provision becomes increasingly widespread there is a growing need for individuals to develop a better understanding of DC pensions, especially of the DC pension offered by their employer.

Too often, employees have only a vague idea of how much they need to save and the amount their employer is willing to contribute. Moreover, many employers say that their employees have a poor understanding of the pension offered and tend to value pension contributions less than take home pay. This is despite the fact that many employers dedicate significant time and resources to communicating the benefits of the DC pension they offer.

The Irish Association of Pension Funds (IAPF) promotes improved communications. If members do not understand or act appropriately at an early stage in their working lives this may result in unfulfilled pension expectations and extended working lives. As a result, the IAPF believes that appropriate education and information must be provided to ensure the reasonableness of member expectations.

While it is recognised that the responsibility for providing this is shared by the State, employers, trustees, pension professionals, representatives and individual members themselves, the IAPF wants to recognise those pension schemes that attain a certain standard which reflects qualitative contribution, communication and governance strategies for DC Schemes.

In 2009 the IAPF launched an award for the Best Communications Strategy and we are pleased to now introduce Pensions Quality Standard (PQS).

2. Contributions

The IAPF recognises that many existing employers and newly established schemes benchmark how their scheme operates relative to their peers. In accordance with this, and whilst also recognising that members of DC Schemes need to have an adequate pension in retirement, the following contribution rates have been set as those which qualifying schemes will aim to achieve as a minimum:

For non-contributory Schemes, an employer contribution rate of 10% of basic annual salary.

For contributory Schemes, an overall contribution rate of 10% of basic annual salary of which 6% is the minimum employer contribution.

NOTE (1): It is understood that risk costs are in addition to the rates noted above.

NOTE (2): Evidence will be sought of all applicant schemes to ensure they meet the contribution standards including those schemes which operate matching contributions. This will relate to employer and employee contributions only and will exclude Additional Voluntary Contributions (AVCs).

NOTE (3): Those schemes which achieve an overall rate of 15% of basic annual salary will qualify for a standard with merit.



3. Communications

Good communications are essential to improve member understanding and therefore member appreciation of the pension on offer. It is also important that any communication is done in a clear and straightforward manner. The main requirements are that the sponsoring employer and trustees pro-actively promote and/or facilitate:

- Membership of the scheme during the induction process; the provision of information in clear and easy to understand terms. Documentary evidence should support this process.
- The provision of necessary information at the induction/joining stage;
- Ongoing communications. These could include a range of options, including the use of a dedicated newsletter, website or intranet page, group presentations or one-to-one guidance sessions;
- Generic information, including information on investment options, is provided on a website/intranet or via regular news letters; or
- Tailored individual information, including information on investment options, is provided to scheme members, for example by providing access to the pension account online; or
- The offering of group or one to one meetings to scheme members

NOTE: It is intended that the communication requirements complement those required by the Pensions Act 1990.

4. Governance

There must be a clear policy and demonstrable procedures to meet the governance standard.

Those schemes whose trustees can demonstrate that governance is high on the agenda not least by having and recording regular meetings, by undertaking on-going training and by having a clearly monitored governance agenda will meet the standard.

5. Applying for the PQS

An employer or trustees of a DC scheme can apply for the PQS provided the scheme meets a set of core standards. Eligibility for the PQS is based on the pension scheme itself - not on the average pension provision of the employer.

It is expected that the employer or trustees will often initiate the application for the award but, given their role in supporting the importance of pension provision, it is also possible that - with the agreement of the employer or trustees - advisers, consultants or members of DC pension schemes may also apply for the award on behalf of the pension scheme.

Applications for the PQS will operate on the basis of self-certification against the core standards. These will then be assessed by the IAPF Office.



6. Verification that a DC scheme meets the core standards

The primary means of verification will be a binding declaration by the scheme sponsor that the scheme offered meets the core standards of the PQS as verified by the submission of relevant supporting documents. The IAPF Office will then evaluate the application and supporting documentation.

The award will be valid for three years. Such schemes will be subject to a random audit to ensure compliance with the PQS but must be formally re-assessed at least every three years after initial accreditation.

7. Support in helping employers communicate the standard

Once a scheme has been accredited with the PQS, the scheme will be provided with a certificate endorsing its attainment of the PQS and this can be used on relevant employee communications and pension's literature, including job advertisements etc.

8. Benefits to the employer

The IAPF DC PQS offers employers a number of advantages:

- The opportunity to promote the scheme/employer to potential and existing employees.
- An additional tool to retain or achieve a competitive edge against similar employers.
- A means to help promote better awareness of pension saving amongst employees and potential employees; and
- An extra way of building and enhancing the company's reputation with the public and consumers.

9. Conclusion

The IAPF DC PQS is intended to support the valuable time, effort and money which sponsors and trustees spend on making their pension scheme to be fit for purpose with an underlying agenda for the members to value their pensions offering.

In doing so, it is hoped that it will encourage the many employers who already offer a good DC pension to maintain and improve the pensions they offer.

By focusing on the three core standards of contributions, communications and governance - the IAPF believe that the IAPF DC PQS will encourage not only more adequate pension saving, but also pension saving that meets the needs of members and also helps them understand the value of the pension offered.

“ The employer is responsible for establishing and contributing to the pension scheme for its workforce. Given the amount of commitment and financial investment which employers provide, it is important that participation in the pension scheme is fully availed of and appreciated by employees. ”



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