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representing pension savers

Governance in Practice



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- Support for Trustees in discharging their duties
- Best practice guidelines
- 9 codes have been published
 - 3 more due



An tÚdarás Pinsean
The Pensions Authority



Agenda

- Introduction
- Governance plan of action
- Trustee meetings
- Collection and remittance of contributions
- Investing scheme assets
- Paying benefits
- Other codes
- Summary



1. Governance plan of action

“Trustees should establish a governance plan of action that will best organise them to fulfil their duties to their members”

- Establish a file for all scheme documentation
- Become familiar with Scheme Deed and Rules
 - Insured schemes will have “generic” flexible wording
 - Larger schemes will have “customised” Rules
- Always refer to them for guidance – they tell you what you can and cannot do





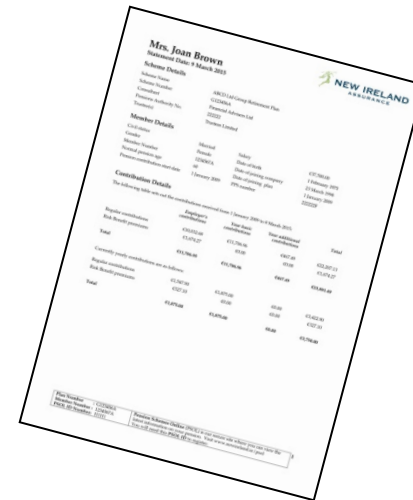
1. Governance plan of action

What are the key dates in the scheme calendar?



- **Trustee Annual Report**
 - How to advise members?
 - Staff notice boards
 - Multi locations / employees working off- site
 - Group email
 - Recognised Trade Unions

- **Member Benefit Statements**
 - Cover letter
 - Home or work address
 - Tie in with pension clinic?





1. Governance plan of action

Who are the key partners – and what are their roles ?

- Employers
 - Eligible employees
 - Employment contract
 - Employee handbook
 - Registered Administrator
 - Advisor
 - Investment Manager
 - Auditor for 100+ schemes
- Establish service level agreements
 - Agree reporting requirements
 - Register scheme with Pensions Authority and pay annual fees



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2. Trustee Meetings

Trustees should meet regularly to discuss the position of the scheme, make decisions about its future and keep formal minutes of their discussions

- Check the Trust Deed and Rules
 - Generic / insured
 - Customised





Trustee Meetings

Meet as often as they see fit	✓
Majority vote applies	✓
Chairperson has second/casting vote	✓
Decision binding on trustees not present	✓



Trustee Meetings

Generic

- Any 2 trustees can request a meeting if 14 days notice given
- Less than 14 days if all trustees agree
- A majority of trustees will form a quorum

Customised

- If 14 days written notice is given to all trustees, 3 trustees forms a quorum



Trustee Meetings

Generic

- Chairman nominated by the employer
- Trustees can participate by phone or similar

Customised

- Chairman selected by fellow trustees
- Not covered



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4. Collection & remittance of contributions

Trustees should ensure that the contributions payable by the employer and the members of the scheme are remitted in good time

- Trustees delegate the deduction / remittance function to employers
 - Employers required to remit contributions within **21 days of the month end**
 - Confirmation re previous months contributions
- Trustees have a general duty to ensure – as far as is reasonable that contributions are paid in a timely fashion





4. Collection & remittance of contributions

- Agree deduction and remittance procedures with employers and administrators
 - Monitor payments and follow up on any delays
 - Online facility
 - Quarterly report from administrator
 - If the delay is material (3 months) notify the Pensions Authority
 - Have members suffered financial loss ?





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5. Investing scheme assets

Trustees should ensure the proper investment of scheme assets and should implement and oversee a default investment strategy

- Best advice is to offer choice
- Three requirements



- Produce a SIPP if 100+ members
 - Review at least every 3 years



5. Investing scheme assets

- Suitable Range of Funds
 - How many?
- Default Investment Strategy
 - Based on membership profile
- Member Communication
 - On joining
 - During their pension journey
 - Approaching benefit drawdown
 - Complicated by member activity / inactivity
- Key role for Advisor





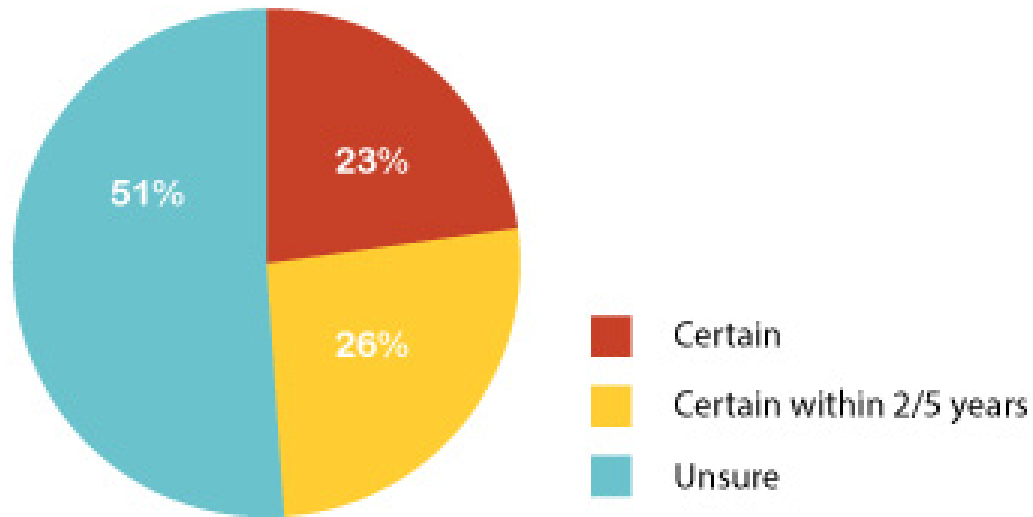
When will members retire?

- Normal Retirement Age – between 60 and 70
- Most schemes still have 65 as the NRA
 - Pressure to move in line with State Pension?
 - Age discrimination?
 - When will individuals actually retire?





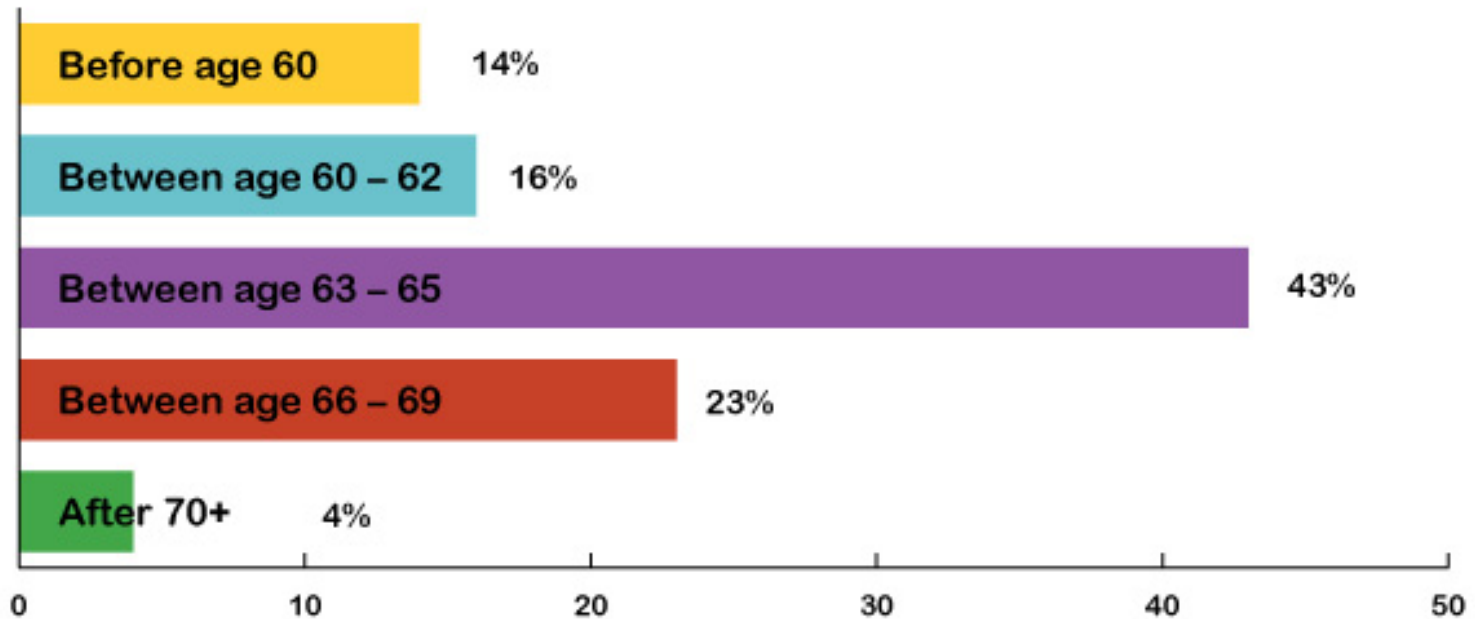
When will members retire?



Source: SSGA Member Pulse Survey 2014



Of the 49% who are certain:



Source: SSGA Member Pulse Survey 2014



How will members take their benefits at retirement ?

- **61%** of members (aged 50+) will only know how they will take their benefits within 5 years of their expected retirement age
- Only **10%** were sure with 10 or more years to go



Source: SSGA Member Survey



Investment Monitoring

- Agree appropriate benchmark for each fund selected
- Arrange annual presentation from investment managers to include review v benchmark, e.g.
 - Cash + 4%
 - Ahead of manager average / upper quartile
 - Matching appropriate indices
- Hold regular review of fund managers – every 3/5 years



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6. Paying Benefits

Trustees must provide for the payment of the correct benefits to eligible members and other beneficiaries at the time they are due to be paid

- In most schemes the payment of benefits is delegated
 - Establish a Service Level Agreement
 - Agreed timescales for payment
 - Ensure appropriate taxes are paid
 - Check re PAOs

- Overseas transfers



6. Paying Benefits

- Decide on Advisor role
 - Proactive, retirement / redundancy scenarios
 - Reactive – leaving service
- ARF option – trustee role ?
- Annuity purchase
 - Evidence the most competitive rate in the market
 - Show why rate wasn't used





6. Paying Benefits

- Death Claims
- Establish who has discretion re payment of the lump sum
 - Trustees
 - Employer
- Review Scheme Rules to identify potential beneficiaries
- Agree procedures for obtaining information
 - Letter of Wishes
 - Copy of Will
 - Background/other information
- Minute the decision





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Other Codes

Trustees should ensure that the records for their scheme are accurate and up to date and are aware of their obligations as data controllers and that the Data Protection Acts are complied with

Trustees should establish a risk management framework to identify, evaluate and manage the risks that are critical to the scheme and which are likely to have a significant impact on the schemes ability to provide member benefits

Trustees should be able to demonstrate that they effectively manage conflicts of interest



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Summary

- Trustees are expected to
 - Have certain level of knowledge
 - Engage
 - Have process
- The days of a “passive” or “inactive” trustee are gone
- Trustee training is compulsory
- Codes of Governance are intended as a statement of best practice
- Trustees need to either
 - Get involved **or**
 - Resign



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