



PENSIONS AMENDMENT BILL, 2001

SUBMISSION

BY

IRISH ASSOCIATION OF PENSION FUNDS

TO

**DEPARTMENT OF SOCIAL, COMMUNITY &
FAMILY AFFAIRS**

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INTRODUCTION

Irish Association of Pension Funds (“IAPF”) has welcomed the Pensions (Amendment) Bill, 2001 (“the Bill”) as introduced by the Minister for Social, Community & Family Affairs, Dermot Ahern T.D. by way of further implementation of the National Pensions Policy Initiative (“NPPF”) and The Pensions Board report on Securing Retirement Income.

IAPF is pleased to present this submission to the Department outlining issues which we believe require additional attention while the Bill is debated for passage into law and before the drafting of the regulations thereunder is finalised.

IAPF has some concerns over the complexity of the Bill and would encourage the Minister to avoid over-regulation of the pensions framework in Ireland. IAPF believe that over-regulation may lead to a reduction in the quality of pensions coverage sponsored by employers and an increase in the cost of pensions provision to individuals and employers. IAPF would also have concerns about the extent to which the Bill is likely to be added to by proposed regulations and Committee stage amendments.

IAPF support the partnership approach taken to date by the government in addressing pensions policy and would encourage the continuation of this partnership approach through consultation.

IAPF strongly urges the Department to issue the many sets of regulations proposed by the Bill in draft prior to their adoption. In many cases the framework of the proposals will only be properly appreciated when the enabling regulations are adopted and IAPF considers that the operation of the legislation in practice will be improved as a result of prior consultation.

IAPF remains happy to further discuss any of these matters with the Department or to provide further detail or clarity on any issues raised.

IAPF congratulates the Department on the publication of this Bill and commends all those involved in the preparation of the Bill on a job well done.

PENSIONS OMBUDSMAN

1.0 Introduction

IAPF believes that the introduction of a Pensions Ombudsman will have a very positive impact on the pensions industry in Ireland. Apart from providing members with an accessible forum for the speedy resolution of disputes and complaints by an expert and independent third party, IAPF expects that the establishment of the office will result in an enhancement of the manner in which pension schemes are managed by trustees, employers and service providers. This will be of benefit to members.

IAPF also welcomes the fact that the public service element of the Pensions Ombudsman office has been recognised by the Minister in the provisions where he has provided that the office will be funded by the Exchequer.

IAPF suggests that the success of the office will depend significantly on the calibre of individual chosen having regard to the fact that the next available court of appeal is the High Court and having regard to the fact that disputes and complaints as to matters of trust and pension law can, on occasions, be quite complicated and, in fiscal terms, quite significant. As such the level of experience, expertise and ability which would be required of a candidate are significant. Benchmarking could be assisted by reference to the Public Service Ombudsman who also has statutory authority.

IAPF would welcome the publication of draft regulations for consultation in advance of finalisation and considers that the operation of the legislation in practice will be improved as a result of such prior consultation.

1.1 Functions of Pensions Ombudsman

1.1.1 Applicants

The proposed Section 131 (2) identifies the complaints which may be investigated by the Ombudsman.

IAPF understood that it was not intended to extend the jurisdiction of the office to complaints brought by replacement trustees or new employers in which case IAPF suggest that the power to investigate complaints made “on behalf of an actual or potential beneficiary” may be too broad as presently drafted.

1.1.2 Respondents

The proposed Section 131 (2) provides, under paragraph (a), that the Ombudsman may investigate acts of maladministration done by “*or on*

behalf of” a person responsible for the management of that scheme or PRSA. Paragraph (b) of that section provides that the Ombudsman may investigate and determine any dispute of fact or law that arises in relation to an act done “*by a person responsible for the management*” of the scheme or PRSA.

IAPF note that there is a distinction between paragraph (a) and paragraph (b) of The proposed Section 131 (2) in that paragraph (a) allows for the investigation of acts of maladministration done on behalf of a person responsible for the management of a scheme or PRSA whereas paragraph (b) does not allow the Ombudsman the same scope. As a consequence, IAPF submit that the Ombudsman may not have adequate authority or jurisdiction to investigate relevant disputes of fact or law which may arise in relation to acts done on behalf of a person responsible for the management of a scheme or PRSA and that as such the Pensions Ombudsman’s jurisdiction requires expansion.

The proposed Section 126 (4) (e) provides that other persons or categories of person may be prescribed, and for the purposes of that Part of the Bill be thus deemed, to be responsible for the management of an occupational pension scheme or PRSA.

IAPF submit that the Minister should as a matter of immediacy ensure that regulations are passed which will broaden the definition of those responsible for the management of a scheme and further submit that in this regard the Minister could have regard to the definition of “a relevant person” contained in Section 82 of the Pensions Act, 1990 as amended.

1.1.3 Respondents and Redress

The Bill enables a complaint of maladministration resulting in financial loss to be made in respect of maladministration done by or on behalf of trustees. This covers such acts by administrators and custodians to whom trustees have delegated these functions. However, such persons are not included as parties to any complaint.

The proposed Section 139 of the Bill requires the Ombudsman to make a determination in relation to any complaint or dispute and provides that he may give directions to the parties concerned. “Party” in relation to this Part means a person by whom or on whose behalf the complainant or reference was made, and, a person responsible for the management of the scheme or PRSA to which the complaint or reference relates.

IAPF submit (as previously raised) that the definition of “those responsible for the management” of the scheme or PRSA ought to be extended to enable the Ombudsman make directions against any of the parties involved

in the operation, management and administration of the scheme as he deems appropriate.

Unless there is correspondence in this regard as between the person responsible for the maladministration, negligence, breach of contract, breach of duty or other act or omission giving rise to the complaint or referral and the persons against whom the Ombudsman may give directions, there is a risk that the assets of the fund (and consequently members interests) may inappropriately bear the cost of any such direction.

IAPF consider it is inappropriate for the assets of the fund or the trustees to potentially bear the burden of making good financial loss incurred through the actions of a delegate who was selected with due care and whose actions were supervised to an acceptable degree. Trustees may find it difficult and costly to recover from the delegate.

IAPF believe that this matter is of such significance that if it is not addressed in amendments to the Bill or by immediate regulation the Association would have difficulty supporting the establishment of the Ombudsman's Office.

1.2 Time Limits for Making Claims

The proposed Section 131 (4) (b) enables the Pensions Ombudsman conduct an investigation, following upon a complaint or referral, after three years from the date of the act giving rise to the complaint or referral if it appears to him that there are reasonable grounds for requiring a longer period and that it would be just and reasonable to so extend the period.

IAPF submit that the discretion of the Ombudsman in this regard should be limited to cover such longer period as the Pensions Ombudsman may allow subject to the existing time limits imposed by the Statute of Limitations.

IAPF is of the view that it would be inappropriate to enable the Ombudsman produce determinations and issue directions in circumstances where a court could not.

1.3 Internal Dispute Resolution Procedures

IAPF welcome the provisions of The proposed Section 132 and recognise that the introduction of internal dispute resolution procedures will hopefully facilitate the speedier assessment and resolution of complaints and disputes.

IAPF hopes that the regulations will not overlap existing voluntary internal dispute resolution procedures.

1.4 Payment of Expenses and Compensation for Loss of Time

The proposed Section 137 (5) enables the Ombudsman to pay travelling and subsistence expenses and allowances by way of compensation for loss of time of such amount as may be prescribed by the Minister to any person affected by an action in respect of which an investigation is held and to any other person who attends or furnishes information for the purpose of the investigation.

IAPF welcome this approach which recognises the fact that professional advisors, consultants and administrators will often be appointed by parties responsible for the management of occupational pension schemes and PRSA providers, to assist in dealing with investigations carried out by the Ombudsman. In the absence of such provision, these costs would in many circumstances fall as a burden on fund assets to the detriment of members of the scheme.

1.5 Limitation of Financial Redress

The proposed Section 139 (4) limits the power of the Ombudsman as regards directions of financial redress to such amounts as shall not exceed any actual loss of benefit under the scheme or PRSA. IAPF note that the Pensions Ombudsman is prevented from giving any direction with financial implications where no "actual loss of benefit" has arisen.

IAPF suggests that it would be of assistance if the legislation defined actual loss of benefit.

1.6 Implementation of Directions

It is noted that when carrying out a direction of the Ombudsman rule changes will not be required. However, there is no express exoneration from liability for trustees if they carry out a direction in breach of their deed and rules. IAPF suggest that one be included.

1.7 Appeals

Appeals to the High Court are permitted under the proposed legislation within 21 days of the Ombudsman's determination. There is no provision for a stay on implementing the determination where an appeal has been lodged. Instead it appears that the Circuit Court can be compelled to order the appellant to implement the Ombudsman's determination notwithstanding that an appeal is pending.

IAPF consider that where an appeal is lodged a stay of execution on the Ombudsman's determination is appropriate. Otherwise appellants may be discouraged to bring appeals and this will lessen their right of appeal. Also, in the event of the appeal being successful it may be complex to unravel the implementation of the Pensions Ombudsman's decision.

IAPF suggest that determinations ought not be effective until after 21 days from their date; that strict procedural time limits be put in place for the running of appeals so that the appeal process is not open to abuse as a method of delaying discharge of the Ombudsman's determination.

PERSONAL RETIREMENT SAVINGS ACCOUNTS

2.0 Introduction

The Irish Association of Pension Funds welcomes the publication of Part 2 of the Pensions Bill, 2001 and is supportive of its main components.

We note that much of the detail is yet to be defined in regulations, and the taxation elements will be included at Committee Stage, and we would welcome the opportunity to give our views on such draft regulations and the tax provisions.

A number of important issues are addressed in the following comments.

2.1 Increasing Pension Coverage

Clearly the intention of PRSAs is to provide a pensions vehicle with a relatively straightforward structure to promote wider pension coverage. IAPF believes that PRSAs can indeed achieve this and there is nothing in the Bill that cuts across this objective.

2.1.1 Interaction with Special Savings Incentive Accounts

At the time PRSAs were evolving, no other, arguably more attractive savings arrangement was available. The introduction of Special Savings Incentive Accounts has changed the landscape and there is no doubt that savings will be diverted into SSIA's that would otherwise have gone to PRSAs. IAPF is not against SSIA's and believe that savings are good for the economy and social stability in the longer run, whatever the approach taken. However, we would promote longer term savings as the key to providing adequate security in retirement – a time when people find it difficult to supplement retirement income with any other form of income derived from being economically active.

It is our strong view then that the Government must find a mechanism to encourage the conversion of the shorter-term SSIA savings into longer-term PRSA savings, perhaps by foregoing the exit tax on the SSIA if the savings are transferred to a PRSA after the 5 year period. This incentive should be in addition to normal PRSA tax incentives. This could be announced in about 3 ½ years' time when SSIA's are coming to the end of their five year savings period.

It is only after SSIA's have matured that an appropriate measure can be taken of the increase in pension coverage achieved by PRSAs.

2.1.2 Loan Facilities backed by PRSAs

One other mechanism to bridge the gap between shorter-term and longer-term requirements is to introduce a loan facility backed by the PRSA. As you know this was recommended in the NPPI report and, given the introduction of SSIA's, there is perhaps even more imperative now to consider it.

2.1.3 Beneficiary PRSAs and Joint PRSAs

Another mechanism for increasing pension coverage is to allow people take out PRSAs on behalf of dependants, spouses and children and to provide for joint PRSAs. This would certainly have the effect of reducing the burden of higher pension costs on future generations, would facilitate spouses and non-marital partners to save jointly and could provide protection for spousal pensions on transfer to a PRSA. The framework could be adopted to allow tax relief on contributions made to PRSAs for family members. This approach has been adopted in UK for stakeholder pensions, although the cap on stakeholder pension contributions clearly limits the amount that can be set aside.

2.1.4 Contribution Limits

IAPF welcome the extension of the PRSA contribution limits and believe this will have a desired effect in increasing the quality of pension coverage into the future, particularly for those who have delayed making provision for their retirement.

2.2 Structure of PRSA Provision

IAPF believe that it is of paramount importance that the integrity of the pension system must be maintained. We support, therefore, the adoption of a regulated approach to the licensing of PRSA providers and the monitoring of PRSA products.

2.2.1 Registration and Monitoring Charges

At first sight the approach seems cumbersome, with the separation of the roles of PRSA provider, custodian, actuary, auditor, investment manager and administrator. Our concern in this regard is that the approach must not lead to an over-regulated environment (and by extension one that is costly for the PRSA contributor and unprofitable for the PRSA provider).

Against that background it is appropriate for the Pensions Board to establish its charges for registration and ongoing monitoring of the regime,

to make these known and to give an undertaking that they will not be increased significantly for a specified period.

2.2.2 Capital Adequacy

The maintenance of solvency of the PRSA provider is also a high priority. However, in establishing the capital requirements a balance must be struck between ensuring the solvency of the provider while at the same time not restricting the ability of non financial providers such as employers / affinity groups to be in a position to establish a PRSA provider.

2.2.3 VAT

One specific issue of concern in relation to the structure proposed is that it suggests all charges would be subject to VAT, which is not presently the case for similar arrangements.

2.3 Standard and Non-Standard PRSA

IAPF welcome the approach adopted to combine the requirement for simple, effective PRSA products with the flexibility to add alternative features and believe this is a sensible solution to a difficult problem. However, there are no specifics as to what constitutes a standard PRSA versus a non-standard PRSA. This is very significant as the sponsoring employer is immune from suit by employees regarding adverse investment performance on a standard PRSA, but there is no such protection regarding a non-standard PRSA.

2.4 Investment

The successful investment of contributions is a key area in determining the success of the PRSA regime. Further definition is required around the investment elements, the default strategy, what constitutes 'known characteristics, etc.

The Bill replaces buy-out bonds with PRSAs. All PRSAs are required to have an investment strategy. We would query whether a non-profit deferred annuity, if required, can fit into the context of a PRSA, i.e. the purchase of such an annuity would constitute the PRSA's investment strategy.

2.5 Charges

IAPF welcomes the adoption of a maximum charging structure for Standard PRSAs and believes it important to find a level which is an appropriate balance between the cost to the PRSA provider of providing the services and value for money for the PRSA contributor.

We would hope that the maximum charging level set out in the Bill does not turn out in practice to have been pitched too low for PRSA providers to make any return on the products, leading to a lack of competition in the market as loss-making PRSA products are withdrawn. This could also have the effect that owners of larger PRSAs would be subsidising smaller PRSA-holders.

In light of this, the Bill should include the flexibility to alter the maximum charging level by statutory instrument, rather than by an amending Bill.

We have reservations regarding the feasibility of a €6 minimum payment, albeit by electronic transfer.

We note that funds are transferable between PRSAs at no cost to the individual. Such transfers will always involve a cost (e.g. the cost of investing the transfer money and the cost of providing information on transfer to the purchaser), and it would appear that this cost will fall upon the provider or existing policy holders. We would query this approach and suggest a maximum charge of 0.5% might be considered.

In relation to the disclosure of charges we are not clear why Standard PRSAs are excluded from the requirement to produce a disclosure table. With the introduction of life disclosure regulations it is clear that consumers will be more familiar with charges for financial products generally. To exclude Standard PRSAs is a backward step and may make it more difficult for consumers to choose between Standard and non-Standard PRSAs, especially if they are being encouraged towards the latter.

In addition, there is some inconsistency between the life disclosure regulations and PRSA disclosure regulations. This is not desirable, from a consumer perspective.

IAPF believe that a single approach should be taken to disclosure for financial services generally, perhaps under the auspices of the Single Financial Services Regulatory Authority and this approach then applied by the Pensions Board to the PRSA regime. This would have the added benefit of a level playing field for all financial services and financial service providers – to the ultimate benefit of the consumer.

2.6 Retirement

IAPF does not welcome the extension of the ARF regime to PRSAs under the current circumstances, although we acknowledge that this was inevitable. We have concerns on two fronts.

Firstly, we believe that the ARF regime is complex and the implications of decisions taken are not easily understood. This could lead to a situation where poor financial planning in retirement leads to the impoverishment of some retired

people. We do not believe that sufficient effort has been made to ensure that those who are retired or about to retire are aware of the potential consequences of the decisions they make.

In the PRSA framework an approach has been adopted for transfers from occupational schemes that is designed to avoid the type of pensions mis-selling scandals that have dogged the UK market in recent years. However, it seems that a potentially greater problem faces our own regime through the mis-use of the ARF freedoms.

IAPF urges the Department to consider regulations to ensure that a minimum amount of information is provided to PRSA contributors to help them assess their options in retirement. The Association is willing to assist the Department in devising such an approach.

Secondly, the combination of PRSAs and ARFs has the potential to undermine the final salary (defined benefit) approach to retirement provision. This approach is used by the majority of IAPF members and is clearly a very good way of providing financial security in retirement. It is our view, however, that more and more people retiring from final salary schemes will choose or be encouraged to transfer their benefits through PRSAs and into ARFs. Ultimately this will lead plan sponsors to question why they have expensive final salary schemes in place.

There is clearly an issue regarding the inflexibility of final salary retirement options. However, a completely open approach is likely to have severely damaging consequences. IAPF believes that an assessment of the impact on final salary provision should be undertaken and is again willing to assist in this process.

One further issue on retirement is the inconsistency between 'retirement ages' for PRSAs, RACs and AVCs. This would appear to be somewhat anomalous. Following the IAPF conference on 13 September, we understand that this issue will be clarified at Committee Stage to ensure retirement ages are consistent.

We note that buy-out bonds are to be replaced by PRSAs. On retirement, the maximum tax-free cash to be taken from a PRSA is, according to the Department of Finance website, 25% of the fund. This would disadvantage deferred members who are entitled under their occupational scheme to up to 1 ½ times salary as tax-free cash, where this amount would make up a greater proportion of the fund than 25%.

2.7 Transfers between Occupational Schemes and PRSAs

With regard to the requirement to provide information on transfer between occupational schemes and PRSAs we believe that the approach is not clear. First of all we welcome the clarification in the Bill that it is the responsibility of the

PRSA provider or its intermediary to provide this information, and not that of the occupational scheme trustees.

Ultimately the member/contributor will have to make a decision but it is unlikely that this could be made on the basis of the type of information set out in the Bill. We will revert on this issue once we have given further consideration to how it could more appropriately be achieved.

Presumably the purpose behind the requirement to provide such information is to avoid mis-selling of PRSAs to members of occupational schemes. As funds from a PRSA can be switched into an ARF at retirement, it is conceivable that members of occupational schemes who cannot (save for AVCs) currently put their fund into an ARF will transfer to a PRSA immediately prior to retirement in order to avail of the ARF option. As opposed to mis-selling of PRSAs per se there is, therefore, a possible danger of mis-selling of ARFs, linked to the sale of PRSAs, to scheme members who might be better off with an annuity, or who may be forgoing valuable discretionary pension increases.

FURTHER ISSUES FOR MEMBERS, TRUSTEES AND EMPLOYERS**3.0 Introduction**

IAPF recognise the full scope of the Pensions (Amendment) Bill across a wide range of areas other than those previously raised in this document. Many of these areas are to be dealt with in greater detail by regulation and some additional matters will be introduced by Committee stage amendment.

In this regard, IAPF would welcome the publication of draft regulations and proposed committee stage amendments for consultation in advance of finalisation and considers that the operation of the legislation in practice will be improved as a result of such prior consultation.

3.1 Members Selection of Investments

IAPF welcomes the proposed exoneration from liability for trustees of defined contribution schemes for poor investment returns in cases where the employee chooses the investment vehicle, subject to satisfaction of specified conditions.

In cases where scheme rules require amendment to comply with the new regime where investment selection is already offered to members and where it is proposed to offer member selection (in compliance with the legislation) in a scheme which does not already have such a facility IAPF consider that it would be appropriate to provide a similar exoneration to scheme trustees for the act of making the amendment to avail of the primary exoneration. Otherwise the effectiveness of this proposal may be lessened in existing schemes.

3.2 Bulk Transfers and Scheme Windings Up: Consultation Procedures

IAPF note the new requirements to implement consultation with members whose views must be given due consideration where surplus is applied or benefits are to be abated on a windup and where bulk transfers are to be implemented without employee consent. The detail of the operation of this process and the timetable of the consultation process is awaited in the regulations. IAPF consider that in a sale and purchase situation it is important that appropriate time limits to conclude the consultation process are put in place which are compatible with the usual time within which transfer payments are made following a sale and purchase and that these dovetail with Revenue practice in this matter.

3.3 Preservation and Revaluation

IAPF welcomes the extension to preservation and revaluation provisions which are logical and well balanced.

3.3.1 Funding Standard

The Bill provides for a 10 year time limit within which schemes may fund to reach 100% of the new funding standard. Due to the manner in which the Bill is drafted some schemes which might have failed to meet the old funding standard (and would therefore have required a funding proposal) may under the revised funding standard have a fresh 10 year time limit to reach a 100% funding level.

IAPF recommend that the old funding standard should underpin the new requirements until 2012.

3.3.2 Actuarial Statements

Section 34 of the Bill requires that in years where actuarial funding certificates are not being produced the actuary must state if he were to prepare an actuarial funding certificate having an effective date of the last date of the period to which the annual report relates he would certify that the scheme satisfies the funding standard.

IAPF submit that the costs associated with this regulation are too severe having regard to the benefits which it may deliver. Schemes that only marginally satisfy the funding standard at valuation dates will be required to suffer the cost of an actuarial valuation each year rather than every three years.

IAPF suggest that his provision of the Bill be amended to avoid this unnecessary additional cost which may act as a discouragement to employers who sponsor defined benefit pension schemes.

3.4 Indexation of Pensions

Section 36 of the Bill requires trustees to arrange to have the cost of providing indexation on pensions payable assessed as part of the triennial valuation. The Bill further provides that the trustees are then required to consider the possibility of effecting indexation of pensions payable and goes on to require that the trustees report on the results of their considerations to any other person who would be required to exercise a discretion to effect indexation of pensions.

IAPF has very significant difficulties with the manner in which these provisions are drafted. IAPF recognise that the provisions are designed to encourage employers to consider granting escalation as part of the benefit entitlement of members. IAPF accept that it is necessary for the trustees to instruct the actuary to cost such benefits if the employer is to be put in a position to consider such benefit enhancements. However, IAPF cannot support proposals which require trustees to involve themselves in the negotiation of benefit enhancements. Trustees are

trained to avoid conflicts of interest and to discharge their responsibilities in accordance with the trust deed and rules of the scheme and the law of the land. The provisions proposed in the Bill, if effected in the manner proposed, will significantly damage the responsible approach adopted by trustees in the management of pension schemes in Ireland.

IAPF strongly urge the Minister to amend the Bill to provide that the costings received should be forwarded for the employer to consider in consultation with employee representatives. There should be no further involvement for trustees beyond securing those costings and forwarding them to the employer.

IAPF further suggest that the provisions should not apply to pensioners who have retired before 1st January 2002 as it will be extremely difficult to administer in schemes where annuities have been purchased for pensioners, in some cases from a range of providers.

IAPF would comment that the cost of this exercise may in certain circumstances be completely wasted. For example, an employer in a declining industry with a significant number of pensioners and a small, and reducing, number of active employees is unlikely to ever be in a position to grant escalation. IAPF are of the view that these provisions will act as another discouragement to employers who sponsor defined benefit pension schemes.

3.5 Remission of Contributions

IAPF note and agree with the provisions requiring prompt payment of employee contributions.

IAPF submit that it would be preferable if the timeframe proposed was left to be prescribed by the Minister in regulations as this would enable that timeframe to be amended with greater ease.

IAPF are advised that the introduction of the Euro is having a significant impact on employers who are changing pay-roll systems to meet new requirements and it has been pointed out that the imposition of a fifteen day limit at this time would be extremely difficult to implement. IAPF are also advised that group companies participating in single schemes would have significant administrative difficulties complying with a fifteen day requirement due to inter-company reconciliation and billing processes. IAPF submit that the timeframe for employee contributions should initially be fixed at 30 days of month end and that this could be reduced in due course as the Minister considers appropriate.

IAPF have also been advised of circumstances where employer contributions to defined contribution arrangements are paid annually in advance, or partially in advance and partially in arrears. Such arrangements are agreeable to trustees, employee representatives and employers and in many cases recognise the seasonal

nature of employers businesses and cash flows. Such arrangements can minimise the cost of administering schemes to the mutual advantage of all parties.

IAPF submit that the legislation should be amended to enable such arrangements continue, perhaps with the specific consent of the Pensions Board where an exemption is sought. The legislation should provide the mechanism for an employer or trustee to seek such an exemption.

3.6 Scheme Wind-Ups

3.6.1 Additional Voluntary Contributions

IAPF welcome the prioritisation of Additional Voluntary Contributions on wind-up.

3.6.2 Revaluation of Non-Preserved Benefits

The Bill proposes that on the distribution of scheme assets in wind-up surpluses must be used to provide revaluation on non-preserved benefits prior to any refund being paid to the employer.

IAPF has concerns that this provision may encourage members to remain in a scheme after leaving service rather than transferring benefits, that it may cause difficulties for trustees who may for perfectly sound reasons wish to provide augmentation, other than preservation of non-preserved benefits, from scheme surpluses and that it may act as a further discouragement to employers who sponsor defined benefit pension schemes.