

# IAPF ANNUAL INVESTMENT CONFERENCE 2019 'Evolution'



# Regulation Update

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28 March 2019

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# Overview

- Investment aspects of IORP II Directive
- ECB EIOPA Reporting Requirements

# IORP II Directive

- Not yet implemented in Ireland
- Member states may choose not to apply the Directive to schemes with less than 100 members in total
- Derogation unlikely to apply in Ireland
- If scheme has more than 15 members - Articles 19(1) and 21(1) and (2) must apply

# Article 19 – Investment rules

- Invest in accordance with the ‘prudent person’ rule
- Compliance with the prudent person rule requires an investment policy geared to the membership structure of each scheme
- Member states may lay down more detailed rules as long as they are prudentially justified

# Article 19(1)(b) - ESG

*within the prudent person rule, Member States shall allow IORPs to take into account the potential long-term impact of investment decisions on environmental, social, and governance factors*

# Examples of ESG factors

ESG Factors		
Environmental	Social	Governance
Climate Change	Employment Safety	Diversity
Pollution	Health and Safety	Bribery and Corruption
Natural Resources	Supply Chain	Ethics
Energy Use	Human Rights	Auditing



# ESG

- Schemes must explicitly disclose where ESG factors are considered in investment decisions and how they form part of their risk management systems
- The relevance and materiality of ESG factors to a scheme's investments and how such factors are taken into account should be part of the information provided by an IORP
- This requirement can be satisfied by stating that ESG factors are not considered in its investment policy or that the costs of a system to monitor the relevance and materiality of such factors and how they are taken into account are disproportionate to the size, nature, scale and complexity of its activities

# Member communications and investment information

- Schemes will be required to provide specific information to
  - Prospective Members
  - Members
  - Beneficiaries
- This information must be regularly updated, free of charge and presented in a clear way that is easy to read

# Prospective members

- At least the information set out in Article 41 which includes
  - relevant options available including investment options
  - whether how ESG factors are considered in investment approach
  - where members bear investment risk or can take investment decisions, past performance of investments for a minimum of 5 years and information on costs borne by members and beneficiaries

# Members and beneficiaries

- Must be sufficiently informed of (among others)
  - investment profile of the scheme
  - past performance of investments for a minimum of 5 years
  - conditions regarding the range of investment options available and where applicable the default investment option and the relevant scheme rules
  - where significant investment risk is borne by beneficiaries in pay-out phase – they must receive appropriate information regularly

# Article 30 – Statement of investment policy principles

- Schemes must prepare a written SIIP, to be reviewed every 3 years
- SIIP to be revised without delay after any significant change in investment policy
- SIIP must contain specified minimum information
- SIIP must be made publicly available

# New ECB & EIOPA reporting requirements

- Regulation (EU) 2018 231 of the European Central Bank on statistical reporting requirements for pension funds
- EIOPA Board Decision on pension reporting requirements
- Aim to improve the quality of data reported by increasing the scale of reporting obligations
- Schemes can combine the information required by both the ECB and EIOPA into a single submission

# Reporting requirements

- CBI responsible for the collection, compilation and transmission of statistical data
- Trustees are responsible for ensuring that the required data is submitted to the CBI within the time limits
- ECB has the power to impose fines of up to €200,000 on trustees for failing to report, providing incorrect or incomplete information or providing information in the wrong form

# Reporting requirements

- Requirements differ for large and small pension schemes
- Derogation for small pension schemes (not permanent)
- 75% of assets must be captured by detailed reporting (80% in 2022)
- CBI website has a list of schemes required to submit detailed reports



# Reporting requirements

- Detailed reporting
  - data on assets, liabilities, membership numbers
  - additional pension fund register information
- Reduced data reporters
  - limited balance sheet information on an annual basis

# First reporting dates

- **Detailed data reporters**
  - Quarterly data for reference period Q3 2019 –December 2019
  - Annual data for reference period 2019 –May 2020
- **Reduced data reporters**
  - Annual reduced data for reference period 2019
  - Calendar year end –May 2020
  - Non-calendar year end -May 2020

# Reporting requirements

- Significant amounts of data required –cost implications for schemes
- CBI has published sample reporting templates, guidance and an FAQ document
- CBI seminars for trustees to work through the templates and reporting process
- Trustees to liaise with registered administrator investment managers to prepare for reporting requirements
- IAPF role

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The logo consists of a red rectangular box containing the word "Matheson" in white, serif, italicized font.

# THANK YOU

Deirdre Cummins