An tÚdarás Pinsean
The Pensions Authority

Presentation to IAPF Summer Conference – 27 May 2025

Thanks to the Irish Association of Pension Funds for the invitation to address the Summer Conference. My objective is to give an overview of the Pensions Authority's priorities for the coming years, as well as our view on what should be the priorities for pension scheme trustees.

New Pensions Authority Strategy

The Authority will publish its strategy for 2025-2029 in the coming weeks. The new strategy will not involve any significant change in direction, but will continue the priorities and objectives set out in the 2022-2024 strategy. The Authority's main priorities for the coming years will be as follows:

Authorisation

We have been working with our colleagues in the Department of Social Protection to develop draft legislation for a system of authorisation for pension schemes, and we welcome Minister Dara Calleary's recent announcement that legislation will be published later this year. Once legislation has been enacted by the Oireachtas, our priority will be to implement it quickly.

It is intended that all funded retirement schemes will be subject to authorisation, based on the requirements of IORP II and an enhanced version of the Code of Conduct. In the medium term, as proposed in the Government's Roadmap for Pensions, it is likely that tax approval will be based on a scheme's authorisation status.

Consolidation

Work is ongoing within the pensions sector to address the numbers of schemes who are not yet compliant with their IORP II obligations. In addition, it is less than a year until the derogation for older single member schemes expires in April 2026. The Pensions Authority continues to liaise closely with administrators to monitor progress and to identify any obstacles that arise. Schemes can be divided into a number of different categories as follows:

- Although very many single employer schemes have decided to wind-up and switch to master trusts or PRSAs, there are a number who have decided to remain as single employer schemes and become compliant with the obligations of IORP II. We expect that there will be less than 500 such defined contribution schemes.

- We are aware of a number of schemes which have no assets or members remaining, but the schemes were never formally wound up. We are working with administrators to compile a reliable list of such schemes.

- There are significant numbers of schemes with no current employer and/or trustee. We are looking at solutions to this issue including using our powers under the Pensions Act to appoint trustees. We know that the requirement for employer adherence in cases of transfer to master trusts is an issue in some cases, and we are working to identify a solution.

- There are schemes where the trustees are repeatedly failing to engage with the process of either meeting IORP II requirements or transferring to compliant provision. We are considering enforcement action against a number of such schemes later this year.

Supervision

We will of course continue our mix of themed and scheme specific reviews in the coming years. In due course, we will integrate authorisation and our supervisory review process. The significant increase in the numbers of PRSAs will also be reflected in our supervisory activities.

Data

Forward looking risk-based supervision is the fundamental part of the Authority's oversight of pension schemes. Risk based supervision relies on data, and in future, scheme trustees will be obliged to provide considerably more information to the Pensions Authority.

Europe

In recent months, the Pensions Authority and pension schemes have been working to meet the requirements of DORA. Looking ahead, SFDR and related European obligations are on the horizon, and there will undoubtedly be further developments in European legislation after that. The E.U. will be a major influence on the Irish pensions landscape in the coming years.

Trustee priorities

We in the Pensions Authority believe that trustee culture is a very important factor in the management of pension schemes and on the outcomes for members. I think it will be useful if I set out what we think should be trustees' perspectives and priorities.

Trustees must recognise and accept that they are running a financial institution – this applies not just to large master trusts but to all schemes, large or small. This is significant in two ways. Firstly, members and beneficiaries of pension schemes are entitled to the same level of expertise, governance and consumer protection from pension schemes as they would receive from any other financial institution. Secondly, E.U. financial regulation applies to pension schemes as much as it applies to any other financial institutions – the recent DORA obligations are an example of this. Taken together, these two points have significant implications for what is expected of trustees themselves and of the administration and management of their schemes.

Pension schemes are not just financial institutions: almost every Irish pension scheme is a virtual institution. The scheme (and therefore the trustees) have no employees, and perform none of the administration of the scheme themselves. For all but a small handful of pension schemes, all relationships are external and all activities other than decision making are outsourced.

Under IORP II, all external relationships must have a legal basis. The relationship must be clearly structured, and that structure must be clearly defined and documented. To function properly, the structure must set out the respective roles and responsibilities, and provide trustees with timely relevant information and the means to address any issues that arise. Trustees must exercise oversight, must monitor the services provided, and respond in a timely manner when any issues arise.

It is important and useful for trustees to distinguish between service providers and advisers. If you as a trustee are not clear into which category one of your relationships falls, you should consider whether your supplier has a conflict of interest issue: if one of your relationships falls simultaneously into both categories, it is very likely there is a conflict which needs to be addressed.

The most important issue for trustees in engaging with their advisers is to recognise that it is the trustees who make the decisions, not the advisers, and the trustees have the responsibility for the consequences of the decisions taken. Trustees must develop a culture of engaging fully with their advisers, persisting in their efforts to understand the advice, and identifying the fundamental decisions and the issues that underlie them.

The most important issue for trustees in engaging with service providers is to recognise that any shortcomings of the service providers, including any sub-outsourcing, is the trustee responsibility. In the event of any significant problems, the Pensions Authority will want to know how and why the decision to hire them was made, how risks were identified and managed, and how the service provider was monitored.

As I said earlier, data will be a Pensions Authority priority in the coming years – we will be requiring more data from schemes, we will require it more often and sooner. We will also expect that it be reliable. There can be no doubt that this will be demanding for trustees and administrators, but this is an inevitable part of being a modern financial institution.

These increased data requirements are clearly going to be a challenge for some pension schemes and their administrators. For instance, in recent times, we have seen significant problems with the annual scheme information returns of some administrators:

- One administrator submitted 40 ASI returns, all containing asset value errors, €8 billion in total. When this was pointed out by Authority staff the revised submission still contained incorrect asset values.

- Incorrect submissions by another administrator corrupted 2,000 employer, function holder and trustee records.

- An administrator created 700 duplicate scheme records.

Data accuracy is perhaps the most basic requirement of the management of a pension scheme. Trustees should be monitoring the accuracy of their data, not just to meet their statutory obligations, but to meet their responsibilities as trustees.

The priorities of trustees in the coming years must be:

- Governance/process/risk management processes – these should already be in place, but trustees should make sure the processes are comprehensive and robust and that they are documenting their compliance with them.

- Administration and I.T. – trustees must satisfy themselves about the quality, functionality and security of their data and I.T. processes.

- Costs and value for money – we have endorsed the IAPF's investment cost transparency standard. We will include value for money in our revised code of practice later this year. To meet their obligations to their members, trustees must have a clear view of the charges they pay and how that compares to others.

- Investment – trustees must have set clear return and risk objectives for all their funds and must monitor their performance.

- Communications with members – this should go beyond the basic statutory obligations.

- For defined benefit schemes, trustees must recognise the complexity inherent in these schemes, and that the minimum statutory/professional obligations do not provide enough information to manage the scheme.

- For defined contribution schemes, trustees must ensure that their risk management is comprehensive and relates to members' outcomes, and not just to the scheme itself.

Since 2021, trustees have been working to implement the obligations arising from IORP II and responding to the changes in legislation. This phase should be over. Over the coming five years and beyond, trustees' objective should be to address the needs of their members, and not just seeking to achieve minimum compliance. There will always be regulatory change to respond to, especially related to European developments. But trustees must consciously aim to be proactive, to be frontrunning national and international developments in the interests of their members.