



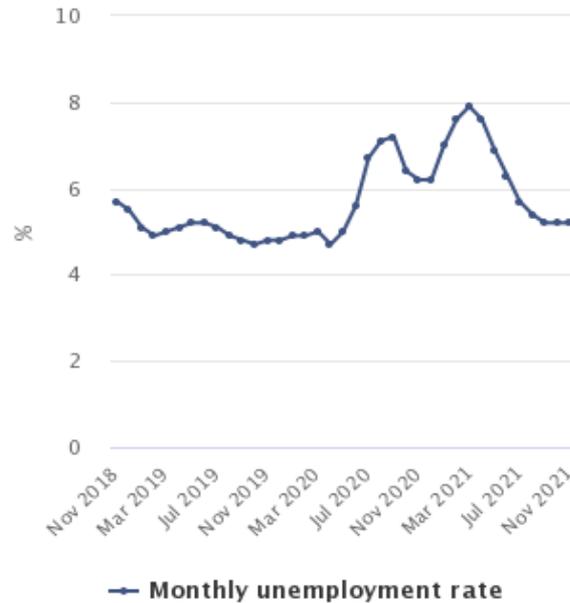
Pension Change and Benefit Trends in Ireland

15 December 2021



Irish Employment Market

Figure 1 Monthly unemployment rate (ILO), November 2018 to November 2021



- The graph does not include those claiming Covid 19 related benefit.

Source: CSO Ireland



Irish Employment Market

- Salary inflation is gaining momentum- 65%* of companies increased basic pay in 2021 with an average increase of 2.8%
- 75%* of companies expect to increase basic pay in 2022
- “Post” Covid work /Life balance assessment
- Skills shortages combined with upward wage pressure is resulting in very competitive talent market
- Heightened competition for talent is resulting in an increased focus on non pay benefits



Regulatory Change-IORP II

- **The Institutions for Occupational Retirement Provision (IORP) II is an EU directive that sets EU wide pension scheme standards**
- The directive imposes a new ,much higher standard of **governance, risk control and member communications** on occupational pension schemes
- On November 18th the Pensions Authority published the final code of practice and Pension schemes need to be fully compliant by **1st January 2023**



Regulatory Change-IORP II

- The Irish Pension Regulator has an ultimate ambition to reduce the number of occupational pension schemes to less than 200
- The code will impact all Company pension plans
- Personal Retirement Savings Accounts (PRSA's) are exempted
- The sponsor (Employer) of the pension scheme is ultimately going to decide on future direction.

What do employers and trustees need to do to comply?

APPOINTMENTS

- Risk Management Key Function holder
- Internal Audit Key Function Holder
- Actuarial Key Function Holder (DB Schemes Only)
- Secretary and Chairperson
- Professional or suitably qualified Trustees

POLICIES & PROCEDURES

- Conflicts of Interest Policy
- Remuneration Policy
- Member Engagement Policy
- Data Strategy Policy
- Trustee Fit and Proper Policy
- Risk Management Policy
- Internal Audit Policy
- Written Statement of Investment Process
- Statement of Investment Objectives and Strategy
- Appointment of Key Function Holder Policy
- Administration Policy

DOCUMENTATION & REVIEWS

- Fit and proper compliance requirement
- Outsourcing agreements and service level agreements
- Prepare written assessment of administrators performance
- Written agreement with employer regarding provision of data to administrator
- Review of data provision procedures to the registered administrator from employer
- Review administrators performance relative to alternative providers
- Own risk assessment
- Review of all policies and documented evidence of review
- Review of administrator's performance
- Overseeing investment

What options do employers have?

1. Adopt greater pension scheme governance, controls and associated costs

OR

2. Move to a Master Trust (*or contract based plan (PRSA)*)



What is a Master Trust?

- Trust Based Plan
- Each employer has its own section
- Single Trustee Board governing scheme
- Trustee selects investment options
- Employer retains control of eligibility
- Ability for employer to brand
- IORP II compliance handled by Master Trust
- Cost associated with IORP II compliance shared



What should employers be doing next?

Step 1

Gap analysis

Employers should carry out a gap analysis and assess what needs to be done in order to be fully compliant with the regulations.

Step 2

Review findings of gap analysis

For most schemes it will become apparent quickly that there is a large gap between what is in place currently and what needs to be put in place to be compliant.

Step 3

Decide future pension structure

A decision on the future pension structure needs to be made. There are two main options available :

- Comply with IORP II.
- Review alternative pension provision models
 - Master Trust
 - PRSA

Many employers will skip **Step 1** and **Step 2**

What is involved in a move to a Master Trust?



Member communications is key throughout the entire process

How can Lockton Ireland help?

We will provide impartial advice and cost effective support in

- Deciding the right structure for your future pension provision
- Tendering the market for the provider of your future pension structure*
- Rolling out the new scheme to your employees in Ireland and ensuring it is communicated as part of your overall employee value proposition*
- Overseeing the smooth, cost effective wind-up of your current pension arrangement *

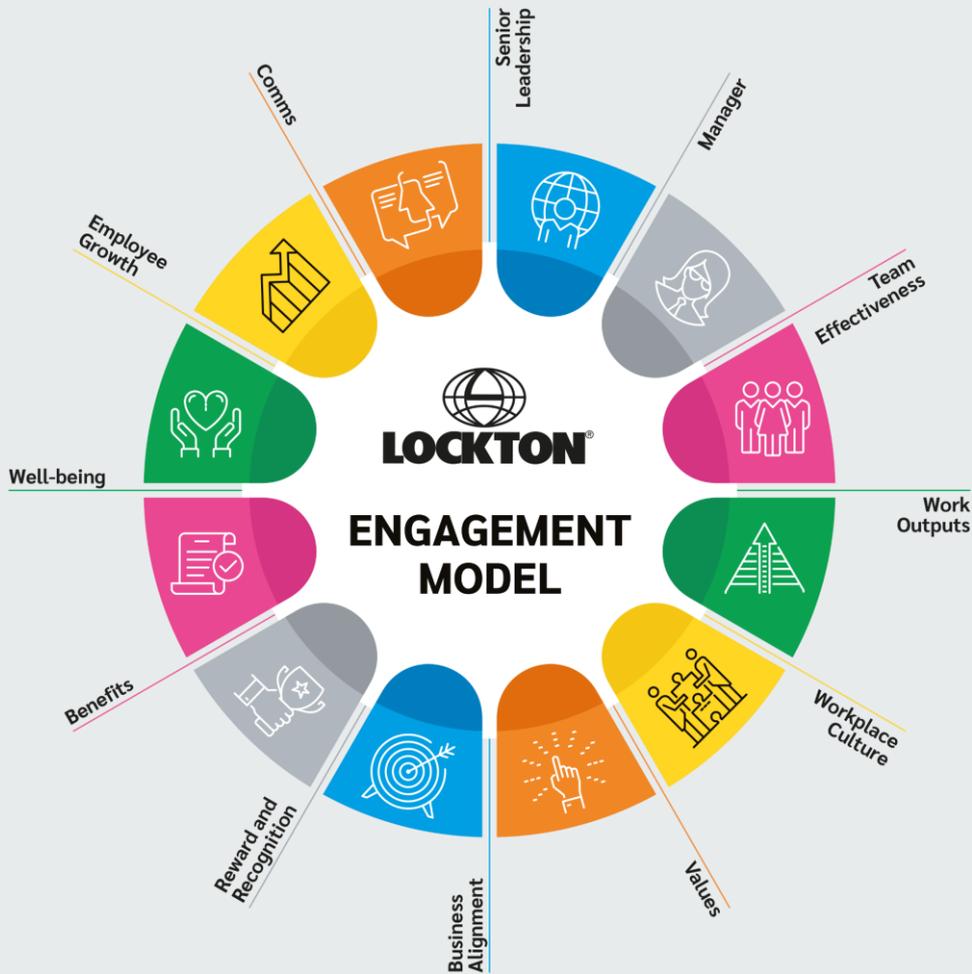
** These steps will only be required if you decide your current pension structure is not the right structure for the future*

Our impartiality is key



Employee Benefits Trends





What are employers doing to attract and retain talent?

Key Trends

- Salary reviews
- Benefit reviews
- Expanded wellbeing programs
- Work flexibility and educational support

Key takeaways

- Consider reviewing your benefits
- Review the impact of IORP II, impartial advice is key
- Reenergise existing benefits through enhanced communications
- Talk to Lockton Ireland!





Why Lockton Ireland?

Why Lockton Ireland

Hugely experienced team

Advice driven, impartial advice

Focus on maximising use of technology
for employee engagement

Why use Lockton Ireland on IORPs decision

- Potential conflict of interest for many provider's/ advisors
- This is a fundamental change and an opportunity to review pension in the context of overall offering
- We have market insights on pricing and have the ability to negotiate better fees for employer/employee
- We can ensure you maximise the services received from your chosen provider
- We can review risk benefits and implications of the change on them

Irish team- Contacts

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Niall is a thought leader in the Irish benefits markets, having worked for over 20 years with Mercer, in a combination of Irish and European roles. He joined Lockton from New Ireland where he was the Commercial Director with responsibility for Proposition & Technology.

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