

INTERVIEW

# Master of supervision

**Irish Association of Pension Funds (IAPF) CEO Jerry Moriarty gives Theo Andrew an update on the Irish automatic-enrolment process, how it's likely to be supervised and tells of other big pensions news on the Emerald Isle**

WRITTEN BY THEO ANDREW

## **Auto-enrolment is on the horizon, what stage are we at?**

At this stage I think everybody is pretty much agreed that we need to do something to increase coverage levels, we need more people saving for retirement and we need those people who are already saving to save more. There is general agreement around the concept, but there is a lot in the detail and I think people are just starting to go through that, which will form the basis of the consultation responses. But in general I think everybody is in agreement that something needs to happen.

It's an issue that has been knocking around for years and years now and I think there is a general feeling that it is time to actually take action.

Certainly when you get to higher level, better schemes, we see that DC contributions from employers are quite generous. We are doing a survey at the moment and the evidence shows that large employers are making much larger contributions than they would have previously. Some of that is being driven by the switch from DB to DC, where they have effectively matched what they would be paying under their DB plan. It is also being driven by people understanding that if they actually want people to be able to retire, then they need to ensure they have decent pots available.

## **How is the government planning on running the master trusts and will they be supervised?**

It will be very similar to the UK model. I wouldn't say they have copy and pasted it, but they have certainly leant on it quite heavily. The regulator has been quite clear that they think there are too many small schemes in Ireland. They also feel that a lot of people are being served well by being in a master trust, because of their governance and the better costs that you get through scale. I guess what they are trying to do is encourage a situation that happens in the UK where you get master trusts encouraged without having any real backing behind them. So it's looking at pre-approving the master trusts, meaning they have to have a business plan in place and a certain amount of capital behind them before they are allowed to operate.

## **How about the defined benefit world, anything new happening there?**

We looked at legislation last year for DB plans. Currently, if a scheme winds up in insolvency it wouldn't have to do anything to fund its pension deficit. So the proposal is that they need to give at least 12 months' notice before winding up the scheme, at which point the pensions regulator would have to attach a contribution notice to the employer,

who would then be required to fund the scheme to the minimum funding level. It was promised over a year ago and it has gone quiet, however we are expecting something in the autumn.

## **A consultation on the state pension has just closed, what are the details?**

The consultation which has just closed on the state pension, in order to qualify for a full state pension you have to have a combination of a total number of contributions and an average number of contributions over your working life. There have been some situations where that can produce some anomalies, which particularly affect women who are more likely to leave the workforce for child rearing. You can have a situation where somebody might have worked for a few years, taken some time out, and doesn't get a state pension because they haven't met the averaging requirement. Whereas maybe somebody who entered the workforce at 55 and worked for ten years would get a state pension, so the proposals are to move the averaging element and just move to the total contributions element.

## **Has the idea been well received and what is the major effect likely to be?**

I don't think there is anything totally controversial about it, but it may affect some people adversely so, for example, people who would have got their state pension after working ten years will now need to work thirty of forty years to get that and I don't think there is any great controversy about that.