Standard Life
Part of Phoenix Group

Your guide to IORP II

Contents

What is IORP II?

IORP II is an EU directive* that sets new pensions standards for occupational pension schemes. IORP II legislation was passed into law on 21 April 2021 in Ireland.

Institutions for occupational retirement provision (IORPs) are funded occupational defined benefit and defined contribution pension schemes, including individual executive pension plans. This legislation sets common standards, ensuring the soundness of occupational pensions, and better protects the scheme members and their pension assets. The legislation is designed to improve the management of pension schemes by implementing stricter rules around governance and communication, leading to better outcomes for members.

The benefits that IORP II is designed to deliver to members include:

- Better protection through enhanced governance and risk management
- Clear, relevant, and more consistent communication about the pension scheme
- Removing barriers to cross-border schemes
- Ensuring that trustees have the appropriate qualifications and experience to supervise schemes

* The EU Directive on the activities and supervision of institutions for occupational retirement provision (the IORP II Directive).

Immediate action required by trustees

This table will help identify the Standard Life schemes impacted and when trustees must comply with the IORP II regulations. As a scheme trustee you must take action by the relevant deadline.

<table>
<tr><th>Policy number or Scheme Number</th><th>Product</th><th>These schemes are known as</th><th>Must comply with the IORP II Regulations from</th></tr>
<tr><td>Scheme number begins with 7 and member policy number begins with 503</td><td>Executive Pension Plus</td><td rowspan="3">Multi-member or group schemes (some may only have one member)</td><td rowspan="3">Schemes that gave a formal commitment to wind up the scheme prior to 1 January 2023 are not required to meet the new IORP II requirements or produce an annual report and audited accounts providing that the scheme is wound up and all assets are transferred before 31 December 2023.

If no formal commitment to wind up was given, then the scheme trustees must comply with IORP II as well as produce an annual report and audited accounts. These schemes should be compliant since 1 July 2022.</td></tr>
<tr><td>Scheme number begins with 7 and member policy number begins with 501 and 502</td><td>Corporate Pension Series:
Executive Pension Plan
Group Pension Plan
AVC Plan</td></tr>
<tr><td>Scheme number begins with L</td><td>Tower Pension Series:
Executive Pension Plan
Group Pension Plan
Retirement Account Plan
Pen Plan</td></tr>
<tr><td>Policy number begins with EP1… with a start date of 22 April 2021 or later</td><td>Synergy Executive Pension</td><td>One member arrangements started on or after 22 April 2021</td><td>Schemes that gave a formal commitment to wind up the scheme prior to 1 January 2023 are not required to meet the new IORP II requirements or produce an annual report and audited accounts providing that the scheme is wound up and all assets are transferred by 30 June 2023.

If no formal commitment to wind up was given, then the scheme trustees must comply with IORP II as well as produce an annual report and audited accounts. These schemes should be compliant since 1 July 2022.</td></tr>
<tr><td>Policy number begins with EP1… with a start date before 22 April 2021</td><td>Synergy Executive Pension</td><td>One member arrangements started before 22 April 2021</td><td>These schemes have until 22 April 2026 to meet the IORP II requirements</td></tr>
</table>

Complying with IORP II

Who does it affect?

All occupational pension schemes are impacted by the regulations. Responsibility for complying with the regulations lies with the trustees of these schemes.

What does compliance with IORP II mean?

These standards mean a significant increase in governance and trustee responsibilities where the trustees are typically the employer, some members of the scheme, or other named individuals. The purpose is to provide greater stability for pension schemes and put in place structures designed to protect member benefits. The changes introduced have a significant impact on the role of trustees and the running of occupational pension schemes. It's important that trustees of all schemes, regardless of size are familiar with, understand and comply with the requirements of the legislation.

For more information visit **pensionsauthority.ie**

What are the requirements of IORP II?

The requirements of IORP II, which impact occupational pension schemes, are significant and include:

- changes to how information about the scheme is disclosed and who can access it
- appointing key function holders with specialist skills in risk management and internal audit, as well as having a qualified trustee
- clear written policies for the scheme and
- a risk assessment process which includes ongoing monitoring and reporting through the use of an annual compliance statement.

Requirement to produce annual reports and audited accounts

An example of the additional governance is the requirement to produce an annual report and audited accounts, which require a substantial amount of work for the trustee, along with the appointment of an auditor to sign them off and make them available within eight months of the scheme year end. This will be an additional cost for the scheme.

Alternatively, trustees may decide that they do not wish to incur the additional costs to produce the annual report and audited accounts (and full compliance with the IORP II requirements). In this case the scheme will need to be wound up and transferred to an alternative arrangement to avoid these costs on an ongoing basis.

What happens if trustees don't comply with IORP II?

The Pensions Authority monitors compliance with all provisions of the Pensions Act. Persons found guilty of an offence under the Act are normally liable:

- on summary conviction to a fine not exceeding €5,000 or to imprisonment for a term not exceeding one year, or to both, or

- on conviction on indictment to a fine not exceeding €25,000 or to imprisonment for a term not exceeding two years, or to both.

What obligations does the registered administrator of the scheme have?

The registered administrator carries out core administration functions, which include preparation of annual reports and annual member pension benefit statements on behalf of the trustees and the maintenance of sufficient records to provide such services and the submission of annual scheme information to the Pensions Authority.

Standard Life is the registered administrator for the majority of schemes we provide. The registered administrator relies on information from the trustees to generate these documents and reports, otherwise they cannot fulfil their duties. If trustees do not provide this information, or support the generation of these reports it means they are not complying with the regulations and are liable to be fined and/or prosecuted.

I have a Synergy Executive Pension – what are my options?

I have a Synergy Executive Pension started before 22 April 2021 (policy number begins with EP1)

These schemes must comply with the regulations by 22 April 2026.

I have a Synergy Executive Pension started on or after 22 April 2021 (policy number begins EP1)

You can choose from the following options

1. The current occupational pension scheme trustee remains in place

The trustee is responsible for appointing key function holders, producing annual reports and audited accounts and complying with IORP II regulations, incurring additional costs to the scheme.

2. Appoint and pay a professional trustee

Occupational pension schemes are set up under trust, which means the scheme is a legal entity in its own right, separate from the employer, with the assets being held by trustees on behalf of the scheme members.

For many small to medium sized schemes, the employer or the directors of the employing company act as the trustee. However with increased obligations on trustees and requirements to be qualified, many companies are looking to professional trustees to carry out this function. A professional trustee can provide independence, expertise and dedicate time to governance and compliance with the regulations, which the employer may not be able to do.

3. Wind up the scheme

The member transfers their pension to an alternative arrangement and the scheme is wound up. Typically the member can choose from:

- PRSA
- BOB
- an occupational pension scheme which they're already a member of, including a master trust arrangement with another provider
- Retire from the scheme if the circumstances are right, and take their benefits

You should talk to your financial adviser about the member's options.

I have a group scheme (scheme numbers beginning with 7 or L) - what are my options?

You can choose from the following options

1. The current occupational pension scheme trustee remains in place

The trustee is responsible for appointing key function holders, producing annual reports and audited accounts and complying with IORP II regulations, incurring additional costs to the scheme.

2. Appoint and pay a professional trustee

Occupational pension schemes are set up under trust, which means the scheme is a legal entity in its own right, separate from the employer, with the assets being held by trustees on behalf of the scheme members.

For many small to medium sized schemes, the employer or the directors of the employing company act as the trustee. However with increased obligations on trustees and requirements to be qualified, many companies are looking to professional trustees to carry out this function. A professional trustee can provide independence, expertise and dedicate time to governance and compliance with the regulations, which the employer may not be able to do.

3. Wind up the scheme

The members transfer their pensions to alternative arrangements and the scheme is wound up. The members can choose from:

- PRSA
- BOB
- an occupational pension scheme which they're already a member of, including a master trust arrangement with another provider
- assign the policy to the member (Read more on page 9)
- Retire from the scheme if the circumstances are right, and take their benefits

You should talk to your financial adviser about the member's options.

Assignment to the member

The option to assign the scheme's policies to its members is an alternative choice for group pension schemes. Assigning a policy simply means transferring the ownership to another person. The trustees own the policies in the scheme. Assigning to the member means that each member is assigned their own policy and becomes the policy owner for that policy. Following the assignment, policies are treated like buy out bonds.

If the assign to member option is chosen it is a requirement that contributions to the scheme's policies are stopped, if they are currently receiving contributions, and cannot be restarted in the future. If members wish to continue saving for their retirement, a new pension arrangement will need to be put in place for future contributions.

This option was developed with members who are invested in with-profits in mind. It allows accrued funds to remain invested in their current with-profits fund(s), where applicable and does not impact on any investment guarantees those funds may have, as it allows the current scheme to wind up without a unit price adjustment (UPA) being applied to members' policies. A unit price adjustment (UPA) is an adjustment factor which is usually applied to a member's fund if they leave the scheme before the normal retirement age or in the event of a scheme wind up.

Important considerations before choosing an option

It is important that you consider all of the options available to the scheme and discuss them with a financial adviser to make the best decision for the members. Consider any guarantees associated with the current investment choice, which may be lost if transferred or retired early out of the scheme. You can read more about with-profits by visiting **standardlife.ie/withprofits**.

If the member wants to continue saving for retirement, they'll no longer be able to invest future contributions in the current policy, or in with-profits, and will need to consider the cost of setting up a new policy, including ongoing charges, as well as the fund choice available.

Some policies may have additional risk benefits, such as disability benefit, premium protection or life cover, which will stop once contributions to the current policy cease. If trustees or members want to have these in place, they will need to set up a new plan before stopping contributions to the current policy. Trustees should speak with the member and the employer about what this means, if they want to avail of these features, and if they can get cover elsewhere and the cost of setting up an alternative policy. Standard Life no longer provides these type of policies.

What's a PRSA?

A PRSA is a flexible way to save for retirement. There is no trustee required and each PRSA is owned and managed by the individual PRSA holder. With a PRSA, the individual chooses where their money is invested. Both the PRSA holder and the employer (if applicable) can pay in regular or single contributions which can be stopped, restarted or changed at any time. PRSAs are portable, meaning that as the individual moves to different employers, the PRSA can be used with the new employer too.

What's a buy out bond (BOB)?

A buy out bond (also known as a personal retirement bond) is a policy that is used as a new 'home' for certain types of old pensions, such as occupational pensions and executive pension plans. As BOBs cannot accept regular or future contributions, they are generally only a suitable option for those that have left service or the company scheme has been wound up. It's important members have another pension arrangement in place to accept their future contributions.

What's a master trust?

A master trust is a single trustee based occupational pension scheme for multiple employers. Each employer decides what benefits the pension scheme should provide for their employees as they would for their own pension scheme, but with a master trust, the trusteeship and management of the whole scheme is carried out by a third party.

Retirement

Members over age 50 who have left employment or members who have reached the scheme retirement age could decide to take their retirement benefits, rather than transfer to an alternative pension arrangement.

Warning: If you invest in a pension you may lose some or all of the money you invest.

Warning: The value of your investment may go down as well as up.

Warning: This investment may be affected by changes in currency exchange rates.

Warning: If you invest in a pension you will not have access to your money until you retire.

Finance Act 2022 and PRSA

Finance Act 2022 enacted changes in legislation which means that the PRSA may be better suited to those that would previously have been served by an Executive Pension. Choosing a PRSA in these cases retains the standalone nature of the plan and lets the individual retain control over their investment choices and contributions.

The PRSA is now a comparable alternative to an Executive Pension and some reasons to choose it include:

- Improved funding limits* for employees and company directors, and all employer contributions receive tax relief in the year they are paid
- Where an employee dies in service, the full PRSA policy value is paid to their estate
- PRSA holders can drawdown their retirement benefits in stages, up to age 75, using multiple PRSAs

* subject to Standard Fund Threshold and affordability.

Financial advice is important

Any decision that impacts a member's options and their retirement savings needs careful consideration. The regulations require that trustees maintain systems of effective governance and internal controls that always protect the interests of the scheme members. So, it's important to get professional advice on the best options for the scheme and its members. We believe in the value of financial advice and recommend that you talk to a financial adviser before making any decision. Your financial adviser will bring you through your options, and help you understand what the best solution is for the scheme and its members.

If you don't have a financial adviser, Brokers Ireland can help you find one.

Visit **brokersireland.ie** or call them at **(01) 661 3067**

Standard Life can give you factual information, answer any technical questions about your policy, and carry out your instructions, but we're unable to give you advice or make recommendations.

For more information about IORP II and the impact of its requirements visit **pensionsauthority.ie**

You can call us on (01) 639 7000

We're open from 9am – 5pm or write to us at **customerservice@standardlife.ie** or 90 St Stephen's Green, Dublin, D02 F653.

Calls may be monitored and/or recorded to protect both you and us and help with our training. Call charges will vary.

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