

# LCP Radar Update

## Pensions Authority DB

### Engagement Update

IORP II, the Directive which is expected to significantly enhance pension scheme governance is due to be transposed into Irish law shortly. The Pensions Authority recently met with some of the largest DB pension schemes in Ireland to understand their governance practices, with a particular emphasis on the management of pension scheme risk and trustees' ability to meet the requirements of IORP II, when it becomes law.

The Authority observed that *"many of the trustee boards were able to demonstrate robust governance, management and oversight arrangements, and resourcing and operational structures focused on delivering good member outcomes"*.

However, in some cases, the Authority was concerned at the *"level of incompleteness of risks identified, poor identification of controls, failure to implement controls, and a general lack of risk awareness"*.

The Authority has called for trustee boards, and their advisers, to fully consider their findings and evaluate their own practices to establish if any improvements are required and has said that it will continue to engage with trustees of DB schemes.

Interestingly, the Pensions Authority also took the opportunity to reiterate that they are in the process of categorising schemes on the basis of likelihood of meeting benefit obligations and have indicated that they will not be engaging with schemes to discuss their categorisation in advance.

#### LCP Comment

While many pension schemes that we work with have a robust governance framework in place, we see our clients now taking active steps to assess their compliance with IORP II by carrying out a gap analysis. This type of analysis is an excellent step along the IORP II journey and enables trustees to understand the requirements, assess how their scheme stands up to those requirements and plan for any work in 2021.

IORP II will also require trustees to demonstrate that they have in place reporting procedures necessary to identify, measure, monitor, manage and report key risks to which the scheme is or could be exposed to. Full compliance with IORP II will require trustees to integrate forward-looking risk reporting into their regular meetings. Our team is helping trustees to meet these requirements by using LCP Visualise at trustee meetings. This is a powerful resource developed to provide trustees with real-time funding information, scenario analysis and projections as well as daily monitoring of key risk metrics.

If you would like to find out more about how LCP can help you meet the incoming requirements, or if you have any questions on this update, please contact [Roma Burke](#) at [roma.burke@lcpireland.com](mailto:roma.burke@lcpireland.com) or the LCP partner who normally advises you.