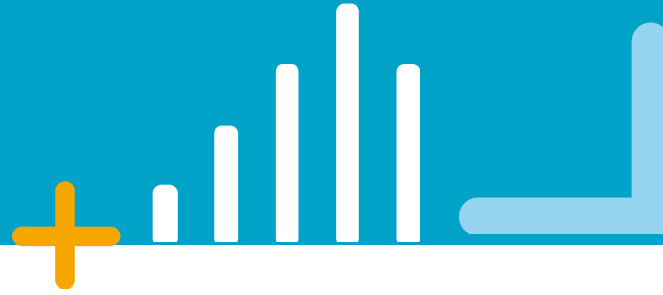


LCP Radar Update

Pensions Authority Fees Consultation is underway



The Pensions Authority (the Authority) published a Consultation paper pertaining to its current fee structure and levels on 21 May 2021.

The current fee structure for group occupational schemes is €8 per active member, subject to a cap of €4,000 for schemes with less than 1,000 active members and a per-member fee of €4 for schemes which have more than 1,000 active members.

According to the Authority, this structure leads to a budgetary shortfall. Indeed, their consultation paper discloses estimated expenditure of almost €14.7m for 2021, while current fee levels support less than 60% of the planned expenditure.

The Authority's proposed new fee structure would see a percentage of a scheme's assets being applied for occupational schemes (as is already the case for PRSA assets), plus a "significant" per-scheme fee applying from 2024.

The Authority has proposed a fee of €0.112 per €1,000 of scheme assets for both occupational schemes and PRSAs, whilst not altering the current fee structures in respect of public sector (unfunded) schemes.

The following table shows how notional occupational schemes *Small, Medium, Large, Major* and *Frozen* could be affected if the proposed changes in the Consultation paper are implemented.

Scheme description	Active members	Scheme assets	Existing fee p.a.	Increased member fee p.a.	% of assets based fee p.a.
Small	25	€10m	€200	€700	€1,120
Medium	250	€100m	€2,000	€7,000	€11,200
Large	1,000	€500m	€4,000	€14,000	€56,000
Major	5,000	€5,000m	€20,000	€70,000	€560,000
Frozen	0	€250m	€0	€0	€28,000

The Authority has also proposed a “*significant*” per-scheme fee would be introduced from 2024. The per-scheme fee is intended to be an “*explicit incentive for consolidation*”. They have proposed that single member schemes which are subject to the IORP II derogations (i.e. SSAS and EPPs set up prior to 22 April 2021) are exempted from the per-scheme fee, until 2026.

LCP Comment

The proposed changes will result in significant increases to the regulatory fees being paid especially by larger schemes. Trustees may wish to raise the issue with their sponsoring employer and/or also make a submission to the Authority if they wish to make their views known.

The introduction of a *significant* per-scheme fee could result in a consolidation of smaller schemes, in line with the Pensions Authority’s aims. It could also pose a potential threat to the SSASs and EPPs.

Submissions in response to the Consultation paper can be submitted to policy@pensionsauthority.ie by 22 June 2021. Should you wish to discuss this matter in greater detail or require assistance in making a submission to the Authority, your usual LCP consultant would be pleased to assist you.



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