

Managing Wind-Ups & Transformations

Factors to Consider, Risks and Preparation for Change

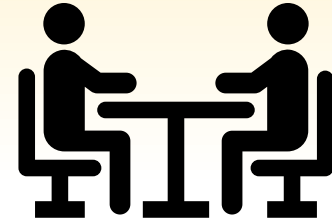
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Planning is essential for Wind-up

Needs to be formally project managed to a detailed plan which:

- provides clarity on division of responsibilities
- requires good communication channels and regular reporting
- sets out in advance the tasks to be completed
- specifies tasks and dependencies
- identifies priorities and sequencing of actions
- establishes cost-effective budget for wind-up
- allows for scheme's ability to fund such costs



Wind-up Project plan

This planning

- ensures that tasks are undertaken concurrently wherever practical
- ensures an appreciation of the complexities involved
- prevents delays while options are considered
- ensures contingency planning is considered



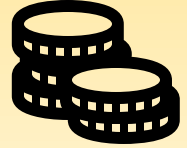
Legal Issues Pre Wind-up

- Understand Trust Deed & Rules re wind-up
- Understand priority rule
- Establish regulatory & legal requirements
 - Pensions Act
 - Disclosure Regulations
 - Bulk Transfer Disclosure Regulations
- Conflicts of interest (if any) and how to manage
- Establish wind-up event and date
- Obtain advice – legal, investment and, for DB schemes, actuarial advice



Funding & Investment

- Establish Funding Position (DB)
- Any outstanding contributions?
- Establish Control over Scheme Assets (DB)
- Decide on Investment Strategy prior to wind-up (DB)
- Look at investment options for members post wind-up
- Establish an efficient plan to transfer assets



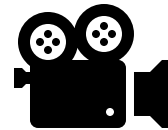
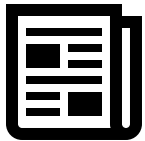
Transferring out

- Establish replacement scheme for active members if appropriate
- Communication Strategy
 - Pensions Authority & Revenue
 - Members, Beneficiaries, Unions
- Member Options for:
 - Actives
 - Deferreds
 - Pensioners
 - Quotes for annuities / buy-out-bonds / PRSA's
 - Establish default options



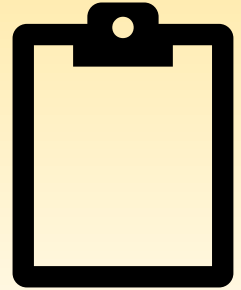
Communication

- Identify communication legal requirements, including timelines
- Prepare communications strategy
- Issue quotations to members
- Put process in place for dealing with member queries
- Agree communication strategy with new benefit provider



Finalise Wind Up

- Administer Benefits
- Prepare final accounts
- Close scheme bank accounts
- Cancel or continue risk benefits as appropriate
- Arrange for retention of scheme records
- Agree policy on trustee indemnity/insurance
- Finalise deed / resolution confirming wind-up
- Notify Pensions Authority and Revenue of finalisation of wind-up



The Process

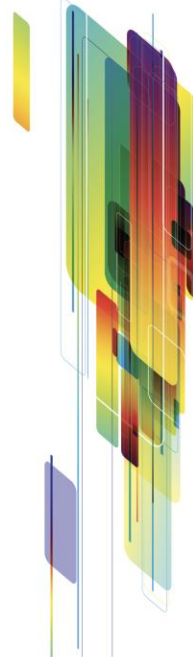
(not for the faint-hearted)

All transformations involve:

- Multiple parties;
- Investment considerations;
- Clear communication; and
- Significant time to complete

A process that requires careful management

IAPF DB Wind-Up Checklist



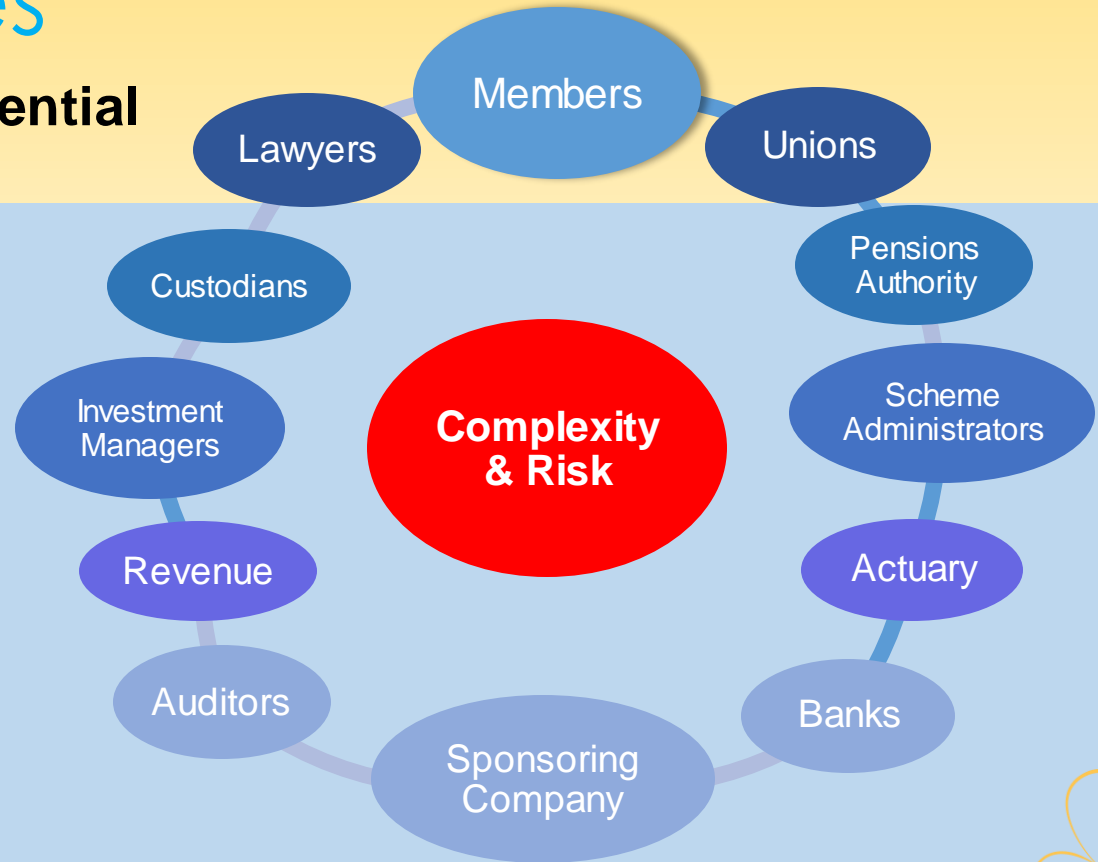
- » Establish the wind up event and date
- » Get advice from Scheme Lawyer
- » Draw up a checklist and project plan
- » Agree a schedule of trustee meetings
- » Understand the Trust Deed and Rules
- » Establish if there are any conflicts of interest and how to deal with them
- » Get advice from Scheme Actuary
- » Get Investment advice
- » Speak to the administrator
- » Establish if existing administrator will carry out the wind-up
- » Establish the regulatory and legal requirements
- » Make arrangements for a replacement scheme for active members, if appropriate
- » Consider a member communication strategy
- » Notify the Pensions Authority, Revenue, members, beneficiaries and unions
- » Ensure member data is up to date
- » Identify all participating employers
- » Check member addresses
- » Make arrangements to trace members
- » Establish if any Pension Adjustment Orders are in place
- » Establish funding position of scheme
- » Establish if any contributions are outstanding
- » Decide if a contribution demand is appropriate
- » Establish control of all scheme assets
- » Decide on an appropriate investment strategy
- » Establish if there are any outstanding claims
- » Establish member options
- » Obtain annuity/buy-out bond/PRSA quotes
- » Agree distribution policy in line with scheme rules and allocation of surplus or deficit and the Priority Order
- » Issue quotations to members
- » Put process in place for dealing with member queries
- » Administer member benefits, including default where members do not respond
- » Agree communication strategy with new benefit provider
- » Prepare final accounts
- » Close scheme bank accounts
- » Cancel or continue risk benefits as appropriate
- » Arrange for retention of scheme records
- » Agree policy on trustee indemnity/insurance
- » Finalise deed/resolution confirming wind-up
- » Notify Pensions Authority and Revenue of finalisation of wind-up



Multiple Parties

Project Management Essential

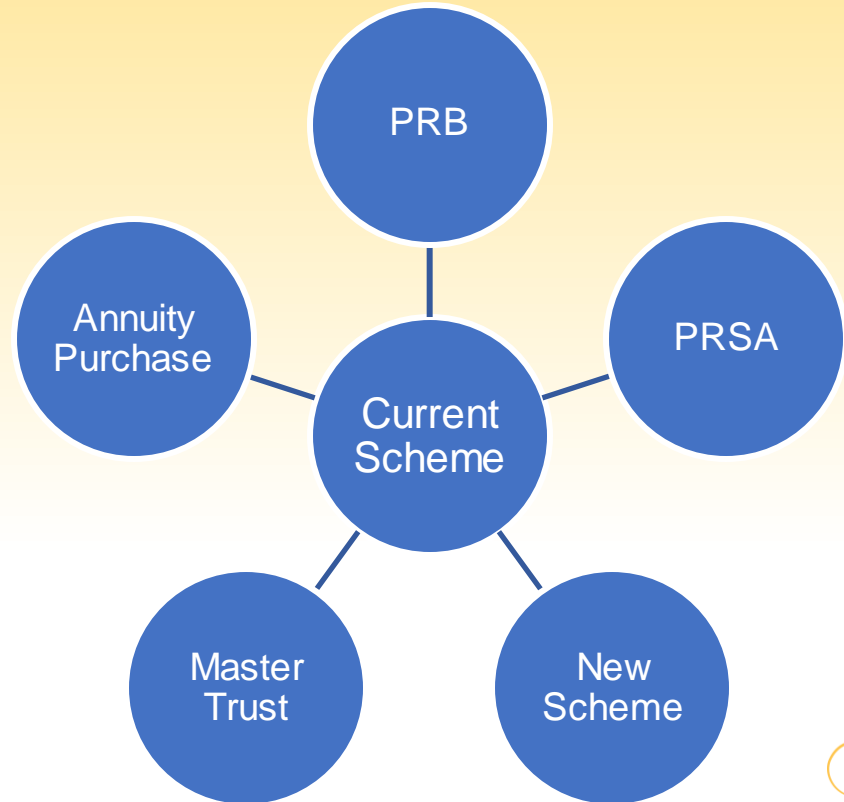
- Co-Ordination
- Documentation
- Timings
- Risks



Where are the Assets being moved to?

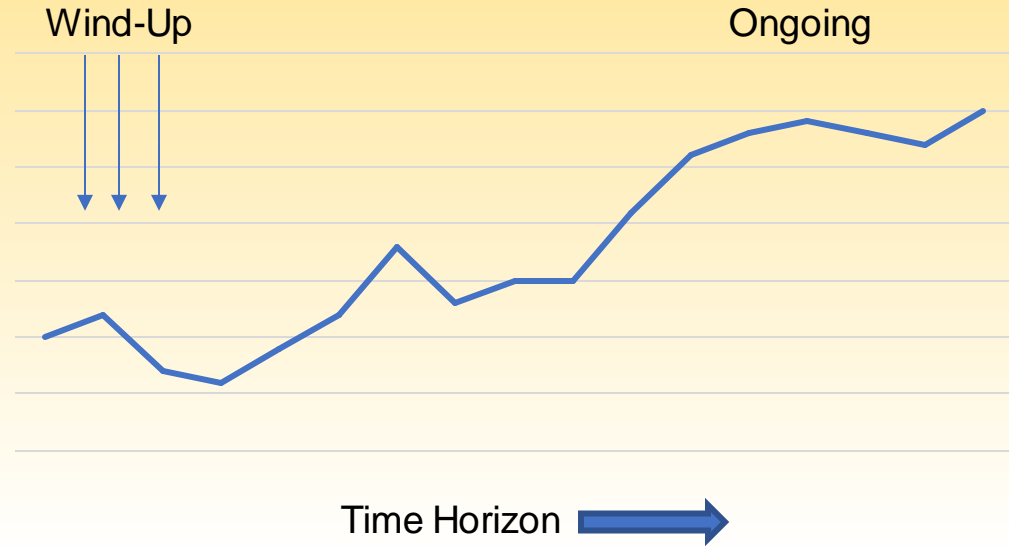
Provider Choice(s)

- Investment Options available
- Administration Capabilities
- Communication
- Security
- ESG Considerations
- Flexibility
- Costs
- Ease of Transfer
- Default



Investment Considerations – DB Time Horizons

- Investment becomes much shorter term
- Closer match with liabilities (on Wind-Up) required
- Bonds and cash will dominate
- Illiquid Assets?



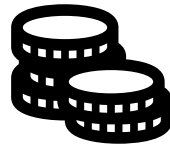
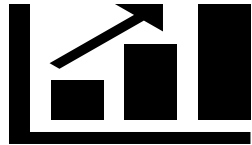
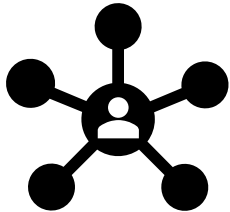
A significant restructure of DB investments is likely to be required



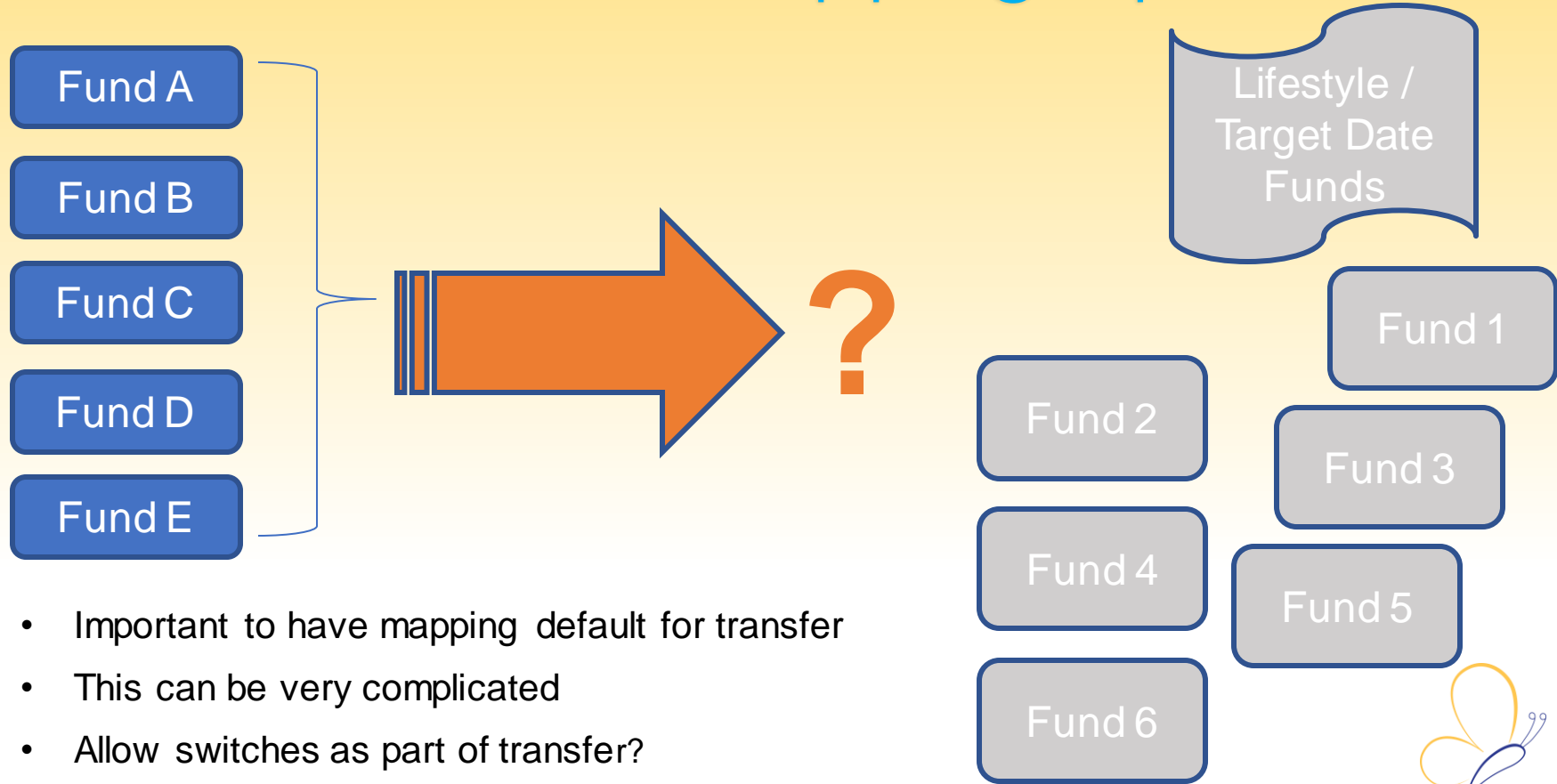
Investment Considerations – DC / AVC

- When to suspend Fund switches
- Associated 'Out of Market' Risk (Opportunity Cost)?
- Transaction costs?
- Restricted Dealing / Illiquid Assets?

- New investment options to be offered?



Investment Default Mapping Options



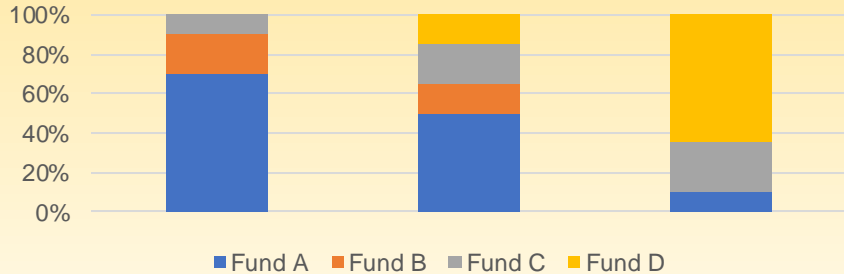
- Important to have mapping default for transfer
- This can be very complicated
- Allow switches as part of transfer?



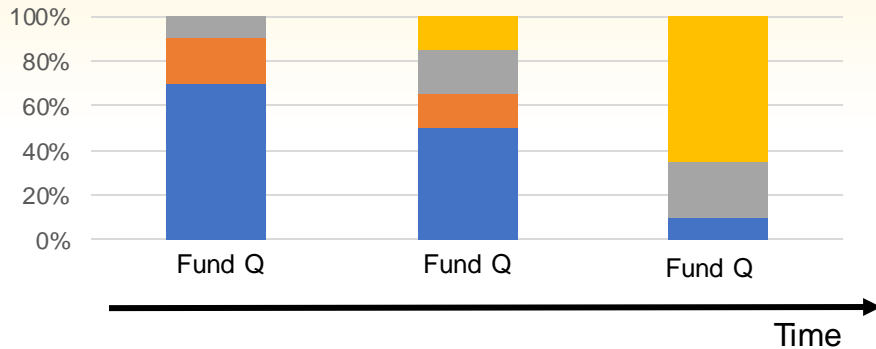
Investment Default Options

Asset Allocations

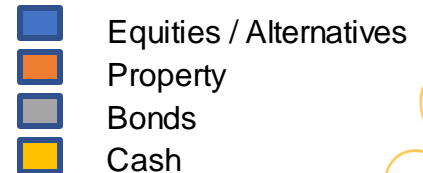
Lifestyle Default



Target Date Fund

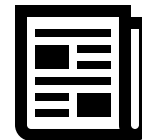


- Crucial in long term
- Communication vital
- Inadvertent changes
- Uncertainty on end point
- Future proofing?



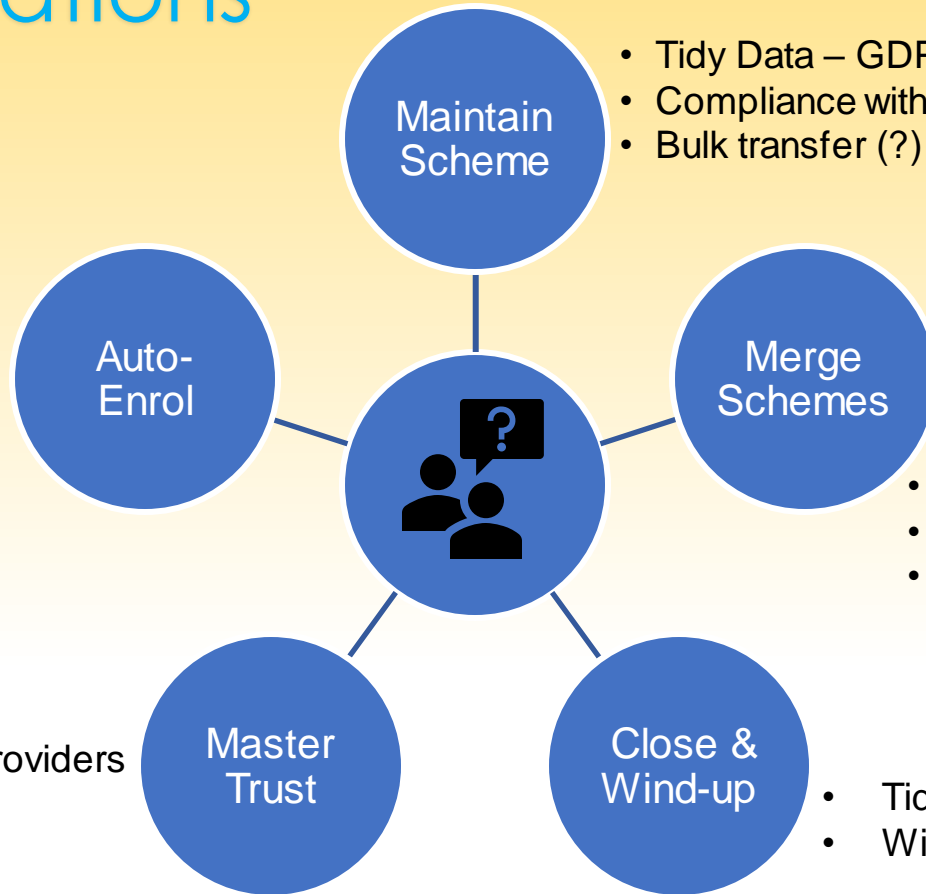
Communications

- Trustees required to notify Pensions Authority, Revenue, Members, Beneficiaries & Unions
- Communication with deferred members requires up to date details, newspaper notices may be required
- Communication Methods – video, newsletters, group / individual presentations etc.
- The role of the new provider in communications
- Critical to the success of a wind-up



Transformations

- Little current impact
- Tidy data - GDPR
- Compliance with IORP II
- Bulk transfer (?)



- Tidy Data – GDPR Compliant
- Compliance with IORP II
- Bulk transfer (?)

- Tidy Data required
- Wind-up
- Compliance with IORP II

- Tidy data required
- Consider structures / providers
- Wind-up

- Tidy Data required
- Wind-Up



Action for Companies and Trustees

1. Ensure compliance of data
2. Assess the key impacts of IORP II
 - i. Cost of Compliance
 - ii. Governance of Scheme & Resources available
3. Assess impact of regulatory developments
4. Assess scheme sustainability in current form
5. Plan for Transformation

