



NEWCOURT

SELF INVESTED PENSION PROVIDER



B R O K E R U P D A T E

We hope you are keeping safe and well during what remains a challenging time but that said, it is great to see businesses across the country starting to open again and everyone getting some normality back to their day to day lives.

Our Broker Update covers the following:

- IORP II Directive
- ARF distributions and our income payment dates for 2021
- Property valuations and payment of expenses
- Our online portal, Clarity
- Liquidity position for our pension contracts

IORP II Directive

At this stage you are well aware of the transposition into Irish law of the IORP II Directive on 22 April 2021, this was done by way of the European Union (Occupational Pension Schemes) Regulations 2021. The regulations are designed to:

- Deliver an enhanced system of governance and risk management,
- Provide better communications to members of schemes, and
- Ensure those responsible for the good governance of the scheme (the trustees) have the necessary qualifications, knowledge, skills and experience to carry out their role effectively.

The regulations have significant implications in particular for one-man arrangements in terms of future investments and borrowing as well as the general governance requirements. They do though impact all occupational pension arrangements.

Newcourt act as registered administrator and trustees to Small Self-Administered Pension Schemes (SSAPS). There is an open-ended derogation from the investment rules and borrowing restrictions for all SSAPS established prior to 22 April 2021. The rules now apply in relation to new investments and borrowing from 22 April 2021 under these schemes as well as immediately to all new SSAPS.

No more than 50% of the assets of a scheme can be invested in unregulated markets. An investment in regulated markets, in simple terms, is buying publicly quoted shares, ETFs or funds that are traded on primary investment markets. For all new investments under our SSAPS, Newcourt will have to establish where the client intends to invest the funds so that we can establish, as best we can based on the information made available to us, that the investment does not breach the regulations. Going forward you are unable to borrow for property purchase under a SSAPS. There are, however, alternatives to our SSAPS for investments and property purchase, this can be done through our PRB or PRSA so please talk to your Newcourt consultant.

Newcourt also act as professional corporate trustee to company pension schemes. We have just recently written to the employers of these schemes to let them know about the new regulations and the implications of same. Unfortunately at this stage we are unable to confirm a definitive position to you and let you know the approach Newcourt will take in ensuring compliance for the schemes where we act as corporate trustee and the increased costs for doing so as we need further information from the Pensions Authority.

The Pensions Authority have recognised that the trustees and their advisors need further information to meet the additional requirements of the regulations and they have set out the following timeline of events:

- A draft code of practice which will set out what the Authority expects from regulated entities to meet their obligations under the regulations will be published the week of 19 July 2021 and will be open to public consultation for an eight-week period.
- A final code of practice will be published the week of 15 November 2021.
- Guidance on the submission of the Annual Compliance Return (ACR) will be published the week of 15 November 2021.
- Guidance for the public and employers about the minimum standards they should expect from master trust vehicles will be published the week of 13 December 2021.

Newcourt, through the Association of Pension Trustees in Ireland (APTI), have put a number of questions to the Pensions Authority to look for clarity on the impact of the implementation of the regulations and we will be meeting them soon to go through these. We are also presenting on the IORP II Directive at a Brokers Ireland event on Thursday 24 June so mark your diary for that.

ARF distributions and our income payment dates for 2021

Newcourt Retirement Fund Managers Limited, as a Qualifying Fund Manager, is obliged to make an 'Imputed Distribution' (mandatory drawdown) from the Approved Retirement Funds (ARF) it administers every year. The drawdown is a percentage (either 4%, 5% or 6%) of the ARF fund value and the percentage amount is based on the client's age and the size of their fund. The drawdown amount also takes into account any income that they have received from their ARF for the year to date, at the time we make the payment. The position is similar for Vested PRSA contracts.

We will pay the net distribution incomes to clients for 2021 in September, and amounts will be transferred to clients' personal bank accounts based on the bank account details we hold on file for them. We will pay the tax element of the income payment directly to the Revenue Commissioners from the pension trust bank account of each client.

If your clients have not already assigned tax credits to their ARF / Vested PRSA income from Newcourt Retirement Fund Managers and it is their intention to do so, then they need to do this through the Revenue Online Service (ROS). If you have any clients in this position then we would encourage you to get them to complete this step as soon as possible. Our details are as follows:

Employer name: Newcourt Retirement Fund Managers Limited
Pension Payments

Tax number: 9656384K

Address: Newcourt Retirement Fund Managers Limited,
Father Mathew Hall, 131 Church Street, Dublin 7, D07 E363

If you have a client who is concerned that they have overpaid tax, USC and/or PRSI during any year then they should contact their Local Tax Office directly in relation to this as we do not have authority to deal with the Revenue Commissioners on the individual tax affairs of clients.

We have two payment dates each month for our regular ARF / Vested PRSA income payments, the 1st and 15th day of each month. Please see our cut-off dates below for us to set up any ad-hoc income payments:

- For us to pay an income on the 1st day of the month we need a valid instruction prior to the 15th day of the previous month, and
- For us to pay an income on the 15th day of the month we need a valid instruction prior to the 1st day of the previous month

We can only process income payments where the ARF / Vested PRSA has sufficient liquidity to allow the payment.

Property valuations and payment of expenses

It is a requirement under Revenue rules that where a pension contract holds property that the property is revalued at least every three years. At the renewal date of the pension contract we will now arrange for a desktop valuation of the property from an independent professional valuer and the payment for these valuations will be taken from the client's pension working bank account. We have previously offered clients the option of getting the property valued themselves and submitting the valuation to us, however, in line with current Revenue best practice we can no longer facilitate this.

Separately, where clients have additional expenses outside of the remit of the property management company and submit these expenses directly to us for payment we will pay the property expenses on a quarterly basis going forward. At the start of each quarter we will pay the expenses for the previous quarter once we receive a fully documented spreadsheet giving us details of what was paid as well as copies of all expense receipts. We will be unable to refund expenses from the working pension bank account if the information is not given to us in this format and where we are not given detailed receipts as proof of payment. Revenue have made their position very clear to the self-directed pension firms as to what they expect so it is important we ensure full compliance in this area to protect the tax-exempt status of the pension arrangement.

Our online portal, Clarity



Just a reminder of the key features of our online web portal, Clarity:

- Clarity allows you and your client to view their up to date balance and transactions on their pension working bank account. The bank transactions on the pension working bank account will be updated every Monday evening.
- You can see the contributions received into their pension contract. This can be viewed on 'My Contributions' tab.
- Clarity has a 'My Documents' tab, a library that will be populated over time with correspondence relating to the pension contract.

- You can view information on their pension contract, where they can find details on how it works, where they can invest and the benefits they can take from it and when.
- Clarity will provide up to date information to you and your clients in a secure environment thereby eliminating the need to send bank statements, in future, by e-mail or post.

Please contact your Newcourt consultant for details of the registration process for you and your clients.

Liquidity position for our pension contracts

As you know we have to maintain a sufficient amount of liquidity in each client's pension working bank account to allow for the payment of the annual management charge as well as liquidity to meet, where relevant, any ARF or Vested PRSA annual distribution requirement and all property related expenses. If the pension contract holds property and there is a mortgage a minimum of 12 months loan repayments are held in the pension working bank account.

We also have a contingency fund of 1% of the fund for pension funds of €500,000 or more, and 2% of the fund for funds less than €500,000 as part of our liquidity requirements. The purpose of the contingency fund is to cover items such as bank charges, negative interest rates, unexpected property expenses or legal costs, rent reductions or rents ceasing for a period of time as a result of the pandemic, growth of the pension fund with resulting higher payments due from the fund as well as the potential regulatory changes.

It is a condition of ongoing Revenue approval that all pension contracts have sufficient liquidity in order to administer the contract and to pay future benefits..

Contacts

If you have any questions in relation to our update then please contact your Newcourt consultant or one of the team at Newcourt.

We are here to help you and will continue to support you in any way we can as normal. We would encourage you to contact your Newcourt consultant either by phone, email or via Skype/Zoom meetings as required.

You can contact the Newcourt team either by phone on (01) 828 0091 or (01) 828 0070, or by email at info@nrfm.ie or info@newcourtrustees.ie and we will be delighted to help you.

Thank you for your continued support and we look forward to talking to you soon.

NEWCOURT
YOUR SELF INVESTED PENSION PROVIDER

