



NEWCOURT

SELF INVESTED PENSION PROVIDER



C L I E N T 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 Client Update covers the following:

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

IORP II Directive

The IORP II Directive was transposed into Irish Law 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 you intend 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 other pension structures so please talk to your Financial Advisor.

The consequence of the new regulations and governance regime will mean increased costs to run your SSAPS. There are still a lot of unknowns so unfortunately at this time we don't know the cost impact and implications for your scheme but the intention of this communication is to give you a feel for the changes the regulations have brought about.

Only once we have more guidance from the Pensions Authority (the "regulator") will we be in a better position to let you know how Newcourt as trustees will ensure compliance with the regulations and the increased cost of doing so. This will then allow you to make a decision to either continue with your scheme as is or to instead look at alternative options.

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.

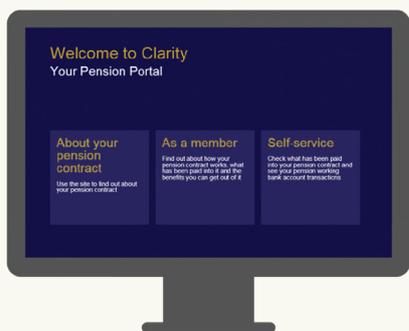
Newcourt, through the Association of Pension Trustees in Ireland (APTI), have put a number of questions to the Pensions Authority to look for clarity on the impact of the implementation of the regulations and we have since had a constructive meeting with them to go through the questions.

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 where the last valuation is out of date and the payment for the valuation will be taken from your pension working bank account. We have previously offered the option to you of getting the property valued yourself and submitting the valuation to us, however, in line with current Revenue best practice we can longer facilitate this.

Separately, where you 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 pension working 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 has 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 your pension arrangement.

Our Online Portal, Clarity



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

- Clarity allows you to view your up to date balance and transactions on your 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 your 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 your pension contract, where you can find details on how it works, where you can invest and the benefits you can take from it and when.

- Clarity will provide up to date information to you in a secure environment thereby eliminating the need to send bank statements, in future, by e-mail or post.

Please contact your Financial Advisor for details of the registration process.

Liquidity Position for Our Pension Contracts

As you know we have to maintain a sufficient amount of liquidity in your 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 an existing mortgage a minimum of 12 months loan repayments are held in the pension working bank account.

There is also a contingency fund requirement 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 as well as the potential regulatory changes.

It is a condition of ongoing Revenue approval that the pension contract has 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 financial advisor 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. You can contact the Newcourt team either by phone on (01) 828 0070, or by email at info@newcourttrustees.ie and we will be delighted to help you.

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