REPORT ON THE CONSULTATION PROCESS FOR THE GREEN PAPER ON PENSIONS

www.pensionsgreenpaper.ie

Final Report

Mel Cousins and Associates
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Foreword from the Minister

In October 2007, the Government published the Green Paper on Pensions and opened an extensive consultation process to gather the views of people and organisations on our current pensions system. We received 322 submissions from individuals and 62 from organisations. The six regional seminars were attended by over 300 people and the national conference by 140 people. This generous response confirms that the pensions issue is one which stimulates a large degree of opinion and interest, much of this based on personal experience.

This report on the consultation process reflects the many and varied views that emerged on the way forward for pensions in Ireland. While there was no overall consensus on what reforms are necessary to ensure adequate and sustainable pension provision, it was clear that the individuals and organisations that made submissions and attended the seminars and national conference held strong and informed views on what should be done. The contributions shed light on the priorities among individuals and organisations in this area and how the current system impacted upon them.

I wish to thank Mel Cousins & Associates who prepared this report. It serves as a valuable contribution to the Government’s development of a long-term framework for pensions. It reflects the complexity of the topic and the strong views that are held across the entirety of the pensions system.

Now that the consultation process is at an end, it is time for decisions to be made on how we develop our pensions system to meet the needs of an ageing population. In a more challenging economic environment, the delivery of a long term pensions framework remains a Government priority. That framework must be one which aims to ensure that our State pension system is affordable, fair and sustainable for both current pensioners and future generations. It must also support and encourage people to save enough to provide themselves with an adequate income in retirement. Our major challenge is to strike the right balance between all of these objectives.

Finally, I wish to thank all those who attended and contributed to the seminars, national conference and the many people who made submissions. The consultation process has been enlightening. The experience and expertise shared by people throughout the country has made it a great success.

Le gach dea ghní,

Mary Hanafin TD, Minister for Social and Family Affairs
Introduction

Context for the Consultation process

The Government Green Paper on Pensions was published in October 2007. At that time a public consultation process was announced. The Minister for Social and Family Affairs stated:

“The essential purpose of this Paper is to promote debate and build consensus. Given the importance of the issue, I am anxious to ensure that the consultation process is as inclusive as possible and that people have ample time to study the Green Paper and to formulate their ideas. We need to consider the type of retirement we want and how we might pay for it. I am pleased that we are about to embark on that debate. I have an open mind on how the pensions system should develop in the future and I look forward to hearing the views of all interested parties on how we should proceed.”

Consultation seminars

As part of the consultation process, 6 regional consultation seminars were held in February and March 2008. The seminars gave people the opportunity to discuss the issues involved and to make their views known. The seminars were held in Cork, Dublin, Sligo, Tullamore and Waterford. A report on these seminars is set out in section 4 of this report.

Finally an international seminar was held in Dublin with speakers from the OECD, World Bank, UK, New Zealand, Australia and Ireland. This seminar was attended by 140 persons from a wide range of interest groups. A report on this conference is set out in section 3 of this report.

Submissions

Submissions were received from 322 individuals and 62 organisations from all over Ireland. The organisational submissions came from the following categories of organisation:

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
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<tbody>
<tr>
<td>Community and voluntary organisations</td>
<td>24(^1)</td>
</tr>
<tr>
<td>Pension industry bodies</td>
<td>15</td>
</tr>
<tr>
<td>Trade unions and affiliated bodies</td>
<td>7</td>
</tr>
</tbody>
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\(^1\) Including 4 individual pensioners associations
The views outlined in these submissions are set out in section 2 of this report. Obviously, given the volume of submissions received it is only possible to highlight the main points made in individual and organisational submissions. However, all submissions are available for consultation on the Green Paper website:

http://www.pensionsgreenpaper.ie/consultation.html

In the course of the Green Paper process, a number of organisations commissioned or carried out research studies into aspects of pensions policy. Again, given the volume of the material received, it is not possible to make reference to these reports except insofar as the bodies making submissions specifically relied on them in their recommendations. Again, however, they can be consulted on the Green Paper website.

**Terms of reference**

The terms of reference for this report are ‘to prepare a report drawing together all three stages of the consultation process to inform the preparation of a long-term framework on pensions’. In particular the report is to:

i) provide a comprehensive overview of the key issues identified in the written submissions (but should not provide opinion on the issues raised);

ii) provide a report of proceedings at the International Conference on 29th May 2008: including summaries of the opening address, presentations, responses to presentations and issues raised at the plenary; and

iii) draw together all three strands of the consultation process, including the report on the regional seminars into one overall report.

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2 A number of submissions highlighted issues which were not directly related to the Green Paper on Pensions such as broader issues concerning social welfare payments or issues concerning other aspects of policy for older people.
1. Overview of the issues

This section contains an overview of issues raised in submissions. It outlines (in section A) the general responses to the issues identified in the Green Paper and, subsequently, specific responses in relation to social welfare pensions (section B), private and occupational pensions (section C) and public sector pensions (section D).

A. General Issues

In this section we outline the general response set out in submissions to the issues identified in the Green Paper. Issues which are specific to either the social welfare pension, private and occupational pensions, or public sector pensions are considered below.3

A.1 General response to the Green Paper

Many submissions from a wide range of different organisations welcome the Green Paper process although a number emphasise the need to move to an action phase and for decisive action by Government (SIPTU) or the need for Government to bring forward a comprehensive and equitable pensions policy (Age Action Ireland). ICTU calls for immediate decisions to be made in relation to pensions policy.

A.2 Assessment of current pension provision

Views vary as to the assessment of current pension provision. Some take the view that the current level of pension provision is ‘wholly inadequate’ and that very few people could expect to retire without concerns about financial security (SIPTU). A number of organisations (see below) argue that the current second-tier pension system is unattractive to many workers, unfairly beneficial to the highest income groups and extremely costly to tax payers. The ICTU Retired Workers’ Committee believes voluntary approaches have failed to increase second tier pension cover. IBEC also believes that our pension provision is inadequate to meet the demands of future retirees while taking the view that the mix of State pension and voluntary supplementary pension has generally served us well.

Other bodies (such as Irish Life and Permanent) take the view that many employees are members of generous occupational pension schemes which will provide comfortable levels of

3 Obviously there is some overlap between general responses and responses in the specific areas.
retirement income, although accepting that other employees are ‘not so well prepared’. The IAPF believes that the Irish pension system is well developed and operates on a very sound model. The Irish Association of Investment Managers (IAIM) believes that the social welfare pension is central to pension policy. It argues that the existing social welfare pension is understood, redistributive and possesses a high degree of fairness. In the IAIM view, its principal deficiency is the failure to automatically index the pension to either price or earnings increases. Irish Life, however, suggests that ‘the existing voluntary supplementary system has not succeeded in improving coverage or adequacy to any great degree’.

The National Council for Ageing and Older People expresses its concerns about levels of poverty amongst older people citing EU-SILC (Statistics on Income and Living Conditions) data which shows that 13.6% of older persons were at risk-of-poverty and 2.1% were in consistent poverty in 2006.\(^4\) Age Action Ireland, the Citizens’ Information Board (CIB) and the TASC/TCD Pensions Policy Research Group also highlight the extent of poverty amongst older people.

The National Women’s Council of Ireland (NWCI)\(^5\) emphasises a range of gender-related issues including that fewer women than men in old age have independent access to pensions and that women’s incomes are lower than men’s.

The APLI identifies a major concern about the current system as being whether DC benefits will prove sufficient to meet adequacy targets.

ISME argues that the rise in pensions coverage since the introduction of PRSAs indicates that we are moving in the right direction within the current voluntary framework. IBEC also argues that there had been a significant advance in the pension coverage rate in recent years (while accepting that PRSA take-up has been ‘somewhat slow and undynamic’).

A group of Watson Wyatt clients argues that broad coverage percentages may not provide an accurate view of the coverage problem which may not be as great, it argues, as is widely perceived and that more sophisticated analysis is required before adopting radical solutions such as a mandatory scheme (a view also supported by Tesco Ireland). It refers, in particular, to migrant workers who now represent a significant proportion of the labour force and are often focused on repatriating earnings with a view to their eventual return home; increased participation of part-time workers in the labour force many of whom will, it is argued, have partners with adequate pension provision to meet their joint needs; and individuals who very

\(^4\) The European Union Statistics on Income and Living Conditions (EU-SILC) is an instrument aiming at collecting timely and comparable cross-sectional and longitudinal multidimensional microdata on income, poverty, social exclusion and living conditions.

\(^5\) The NWCI submission is supported by the Clare Women’s Network, Irish Countrywomen’s Association (County Clare Federation), Limerick Women’s Network, People with Disabilities Ireland (Clare Branch), Presbyterian Women, the Southwest Kerry Women’s Association, Tearmann Housing Association, Tipperary Women’s Network, Tuam Community Development Resource Centre and West Cork Carers Support Group and by a small number of individual submissions (which all submitted similar submissions).
often have savings and other non-pension assets to support them in their retirement. It suggested that coverage statistics should focus on for those over age 35.

Overall there is general (but not universal) acceptance that State action is required to provide for an appropriate future pension system (if little agreement about precisely what that system should be).

**A. 3 Principles for reform**

A small number of submissions explicitly set out the principles upon which they believe reforms should be based. SIPTU argues that there is an obligation on the State to ensure that all citizens have a sufficient income in their old age and that this is primarily a matter of social solidarity rather than one of personal financial planning. SIPTU argues that the cost of meeting this obligation should be met by all the social partners.

Irish Life and Permanent, in contrast, argues that the objective of the State pension should be to provide ‘a safety net against absolute poverty’. Responsibility for funding pensions above this minimum level should rest with employers and workers themselves through private provisions while Government’s role is to implement a supportive policy and tax relief platform to create incentives for pension saving.

IBEC proposes that the principles underlying pension reform should include:

1. adequate retirement income for all,
2. individual responsibility,
3. sustainability,
4. equitable incentivising,
5. simplicity,
6. affordability and cost effectiveness,
7. cross party political backing to ensure long term sustainability.

The NWCI highlights the need to view pensions policy from a gender perspective. It emphasises principles such as economic autonomy, labour market equality, facilitation of atypical work, an ethic of care and equal sharing of care obligations, pension equality, and retrospective pension justice.

One individual submission argues that the objective of pension reform should be to level-up everyone to good standards of pension provision.
A. 4 Demographic and cost projections

A number of organisations point to the difficulty of making firm demographic projections for the next 50 years given uncertainties about migration, mortality and fertility and suggest that the Green Paper takes a somewhat pessimistic view (e.g. Age Action Ireland, ASTI, ICTU, ICTU RWC, INTO, National Federation of Pensioners’ Associations, TASC/TCD Pensions Policy Research Group Unite). The TASC/TCD Pensions Policy Research Group provides a detailed assessment of the demographic background.

The TASC/TCD Pensions Policy Research Group highlights the very low level of public expenditure on pensions (as a percentage of GDP) in Ireland compared to other EU countries. It also argued that the assumptions used in the actuarial review of the Social Insurance Fund as to long-term growth in the Irish economy were ‘very conservative’. The ICTU Retired Workers’ Committee also points out that Ireland’s current level of pension spending is well below the EU average.

The Society of Actuaries also points to the low level of social insurance costs and while acknowledging that the Actuarial Review estimated that ‘equalised contribution rates’ would have to rise to 22-26% over the period 2008-2061, emphasises that this is comparable to current rates in other EU countries.

The Irish Gerontology Society argues that the prominence given by the UN to inter-generational ties and solidarity only appears in a limited form in the Green Paper. The Society is concerned that the pensions debate incorrectly draws on predictions of disproportionate burdens arising from population ageing. It argues instead that the demographic dividend of ageing should be taken into account.

A. 5 Pension reform options

In this section we look at the general approaches taken to future reform of the pension system while more detailed proposals are set out below. Proposals range from those arguing for an earnings-related system funded by the State with pensions set at 50-66% of average industrial earnings (AIE), through proposals for significantly increased social welfare pensions (40-50% of AIE) alongside voluntary cover, support for some form of mandatory or soft-mandatory pension, to those which broadly support maintenance of the current mix of mandatory flat rate social welfare pensions and a range of tax-supported private and occupational pensions.
A.5.1 State earnings-related pension

SIPTU argues for a mandatory pension provided by the State through the social insurance system which is universal in nature and linked to the level of average industrial earnings. SIPTU argues that there are a range of problems with ‘private’ solutions including non-take up, inadequate funding, risk falling on the worker (in DC schemes), employer non-compliance, private pensions tend to disadvantage women who earn less than men and live longer, and difficulties regarding portability of pensions. These issues, it argues, would be addressed by a mandatory State-run scheme. SIPTU also argues for a further mandatory tier of personal pension provision through joint employer-employee schemes up to four times AIE supported by tax relief.

The ICTU Retired Workers’ Committee also supports a mandatory second-pillar pension operated by the State and funded equally by contributions from employers, employees, and the State. The RWC believes the only viable way to fund this is through higher taxation.

The TASC/TCD Pensions Policy Research Group also supports a universal State earnings-related pension arguing that it is a lower cost and lower risk option than a funded scheme organised in a pensions industry which is uncompetitive and locked into high risk investment strategies. It suggests two options for reform: first to increase the social welfare pension to a level which would eliminate pensioners’ poverty to be funded by providing pension tax relief at the standard rather than the marginal rate. A second (additional) option is to make the State pension universal to address groups not currently entitled to a pension in their own right (as in New Zealand).

One academic commentator (Dr. Shane Whelan, UCD) also proposes that Ireland’s current PAYG system should be developed into a sustainable version that provides mandated pensions for all. He argues that individual pension savers of modest means or those mandated to save must be considered risk-averse and that for mandatory pension savings designed to provide a minimum pension, investment in low risk instruments should be compulsory. He suggests that the costings in the National Pension Review (2005) and Special Savings for Retirement report (2006) assume an inappropriate investment strategy with too high a level of investment risk, do not model the possible consequences of the investment risk assumed, but take full account of the expected risk premium. This materially overstates the pension from any given level of contributions or, equivalently, materially understates the contributions for any given level of pension. It is suggested that these reports conceal the very large impact of administration and other costs associated with personal retirement accounts. It is argued that compared to a sustainable partially prefunded and partially PAYG system, the ultimate pension payable by such personal retirement accounts will be 10% to 20% lower for the same level of contributions, due to the lack of economies of scale.

The NCAOP, on balance, favours a mandatory (rather than soft-mandatory) approach as more convincing in terms of meeting pension coverage and adequacy targets. It recommends that the existing State system should be examined to assess the feasibility and costs of a mandatory
earnings related pension. The NCAOP calls for targeted action to address the group of older people falling below (or marginally above) the risk-of-poverty threshold.

Age Action Ireland favours the enhancement of the social welfare system unless evidence is forthcoming that another approach would be more effective.

The Citizens Information Board (CIB) also takes the view that expansion of the State system is the logical step to adopt and proposes that the feasibility of a second-tier, State earnings-related pension be explored.

The NWCI supports a strong first tier State pension which would provide an adequate, comprehensive pension guarantee for all individual men and women so as to lead to lower levels of poverty for women and greater access to an independent pension. Pension levels should guarantee ‘a decent quality of life’.

A.5.2 Mandatory second-tier pensions

A number of organisations support a mandatory second-tier pension of various types.

ICTU argues that enhancing public provision must take priority for reason of equity, certainty and sustainability and argues for a mandatory defined benefit approach. This would have equal contributions from the employer backed up by an SSIA type contribution from the State. ICTU states that whether this is delivered by the State or the private sector should be decided on where the best value-for-money is to be found (and not on ideological grounds). ASTI fully supports these proposals and Unite also supports a mandatory pension system with equal contributions by employer, employee and government support (in an SSIA type arrangement).

The Irish Gerontology Society supports an expanded State pension system increased to a level which will eliminate the risk of poverty in retirement together with the provision of an earnings-related second tier system.

The Irish Postmasters Union supports mandatory occupational pensions with contributions being paid by both employer and employee in a minimum ratio of 2:1.

A.5.3 Significantly increased social welfare pension and voluntary second-tier

IBEC and the Society of Actuaries propose that the social welfare pension should be significantly increased in combination with further incentives to improve voluntary cover (rather than any mandatory second-tier cover). IBEC believes that the State should fund the retirement income of those who are unable to fund an adequate retirement income for themselves and that it is increasingly necessary for the State to fund beyond basic poverty levels. It suggests that it would be ‘broadly supportive’ of the Pensions Board proposal to increase the State pension to
40% of AIE. IBEC proposes that the cost should be met, in part, by a redistribution of tax incentives, from the National Pensions Reserve Fund and major public sector pensions reform. The Society of Actuaries supports this approach on the basis that the State pension system is the most effective mechanism for delivery of an adequacy target because it is simpler, is defined benefit, pools mortality risks, and addresses adequacy gaps for workers close to retirement.

The Irish Association of Older People proposes that consideration be given to an integrated pension within the social welfare system and that sections of the community able to make provision above 50% of pre-retirement earnings could continue to be catered for within existing occupational and personal pensions.

Tesco Ireland believes the most efficient way to deal with coverage and adequacy issues is to improve the existing State pension which, it accepts, may involve increases in employer and employee PRSI. It does not support mandatory cover which, it suggests, might be resented by many people and could have a negative impact on existing pension cover. Tesco Ireland (which offers DB cover to both new and existing employees) believes that employees should have access to viable pension schemes and should be encouraged to save for retirement. Given that individuals have varying needs and preferences, there should be freedom and flexibility to choose their own benefits. It argues that people need to be encouraged to save more for retirement and that the commercial implications of reshaping pension provision should be fully considered.

A number of other bodies also call for the maintenance of the existing mix of State and voluntary cover but with (unspecified) increased social welfare pensions (IAPM, Hewitt Associates, Watson Wyatt, group of Watson Wyatt clients).

A.5.4 Soft-mandatory

Many pensions industry bodies, in contrast, support a ‘soft-mandatory’ (auto-enrolment) approach (Eagle Star, Irish Life and Permanent, PIBA). Eagle Star, for example, argues that auto-enrolment is a very effective measure which could easily be implemented. The Pensions Ombudsman also believes that a soft-mandatory approach could lead to increased coverage while allowing an opt-out. The Ombudsman suggests a realistic minimum age such as 25 should be adopted to avoid the need to include younger people.

The National Youth Council of Ireland (NYCI) also supports soft-mandatory and opposes mandatory which, it argues, would place an unfair burden on young people, would remove the right of the citizen to choose how to manage their income, and might create a situation with high charges and costs.
A.5.5 State-sponsored retirement savings products

James R. Kehoe proposes a combination of a short-term tax-incentivised savings account (similar to an SSIA), a longer-term retirement bond (maturing at retirement or earlier death) and to which the accumulated value of the short-term savings accounts could be transferred, and a State provided annuity (payable at a rate of 15:1, i.e. each €15 of accumulated value converts to €1 of inflation-proofed annual pension).

A.5.6 Increasing private saving

The Irish Stock Exchange supports the view that one solution to future income needs is increased levels of private saving for retirement and proposes that the ISE should have a role in the provision of innovative services (referring to examples in Denmark and KiwiSaver in New Zealand).

A.5.7 Maintain the current system

The IAPF calls for an adequate social welfare pension which will provide a basic standard of living in retirement combined with the removal of barriers to taking out a voluntary supplementary pension. The IIF also supports a combination of State pension (with an agreed – but unspecified - target level) and supplementary pension provision. ISME also favours maintaining the current system with greater incentivisation for voluntary pensions and reforms of issues such as retirement and making ARFs more widely available. Similarly the IFA supports the combination of the social welfare pension (set at the current level of 34% of AIE) and voluntary incentives for supplementary pension cover. The APLI also supports simplifying and enhancing voluntary provision, at least at present.

A.5.8 Individual submissions

A number of submissions discuss the different pension models. None of the submissions propose remaining in the current situation. The most notable division is between those who propose voluntary contribution schemes and those who propose mandatory contribution schemes.

The majority of these submissions propose a ‘mandatory’ arrangement - several with a compulsory employer contribution and a government contribution similar to the SSIA scheme. Some have provisos – such as that if the State is to compel people to subscribe to a private pension scheme, then it should guarantee a minimum return/defined benefit for such a mandatory contribution, or that where the State provides funding to organisations beyond the public service realm, the cost of the employer’s contribution to pension should be an inbuilt
part of the grant. Three submissions draw attention to the Australian model, with compulsory employer contributions. It is also proposed that an alternative contribution method would be for the government to make compulsory contributions through the tax system, again as a fixed percentage of a taxpayer’s gross monthly income, with the advantage that the self-employed and those receiving benefits could be included. The proposal also argues that a pension fund member should also be able to transfer or roll-over their pension to any fund of their choosing at any time of their choosing in a simple ‘user friendly’ manner, with no ‘exit’ fees allowed by the fund provider. A small number of submissions propose to make pensions compulsory and to force employers to make specific contributions towards their employees’ pensions. One submission proposes a compulsory arrangement where a small statutorily fixed percentage of all income above a set threshold would be payable into their assigned ‘Personal Pension Account’ (PPA) in the same manner as income-tax is payable to the Revenue, and in addition, income-earners would be allowed to invest up to a combined total of 15% of their gross income in their PPA.

A minority of individual submissions propose a voluntary or soft-mandatory arrangement. One specific proposal outlines how contributions are made by deduction from salaries to a voluntary social insurance scheme which would be additional to the current compulsory PRSI scheme, with all employees enrolled by default with a contribution rate of 9% but with an opt out facility.

One individual submission proposes that the social welfare pension system should be separated completely from the rest of the social insurance system to provide a pension on a funded DB basis set at 66% of GAIE (and payable at age 70). This would then be supported by additional voluntary DC (PRSA) pensions supported by a simplified SSIA-like tax credit. All existing DC pensions would be converted to PRSAs.

Another submission proposes a mix of a universal and a discretionary pension. The universal pension - a minimum mandatory pension for anyone over the retirement age - should be part of the current PRSI arrangement as well as mandatory employer and employee contributions. The discretionary pension would be an additional facility given to self-employed and employees. It would involve a 50% tax rebate irrespective of the level of tax rate applicable. It would be allowed to grow tax free during the accumulation period and should be taxed only when received by employees during their retirement year. It is argued that the government should consider following an EEE model (exempt, exempt, exempt) for this pension arrangement in place of the current EET model (exempt, exempt, taxed). This pension fund would have a lock in period of 10 years initially; and after 10 years a subscriber should be allowed to use this fund for specific purposes, e.g. repaying mortgage. This fund should be completely portable from one pension fund service provider to another and from one employment to another; it should be managed by a government agency with the subscriber having the choice to select his/her investment funds and switch between investment funds at specific intervals.
A further proposal is that additional voluntary contributions to the Social Welfare Fund are permitted: the recent success of the SSIA scheme is held up, as a positive model for encouraging people to save, with its ‘State guarantee’. Contributions would be made via the PRSI system with a Government top up on a €1 for €1 basis. It is proposed that the practicalities of the scheme could and should be kept as simple as possible and involve a budget announcement each year of the interest rate or coupon rate for voluntary contributions for the following tax year followed by an annual and well publicised “voluntary contribution day”. It is proposed that in good years the budget could also provide for an incentive premium of approximately one euro for every ten contributed, with the earlier and more frequent contributors increasing their eventual entitlements under the contributory pension scheme to a greater degree.

A.5.9 Funding

Almost all submissions favour large State subsidies for their preferred future pension approach. Trade unions support increased public expenditure through earnings-related pensions while commercial bodies favour further extensions of existing tax reliefs. There is general agreement that taxpayers should contribute to a significant extent (albeit in some unspecified manner) for the measures proposed. Almost none of the submissions made any attempt to cost the implications of their proposals or estimate their implications on the economy.

A.6 Retirement Age\(^6\)

The issue of retirement age receives extensive discussion in submissions. There is a general recognition that this is an issue which needs to be considered given increased longevity and broad support for more flexibility around retirement age and allowing people to work longer should they wish to do so. However, some submissions argue that increased retirement age is desirable or essential.

A 6.1 Organisational submissions

ICTU argues that there is a strong case for flexibility concerning retirement age given increased longevity and improved health. It argues that workers should be allowed but not compelled to work after 65. ICTU RWC believes that any increase in retirement age should be voluntary and supported by a number of options for those who choose to continue working. ICTU RWC argue

\(^6\) Issues specific to the State Pension retirement condition are set out in section B. while issues specific to public sector pensions are discussed in section D.
that persons remaining in work after age 65 should have the following options: i) right to receive pension at age 65-6, ii) to forego immediate payment and receive credit for additional years worked by way of enhanced pension (actuarially calculated); or iii) to receive the calculated pension by way of a lump sum on final retirement. While recognising that increasing longevity is a very welcome development, SIPTU does not support a general increase in retirement age as not all workers are equally well positioned to meet the demands of working beyond 65. It proposes that retirement age be maintained at 65 and that flexible options be developed for all people to continue working with proportionate adjustments in their pension entitlements. Unite supports further consideration of working after 65 on a voluntary basis.

The NCAOP takes the view that mandatory retirement ages are inherently ageist and favours the removal of such requirements. The Council supports the option but not the compulsion to work beyond 65 and also points to support for gradual retirement amongst older workers.

The CIB supports exploring the possibility of allowing people to work beyond the age of 66 and a number of changes should be introduced, including: allowing workers who continue to work on to draw down some of their pension once they reach 65; allowing workers the option of deferring their pensions and then receiving an enhanced pension (based on actuarial advice) when they opt to draw it down; amendments to the current State Pension (Transition) payment which prevents people remaining on in their existing employment between the ages of 65 and 66; allowing those who work beyond 65 to pay PRSI, thereby contributing towards qualification for a full State pension (this would benefit workers who had broken service (especially women who have taken time out from paid employment to raise their family) and do not currently qualify for a full pension at 65. Another proposal is that the system would be fairer and easier to operate if everyone qualified for the same amount at age 65, 70 or 75 or thresholds based on age regardless of previous employment or circumstances.

The Pensions Ombudsman supports greater flexibility in retirement with a combination of part-time work and pension payment, deferral of social welfare pension increased on an actuarial basis and related measures. He suggests the need for an orderly and phased increase in State pension age.

Age Action Ireland welcomes a flexible approach to retirement and calls for measures including gradual retirement and part time work postponement.

The Irish Gerontology Society also supports greater flexibility in the choice of retirement age so that those who wish to may increase their pension by increasing the contribution period.

The IAPF calls for a change to many employment, pensions, tax and social welfare rules to facilitate a culture of working after the traditional retirement age for those who wish and are able to do so. It also suggests moving away from retiring at a set time, seeing it as something which individuals can move into gradually.
IBEC supports the phased increase of retirement ages by voluntary agreement between employers and employees. It also supports the deferment of the State pension in favour of a later and enhanced State pension.

Irish Life supports the gradual extension of the retirement age beyond 65 and the facilitation of gradual and flexible retirement.

Bol Life, however, does not support increasing retirement age arguing that consumer research shows that people want to retire earlier and that this can be achieved if people start saving earlier. However, it also believes that people should not be penalised for working beyond 65 if they so wish.

Hewitt Associates support flexible and partial retirement. It takes the view that if the State provided more flexibility around retirement age this would allow employer DB schemes to change retirement age. It suggests that any increase in State pension age would require flexibility and careful design and proposes optional deferral of State pensions (but not at the expense of those retiring or in an over-complicated way).

ISME proposes that a ‘retirement window’ be offered for State pension age with different pension levels depending on when the person chooses to draw the pension.

The IAIM believes that flexibility must be introduced to facilitate and encourage people to work beyond normal retirement age. Within the social welfare system existing barriers should be removed and the option of deferral or partial drawdown of the social welfare pension introduced. IAIM believes that removal of the existing requirement for certain members of DC schemes to purchase annuities would facilitate a phased move towards full retirement. IAIM does not believe that a prohibition on employers from setting prescribed retirement ages is feasible. The desirability or practicality of such limits varies between companies and sectors. However, the amendment of some traditional linkages (such as to the social welfare pension) and more flexible conditions would, it argues, support more options in retirement.

Watson Wyatt proposes a higher level of State pension but payable at a later age so as to be broadly cost neutral. It also supports partial drawdown of benefits and greater flexibility surrounding retirement age. A group of Watson Wyatt clients and Tesco Ireland propose an amendment in Revenue rules to allow a phased commencement of pension but that this should not be mandatory. Tesco Ireland proposes that State pension age be increased and believes this could be done more rapidly than is suggested in the Green Paper. It also supports phased retirement for the State pension.

NFPA considers that retirement age should remain at 65-6 but employees should be allowed to stay at work if they are able and wish to do so. The additional years should qualify for State pension purposes. For people in physically challenging jobs the pension age should be lower than 65.
The Society of Actuaries proposes an increase in State pension age to help fund a proposed increase in pension levels. It also argues that an increase in State pension age could open the possibility of occupational schemes doing likewise which might make DB schemes widely affordable again or at least might support hybrid schemes. It recommends that consideration be given to legislative changes required to facilitate increases in retirement age under occupational schemes. It also suggests that broader labour market initiatives will be necessary to assist the labour market to adjust to increased longevity.

The Society recommends that State pension age be increased and notes that a proposed increase in pension rates could be funded in large part by raising pension age to 70 by 2050. It recommends a lead-in period of 15 years for any change in pension age. The Society notes that the OECD Economic Survey recommends indexing State pension age to longevity and points out that this would require an increase in State pension age of one year per decade.

It also suggests that a reduced pension be available from age 65 to ease the transition to a higher pension age to offer choice where needed. Late payment options would also be provided for those who wished to work beyond the (increased) pension age. Reform of the current retirement conditions for SPT would be essential for this approach. The Society also supports flexibility with regard to retirement age as regards occupational pensions and that scheme members should be allowed to draw a pension while continuing to work part-time.

A group of Watson Wyatt clients suggest an increase in the State pension age and believes that it may be possible to do this more quickly than is suggested in the Green Paper. The group suggests:

1. Immediately redefine the State pension age as age 70.
2. Increase the State pension to 50% of average industrial earnings from age 70
3. Continue to permit retirement from age 65 onwards with the current level of State pension (34% of average industrial earnings) at age 65 and with stepped increases up to 50% at age 70.
4. Over time gradually withdraw/restrict the early retirement option i.e. increase the minimum retirement age to 70 over a relatively long period.

In principle, the group suggests that any increase in the real level of State pension (as a percentage of average industrial earnings) should be available only to those who retire after the current minimum State pension age of 65.

The IIF also believes there is little option but to raise the retirement age for State benefits for all workers (including public servants). It refers to research carried out as to the costs savings involved in such a measure. In this context it supports flexibility in relation to retirement.
A. 6.2 Individual submissions

A number of individual submissions discuss the issue of retirement age. A small number of submissions wish to maintain the current age, arguing that this is necessary to make way for new entrants into the work force, and for health and fitness reasons.

Of those who wish to change the retirement age, only a couple argue that it should be lowered. One proposes an earlier retirement age be encouraged by the Government in order to facilitate greater opportunities for younger people and because of health issues for older people – with the proviso that certain clerical posts might be excepted from this earlier retirement, if no satisfactory younger employee can be found for the posts. The other submission arguing for an earlier age proposes that women be allowed to retire, or even take a job share option, at 60.

The great majority of these submissions propose that the retirement age be extended, many referencing the increasing good health of people at an older age. Most of these propose the abolition of the retirement age and/or the introduction of flexible retirement, allowing people to fix pension problems by being allowed to work longer and defer taking pension payments thereby increasing their eventual size. However, a number oppose any mandatory increase in retirement age arguing that this should be a voluntary decision.

One submission argues that there is a need for co-ordinated action by a range of Government Departments to facilitate people working longer on a voluntary basis. Some propose allowing people the option of either drawing their pension at the same time as staying on beyond 65 in work, or of deferring their pension with added bonuses. One submission proposes that a later retirement age be facilitated by employers, particularly through the provision of relevant upskilling and educational opportunities at a variety of levels to adults over 40.

One proposal is that a person be allowed to “work share” at age 65 for a maximum period of ten years, in order to ease a person into retirement, with the remuneration during this period being ½ pay plus ½ of the State pension.

Related issues that arise include the proposal that there be an equal retirement age for both men and women. Another proposal is that pensions are not based on salary for last three years service, as some employees, for family reasons, may have to refuse a promotion or downshift, often to be close to family etc. It is also argued that standardization with Northern Ireland be introduced, with benefit paid at 65 instead of 66 years.

A.7 Data

The NCAOP recommends that data deficits concerning supplementary pensions, non-pensions savings, and property investment should be addressed by relevant bodies including the Office for Older People.
The CSO highlights the importance of using the reform process to develop improved pension metrics and indicators. The importance of providing sufficient information to the regulator is emphasised in the context of EU Regulations 2056/2002 and 2223/96.

**A.8 Future policy review**

IBEC proposes that there should be regular system review of the pension system which should be conducted by an independent body to review, monitor and develop pensions policy (separate from the regulatory role to be carried out by the Pensions Board). It cites the example of the New Zealand Retirement Commission.
B. Social Welfare Pensions

There were, in general, much fewer organisational submissions which addressed social welfare issues in detail although these were raised in a large number of individual submissions.

B.1 Universal Pension

There is some support for a universal pension but most submissions assume that a contributory pension would continue and some explicitly support a contributory approach (see below).

Age Action Ireland supports a universal pension as the basis for future pension policy as the most effective method of eliminating poverty amongst pensioners, dealing with anomalies and inequities, eliminating means testing, and simplifying administration and ensuring consistency.

The Pensions Ombudsman supports the introduction of a universal pension as the basis of pensions policy.

The TASC/TCD PPRG proposes as one option the introduction of a universal pension based on the New Zealand model.

NWCI also supports the introduction, over time, of a universal pension for all persons over 66 and resident in Ireland for at least 10 years to address issues of adequacy and individual entitlement.

The IIF supports a universal pension with a residency requirement which it argues would rid the system of much of the current complexity, leading to potential administrative cost savings in addition to bringing greater clarity.

However, the APLI believes that the additional costs in a universal model may make it unfeasible and the IAPF suggests it may lead to higher costs and should be subject to a rigorous cost-benefit analysis.

A small number of individual submissions support a universal pension as being more fair and equitable.
B.2 Contribution conditions

B.2.1 General

The CIB accepts the contributory principles set out in the Green Paper and supports its continuation. It proposes that pension should be paid broadly in proportion to the contributions paid. The Board feels that the current weak link between contributions and benefits is unfair to those with high levels of contributions.

The IAOP, in contrast, proposes insuring people simply as citizens in their own right to recognise changes in social and economic roles.

B.2.2 Paid contributions requirement

One individual submission proposes that the condition of 260 paid stamps be changed so that it can to be made up of a combination of paid and credited contributions. A further submission proposes that from Jan 2020 contributions paid should be 1040 (20 years); that from 2020 the non-contributory pension should be abolished, with everyone paying into a pension fund; and that retirement should be still 65 to make way for new entrants to the work force.

B.2.3 Yearly average/total contributions approach

There is general support for a move to a total contributions approach being more equitable but some concern as to the practicability of doing so.

Age Action Ireland, Citizens information Board, and Pensions Ombudsman support a move to a total contributions approach. Submissions suggest that this would be more transparent and equitable.

The Society of Actuaries supports the replacement of the yearly average approach (which it argues is opaque and inequitable) with a total contributions test. It suggests that a long lead-in to the changeover (e.g. after 2019) would help with the logistical issues identified in the Green Paper. It also suggests that, in the context of increased life expectancy, 45 years paid or credited contributions be required for a full pension and that this should increase with increases in pension age. It suggests that concerns about the regressive nature of pension age increases could be addressed by allowing a person to claim a pension as soon as the contribution threshold is reached which would benefit those who joined the workforce at an early age. The Society also suggests that it may be appropriate to allow individuals with contribution gaps to make additional voluntary contributions to achieve the maximum State pension.
The NFPA proposes that the yearly average rule be abolished and replaced by a requirement to have a certain total number of contributions over the working life.

IFA, however, does not consider that coverage of social insurance has been comprehensive for a sufficiently long period to allow for such a move. IFA proposes that periods of employment of up to 1 year be discounted in applying the yearly average test.

A majority of the individual submissions on this issue propose that the averaging rule in calculating contributory pension entitlement be reviewed. A number gave specific examples of how people are affected by the rule. One gave an example of a case where a person lost out because of two weeks vacation work carried out in the 1950s. One proposal is that a basic pension is paid to all plus an extra percentage for each 5 or ten years worked. A number of submissions argue that eligibility for a pension should be based on the total number of social welfare contributions the individual may have had over their working life rather than a notional average, and that special arrangements be made for widows based on their husband’s / partner’s contribution record. One submission proposes that if people who have not paid a significant number (at least 25 years) of PRSI contributions should be entitled to only a minimum pension (40% of the full, contributory pension). Other submission suggests that the period over which the average is taken should be shortened. In particular, one suggests that the average should apply from 1988 or be based on the last ten years where persons are negatively affected by family responsibilities, migration, etc.

Other submissions stress the need to maintain the entitlements of those who reach 66 years of age before 6 April 2012 whose eligibility under the present criteria is based on a calculation method other than total contributions. The unrealistic prospect of such individuals being able to make alternative pension provisions at this stage is highlighted.

One submission, however, supports the average approach while suggesting it be reformed to allow a more proportional relationship between the average paid and the pension received.

**B.2.4 Insurance after pension age**

A number of individual submissions argue that PRSI contributions paid after 65 years should be reckonable for pension. One submission proposes that the compulsory payment of State and public contributory pensions at 65 years be replaced with an elective system to enable those without the full entitlement at age 65 years to forgo a partial entitlement payment and continue to make payments through PRSI until full entitlement is paid, or until a person elects to retire. It is argued that the legislation is made retrospective so that those currently over 65 years, lacking the minimum number of payments to qualify for a full contributory pension, who are still in employment and are paying PRSI can qualify for entitlement to a full contributory pension, which can be achieved through a sum payment of the value of the missing number of PRSI payments.
B.2.5 Miscellaneous contribution issues

The CIB proposes that the existing system of recording social insurance contributions be replaced by one based on annual earnings (as proposed by the National Pensions Board in 1993). It also proposed that consideration be given to the modification of the current conditions for becoming a voluntary contributor to enable more people to be kept in the insurance system. The CIB also propose that the feasibility of allowing people to pay contributions retrospectively should be explored.

The Board raises a number of specific issues which it saw as creating anomalies including the fact that late entrants to social insurance qualify more easily for pensions, and the related issue that entitlement can vary depending on whether one’s working life commenced in Ireland or in another country.

A proposal made by an individual submission is that those who work part time and also have self employment income should be able to pay PRSI contributions on their self employment income. It is also proposed that rental income should be liable for PRSI. One submission argues that there be some consideration for people with disabilities, with recognition of the greater difficulty in gaining employment via the granting of credits. An alternative proposal is for a ‘universal’ pension similar to the pre-1953 special pension.

A couple of submissions propose that pre-1953 stamps are not counted in assessments for pensions. A further submission proposes that tax relief for a husband/wife to pay pension contributions on behalf of a ‘stay-at-home’ partner, is introduced.

One submission proposes that the distinction between a contributory and a non-contributory State pension is unfair to people such as homemakers or people who have lived and worked for a time outside Ireland or the European Union.

B.3 Rate of pension

A wide range of submissions were received concerning the level of State pension and indexation. There is general support for fixing pensions at a certain level of average industrial earnings (AIE), median income or pre-retirement earnings and for indexing it accordingly. However, the indicator proposed and the level of replacement income vary greatly.

B.3.1 Indexation and level of State pension

ICTU argues that its proposed mandatory, defined benefit pension should deliver at least 50% or more of earnings on retirement. It (and the ICTU Retired Workers’ Committee) also argues
that the existing social welfare pension should be brought up to 50% of AIE (or about €317 per week at current wage levels).

SIPTU argues that the level of pension should be linked to average industrial earnings (and not the consumer price index as this would deprive people of their share in economic growth) and should be removed from the political arena so as to enable persons to plan with certainty for their retirement. SIPTU argues that the pension should be set at 50% of average industrial earnings and should rise progressively to 66% of AIE. This would be funded by abolishing the maximum limit of social insurance contributions, increasing the social insurance rate, from taxation, and transferring monies saved on employment-based schemes.

Age Action Ireland calls for a pension set at 60% of household median income (i.e. the risk-of-poverty line under the EU social inclusion process).

The CIB also proposes a link to median income rather than average earnings (though without suggesting any specific level).

The Society of Actuaries argues for an increase in the State pension and a target linked to average earnings. The Society of Actuaries supports setting a pension target in terms of average earnings. It does not propose a particular level but does give an example based on 50% of AIE. The Society suggests that the costs of such an increase be met by an increase in social insurance contributions, a subvention from general taxation, and by raising pension age. It points out that any increase in State pension would benefit employers with DB schemes and that, therefore, it would be reasonable to expect that part of the cost would be borne by employers.

NFPA proposes 50% of GAIE as adequate to meet the needs of pensioners.

NCAOP argues for a State pension set at 40% of GAIE (with the same level for both contributory and non-contributory pensions).

IBEC is ‘broadly supportive’ of proposals to increase the State pension to 40% of AIE (pending a revision of the basis on which retirement income adequacy is assessed and provided the costs are absorbed ‘within the current system’). In the longer-term IBEC supports establishing an alternative benchmark relating to pre-retirement income rather than AIE which, it argues, is becoming less relevant given the increasing level of service employment.

Irish Life argues that the State pension should be set at a minimum level ‘to provide a safety net against absolute poverty’ and that the level proposed in the current Programme for Government (€300 per week by 2012) represented an adequate pension. Once that level is

7 The Society notes that this option, combined with a rise in pension age to 70, would require an equalised contribution rate of 25-30% based on the most recent Actuarial Review of the Social Insurance Fund.
achieved, further increases should be in line with increases in AIE. Irish Life would not support increases above that level.

The IIF supports an explicit target for the State pension but do not specify what this might be and add a caution as to the cost of increasing pensions to 40-50% of AIE.

The IFA proposes that 34% of AIE for State pensions is an appropriate target.

The CIB suggests a link to median income rather than AIE and proposes that pensions be increased by more than the rate of inflation.

The Irish Association of Older People (IAOP) proposes that in order to maintain purchasing power and benefit from economic growth, pension rates should be linked to average industrial wage rather than to rate of inflation.

The Pensions Ombudsman supports a formal indexing arrangement linked to earnings, e.g. average industrial earnings.

NYCI would welcome and encourage (unspecified) increases while the APLI supports the introduction of a formal indexing arrangement possibly on a cost-of-living basis.

The IAPF recommends that the pension be indexed to ‘a suitable measure’ and, while not suggesting any specific rate, believes that the cost of pensions needs to be examined on a long-term basis and believes that there is merit in (i) considering further advance funding thought the NPRF; and (ii) developing an governance framework and infrastructure for the purpose of dealing with the cost of proposed improvements in the State pension to ensure sustainability.

A number of individual submissions discuss the level of the State pension. One proposes that it would be possible to at least double the level of the current State pension by abolishing all occupational pension schemes in the public sector for new entrants, abolishing all new tax relief support for pension contributions, by taxing, as a benefit-in-kind, pension contributions for those in defined benefit schemes, both public and private, where the contributions by the employee, if any, do not meet the complete cost of providing the pension. A second proposes that the Government recognizes that the level of the pension is inadequate, and a third proposes that there is a pension of the same amount for everyone. Other submissions propose that the level of pension be related to the minimum wage. Another proposes that the level of social welfare pension be raised to 40% of AIE over the next 6 years and then to 50% over the following 6 years.

B.3.2 Payment differential between contributory and non-contributory pensions

NCAOP supports paying the same rate for contributory and non-contributory pensions while the IAOP proposes that gap between contributory and non contributory rates should on an ongoing basis continue to be minimized.
However, the small number of individual submissions to discuss the payment differential between contributory and non-contributory pensions are unhappy with the absence of a greater differential. One proposes that there should be at least €70-€100 per week more for a contributory pensioner than a non-contributory pensioner, drawing comparisons between the amount of money a contributory pensioner pays to the State over an average of 40 years, and someone who may never have lived in Ireland but retires here, qualifies for non-contributory pension, medical card, etc. The other submission makes a similar argument and argues this policy encourages people to 'sponge' off the State. It is proposed in this submission that anybody who has not paid a significant number (25 years is suggested) of PRSI contributions should be entitled to only a minimum pension (40% of the full contributory pension), and where people seek to obtain a pension on the basis of 'poverty' then it is proposed that all of their assets should be considered as means.

B.3.3 Living Alone Increase

Age Action Ireland calls for the LAI to be restored to its 1996 value to combat the increased risk of poverty amongst pensioners living alone. Thurles CIS calls for an increase to a minimum of €50 per week and proposes that widow(er)’s under 66 should also be eligible for the living alone increase. The CIB proposes that the living allowance increase be substantially increased because of the greater risk of poverty amongst this group and increased in line with the cost of living. The IAOP proposes that living alone and over eighties increases require to be inflation-proofed and regularly reviewed. However, some other submissions (e.g. Pensions Ombudsman) favour improving the lot of all pensioners.

A number of individual submissions raise the issue of living alone increases. One suggests that the benefit be split into two categories with 80 years of age being the division point. Those under 80 should have their benefit rounded up by at least €10 and it should then be indexed to the cost-of-living. Those over 80 should be accorded a higher rate of payment as average payments only last 4.5 to 5 years thus allowing for costs to be readily predicted. Another submission suggests that living alone should not be a basis for pension increase. A further submission proposes that a more targeted approach be adopted for the very elderly, i.e. those born before 1930, while another proposal suggests that single pensioners on one income should receive a high increase in the living alone payment.

B.3.4 Secondary benefits

A number of individual submissions discuss the issue of secondary benefits. A couple of submissions draw parallels with Northern Ireland. One proposes standardising benefits at 65 years as with Northern Ireland, so 65 year olds can receive the Free Travel pass here as in Northern Ireland, as opposed to 66 years presently. Another submission in a similar vein highlights how someone retiring on their contributory pension at 65 may be discouraged by the
high cost of travel, until they get the free travel pass at 66 years. A further submission details specific improvements for secondary benefits. It is suggested that the fuel allowance should not be means-tested, especially to single pensioner suffering from a chronic illness.

A number of submissions were made as to the services included or the activities of utility providers. It is proposed that a pensioner caring for a relative should be exempt from road tax if the person is unable to avail of a travel pass. It is also suggested that the gas company needs to show more transparency on the gas bill, and the allowance is not itemised or carry forward kilowatts shown. It is suggested that NTL costs be discounted for the pensioner. It is also proposed that Eircom absorb the charge for delivery of cordless phone, in the interest of security for the elderly.

**B.4 Gender issues**

NWCI calls for gender-sensitive reforms to the State Pension (SPTC) including a move from a yearly average approach to allowing a ‘best of’ rule over a shorter period; enabling re-entry to the contribution system after periods of absence; and allowing spouses and assisting relatives to be insured as employees.

IFA and the CIB raise the issue of the insurability of farm spouses and welcome recent developments in this regard including the clarification and documentation of the criteria used by the DSFA and Revenue in determining the existence of a partnership. The CIB also raises the issue of the exclusion of family members from social insurance and calls for this to be addressed as a matter of urgency. This issue is also raised by Women in Agriculture (Killarney) who call for retrospective provision of insurance cover for farm spouses.

The National Federation of Pensioners’ Association proposes that all spouses should be included in social insurance in their own right.

One individual submission raises the fact that social welfare legislation provides that a person employed by that person’s spouse is not insurable and points to the negative impact this has for pension entitlements. Discrimination in terms of being denied the right to pay PRSI while working part-time, before 1991 is also highlighted.

**B.4.1 Homemakers; Marriage Bar**

NWCI (supported by a number of organisations and individuals) propose converting the homemakers scheme to a system of credits and backdating it to 1953. It also proposed a ‘once-off, ring-fenced retrospective scheme’ for those affected by the marriage bar.

The CIB, IFA, the National Federation of Pensioners’ Associations, NCAOP and Thurles CIS support proposals that the homemakers scheme be backdated (in some cases to 1953) to allow
as many women as possible to qualify for a pension in their own right. The CIB and Thurles CIS also propose that the homemakers scheme be converted to credits. The CIB also suggests that a ‘mechanism’ be introduced to ensure that carers availing of the homemakers scheme will not be disadvantaged by the increase in paid contributions to be introduced in 2012.

The NCAOP proposes that the situation of women who left the public service as a result of the marriage bar should be addressed through a ‘special initiative’ within the context of the reforms arising from the consultation process.

Backdating the homemakers scheme is also supported by Age Action Ireland while the Society of Actuaries supports a switch to credited contributions.

Cúram calls for the provision of pension credits for parents and carers.

A very large number of individual submissions discuss the issue of the marriage bar, and how it impacts on ‘homemakers’ entitlement to pensions; and the related issue of the perceived non-recognition of caring roles for pension purposes. A large number of submissions propose that the homemakers scheme should be backdated and credits granted to those forced to leave their jobs due to the marriage bar. It is proposed that the State recognize the equal value of child-rearing and home-making work, as equal to work outside the home.

One submission proposes that special arrangements be made for widows based on their husbands’ or partners’ contribution record. It is also proposed that civil servants who prior to joining the civil service had paid the full rate of PRSI at some stage and who availed of the current term-time scheme within the civil service to care for a children under 12 years, should be rendered eligible for credit awards in respect of periods of term-time, due to the loss of both service and pension entitlement during these times. It is proposed that married women who had to leave their job in the civil service need to have their modified contributions recognised as full rate contributions.

It is also proposed that every woman is notified by letter at age 50, of the current state of her contributions, and the number necessary to qualify for the full pension. One submission proposes that the working spouse be given the right to contribute payments to their at-home partner’s PRSI contributions, divided into two separate entitlements, with the other party having the right to contribute to a private pension plan, establishing entitlements in their own right. It is proposed that this right to equalisation is fully recognised by government legislation, which is supported at constitutional and EU level. It is also proposed to establish a Category 2 (reduced rate) pension as an acknowledgement of the home-based retirement age spouse, so that all women who stayed at home after marriage to care for their family and who have no PRSI eligibility will be entitled to a minimum pension from the State.
B.4.2 Qualified Adults

The CIB calls for the repeated commitment to increase the level of IQA for pensioner spouses to the level of SPNC to be progressed. Cúram also calls for the implementation of commitments to increase the rate of pension IQA to the level of the full SPNC. Thurles CIS welcome the direct payment to the qualified adult but argues that the means-testing of the qualified adult is unacceptable.

A number of individual submissions discuss the issue of qualified adults. It is proposed by all submissions that women should be given a pension in their own right, and not as a qualified adult. The exclusion from entitlement to the contributory State pension due to lack of PRSI contributions is highlighted, as is the parallel exclusion from a non-contributory old age pension on the grounds that they failed the means test even though they have no income in their own right. It is proposed that all women who stayed at home after marriage to care for their family and who have no PRSI eligibility should be entitled to a minimum pension from the State.

One submission proposes that a wife’s IQA for SP should not be income or savings related, due to savings made for retirement. Another proposal is that the issue of qualified adult allowances is reviewed, as it does not benefit those women whose spouses do not qualify for a contributory pension, and because women are not given pensions in their own right. A further submission proposes that women should receive a pension equal to the IQA accompanying the SP. One submission argues for the need to maintain existing QA contributory entitlements in the case of those aged at least 56. A further submission argues that women should be able to receive the qualified adult payment independently without having to get the agreement of the husband.

B.5 Retirement condition – State Pension (Transition)\(^8\)

Age Action Ireland supports the abolition of the retirement condition for the SPT because the retirement condition is a disincentive to older people wishing to continue in or return to work.

The IAOP proposes to remove the statutory requirement to retire at sixty five and to adopt a more flexible approach in some circumstances to ensure that pension cover is adequate.

As discussed in more detail above (section A) a number of the submissions on general retirement age either explicitly or implicitly require a change in the current retirement condition for SPT.

\(^8\) For a more general discussion of issues concerning retirement, see above section A.
A number of individual submissions raise the issue of the retirement condition arguing that it is a disincentive for persons who wished to continue in employment and would have a severe effect on the person’s income. Submissions support the introduction of a more flexible retiring age that might allow people the choice of remaining at work and either drawing their pension at the same time or deferring their pension with added bonuses. However, one submission proposes that the contributory pension should not be paid to anyone continuing in employment, and that incentives should be given to anyone continuing in employment after age 65 in sectors where there is an identified skills shortage. As a corollary, it is proposed that disincentives be applied in those sectors where there is no skill shortage to allow younger staff to be promoted to have their skills recognised and enable them to make their contribution, with all legislative changes being retroactive.

A further submission proposes that pending the introduction of more comprehensive legislation, it would be possible for the government, in the legislation following the 2008 Budget, to introduce a small change in the Social Welfare Act which would allow people who are in receipt of the State Pension (Transition) to claim the normal pension, but to “sign off” for any week that they are in employment, as happens at present with Jobseekers Benefit.

**B.6 Means test /entitlement to State Pension (Non-Con)**

NWCI calls for the full individualisation of the State Pension (Non-Contributory) (SPNC) to ensure maximum coverage and individual entitlement.

The National Federation of Pensioners’ Associations opposes extending means-testing to all pensions on the basis that a contributory pension had already been paid for by the persons concerned. The IIF (which supports a universal pension) also argues that means testing should be avoided ‘as far as possible’ as it can impact on supplementary saving.

IFA calls for the disregard for earnings from employment for the SPNC to be extended to self-employed earnings.

Of the individual submissions which discuss the means test/entitlement to a non-contributory State pension, one proposes that the means test is based on an income tax return through an accountant. Another submission proposes that people should be allowed to have income from another source of up to €100 per week (another suggested €200), which should be index linked as long as it is from a private pension source only. Three submissions draw attention to perceived irregularities in the means testing, with one proposing to delete the requirement of spousal income / savings being counted as means, due to savings needed for retirement. A further one proposes that savings generally should not be counted as means, while the third submission proposes that a social welfare pension from another State within the EU be disregarded as income in the calculation of means. One submission argues that non-contributory pensions should also be payable abroad (as is the case with SPTC).
With reference to entitlement, another submission proposes that the non-contributory pension should not be paid to any person who did not pay PRSI at any time during their working life. Another submission proposes that from 2020 the non-contributory pension should be abolished, and everyone should pay into a pension fund.

Another proposes that where people seek to obtain a pension on the basis of 'poverty' then all of their assets should be assessed as means. Another proposal is that for means testing purposes, women are treated as individuals in their own right and that their own means (not half their husband's) are assessed in full.

Another submission objects to the manner in which means are assessed arguing that means as assessed under social welfare law are currently much higher than any actual return which would be achieved from investment in, for example, a bank or post office. Another points out that means are assessed on shares even though the capital value may have fallen (resulting in a loss).

**B.7 Service delivery and payment systems**

The CIB highlights the importance of information provision concerning social welfare pensions including the operation of the credits system, and the possibility of becoming a voluntary contributor.

A number of individual submissions discuss the issue of the payment system/ service delivery. One proposes that cheques should be mailed to the home weekly, as there is difficulty for many old people in taking advantage of other payment methods. Another individual submission suggests that a payment slip (to provide evidence of payment) should be sent with on-line payments which would reassure older people and save them having to check their account to see if they had been paid. Another proposes that a review of the service delivery of the DSFA be undertaken to ensure appropriate service level contracts are negotiated with Government.

It is also proposed that for the pension planning process it is necessary to know what level of State pension entitlement exists, with the suggestion that this information needs to be co-ordinated between the records in Dublin and the Pensions Office in Sligo, as well as allowing an online enquiry facility. Another proposes that people be informed of their pension position and advised where remedial action is necessary.

A small number of submissions propose that DSFA should utilise a freefone number service for all calls, as current costs for contacting sections of DSFA are charged at full rate and are not included in Eircom package deals.

Also it is proposed that “Home Care Choices” and phone number of same should be enclosed with pension cheques to avoid hospital crises intervention and to educate the elderly.
B.8 Special pensions and particular groups

A number of submissions raise issues concerning special (or pro-rata) pensions payable to particular groups or of issues concerning particular groups as regards their entitlement to pension. Such groups included the self-employed, farmers, public servants, and persons who had emigrated for work reasons.

The CIB urges the rationalisation of existing special (or pro-rata) pensions and the consequent exclusion of any additional add-on provisions.

The CIE Salaried Pensioners Association proposes that a half rate State pension be granted to superannuated members of the CIE superannuation schemes in proportion to their Class D social insurance contributions.

The RTE Pensioners’ Association also seeks recognition for Class D pensions whereby four Class D contributions would be equivalent to one Class A contribution for pension qualification. This approach is also supported by a number of submissions from individuals.

The IFA proposes that low income farmers with income below a certain threshold who were required to pay a minimum flat-rate contribution but who had failed to do so should now be allowed to make retrospective contributions to qualify for a pension. It also raises the issue of farmers in receipt of farm assist who were excluded from social insurance coverage regardless of their income. While this issue has been addressed from 2007, gaps in the social insurance record may be a problem. IFA proposes that such persons be allowed to make retrospective contributions. It also proposes that farmers in the EU Early Retirement scheme who failed to maintain their social insurance record by voluntary contributions should be allowed to do so retrospectively.

IFA also proposes that the special pension for those who failed to satisfy the normal pension qualification requirements be extended to those aged between 60 and 65 in April 1988 and be increased to 75% for those aged between 56 and 60.

A further submission proposes that the Government facilitates the continued payments, through PRSI, towards contributory pensions for public sector employees, including the local authority retirement benefits, to qualify for full or maximum entitlement in relation to the number of years of service towards a full benefit.

Another submission proposes granting credits in respect of ‘years in exile’ to those who returned - after emigrating in the 1950s when (it is suggested) no work was available – including those who were affected by the income limit which applied to social insurance until 1974, and which meant that non-manual workers earning in excess of certain limits were not allowed to pay contributions at the full-rate. It is also proposed that contributions to British social security are taken into account in all (not just select) circumstances, when assessing for an Irish pension. Another submission argues that both Irish citizens, and anyone who qualifies under a Bilateral Agreement, who is adversely affected by existing legislation.
should be able to make up PRSI contributions by lump sum payment thereby qualifying for the SPC. It is also proposed that if the pensioner has 260 paid contributions abroad he should be given the difference between the EU rate and Irish rate of pension on the strength of Irish contributions paid or credited to his record in Ireland. One submission proposes that all pensioners with a minimum of 260 paid contributions pre-1953 should receive a 50% pension.

A number of submissions discuss the issue of the self-employed. It is proposed that the government introduce a State pension for all self-employed. Quite a few propose that self-employed people who were denied access to the SPC should be allowed to buy back contributions they were denied from making previously, and that they should be granted a pension on into the future. A substantial number propose that the self-employed have their entitlements to a contributory pension and other benefits backdated to before 1988. One submission proposes that the five year qualification period for full pension entitlement be revised, where the difference in PRSI contributions could be paid.

A number of the submissions also discuss farmers. A few propose that a scheme be introduced for farmers with a deficiency in PRSI, where any PRSI underpayment could be paid in retrospect. Another proposes that the government set up a pension fund that farmers and other self-employed people who were busy setting up a business, can buy into. It is also proposed that all farmers be paid the same pension.

A number of submissions discuss the issue of pension entitlements for migrants. One submission proposes transferring unused contributions from a family member now settled abroad to a mother who stayed at home to rear her family, with any possible entitlement of the donor waived upon transfer.

It is proposed that agreements between countries be widened to include the present demographic reality and to make allowances in exceptional cases for contributions made in other countries to cover the ‘missing years’. Another submission proposes that any non Irish citizen working in Ireland should be allowed to withdraw his pension fund at the end of his stay in Ireland, with the option of re-transferring his pension funds back into Ireland on possible return, to ensure his pension liabilities are met by the State. It is proposed that in cases where withdrawal is not permitted immediately on his departure, he should be allowed to withdraw at the end of a specified period e.g. 2 years from his departure from the State.

The fact that most people excluded from compulsory insurance were unaware of the option of paying a voluntary social welfare contribution is highlighted, as it is was printed on the back of social insurance cards, which were held by employers.

One individual submission argues that the option of making voluntary contributions should not be restricted to those in ‘profit making’ employment.
C. Private and Occupational Pensions

C.1 Pension models

General views on pension models have been set out above in section A. In this section we look at issues specific to personal and occupational pensions. Reflecting the general lack of consensus on the issue, a wide range of views were submitted.

C.1.1 Mandatory and soft-mandatory (auto-enrolment)

SIPTU, which favours a mandatory State earnings-related scheme, argues that only mandatory schemes work and does not favour a voluntary or soft-mandatory approach.

Several pensions industry bodies, in contrast, support a ‘soft-mandatory’ (auto-enrolment) approach (Bank of Ireland Life, Eagle Star, Ferguson and Associates, Irish Life and Permanent, PIBA). Eagle Star, for example, argues that auto-enrolment is a very effective measure which can easily be implemented as employers already have to provide access to PRSAs.

PIBA argues that any new system of mandatory or soft-mandatory coverage should guard against reducing competition between providers and choice in the provision of pensions. It supports the soft-mandatory approach as the most beneficial way of maximising current provision. It proposes that employers should be required to give a choice of providers or at least a selection be made from a minimum number of providers (reviewable every five years) or a broker (who must deal with a least five insurers) would be appointed to recommend and manage the scheme.

The Pensions Ombudsman, who supports a soft-mandatory approach, does not believe, based on the experience with PRSAs, that the introduction of such pensions would be likely to lead to any significant move away from existing occupational schemes.

The Society of Actuaries, while supporting voluntary provision, feels that such provision could be stimulated by some form or degree of auto-enrolment for persons above a specified minimum earnings level (e.g. auto-enrolment in a PRSA where there is no existing pension scheme in place). However, it cautions that there would be substantial work and costs involved.

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9 The section includes comments concerning the mandatory and soft-mandatory debate as it concerns private and occupational pensions. Issues regarding mandatory State earnings related pensions are discussed in section A above.
in establishing and operating such a system and that it would be essential to ensure that any form of auto-enrolment does not detract from the current standard of occupational pension provision.

However, pension industry bodies generally oppose a fully ‘mandatory’ approach. The IIF does not support mandatory pensions arguing that it would involve a high degree of complexity, would represent an abdication of personal responsibility and weaken the link between effort and reward, remove personal choice, enshrine the principle that citizens must be taken care of by the State and increase ‘Big Government’. It would create a dilemma regarding who should manage the funds, and might result in a lack of individual savers control over the management of their retirement funds. IIF also argues that enhanced first tier pensions would remove the need for a mandatory approach. However, IIF would support auto-enrolment (which it prefers to the term ‘soft-mandatory’) if additional measures need to be considered. IIF believes that auto-enrolment both preserves the value and importance of personal responsibility and harnesses ‘natural inertia’.

Eagle Star strongly opposes mandatory pensions as disruptive of the existing market. Irish Life also argues against mandatory provision stating that the choice of level of contributions in such a system could be too high damaging Ireland’s competitive position while setting rates too low would run the risk of undermining existing pension cover and giving the mistaken impression that pension levels would be adequate. Given the complexity of setting appropriate contribution levels Irish Life believes that it is preferable that individual workers should ‘each engage with the retirement planning challenge’ rather than adopting a mandatory approach.

Bol Life argues that the introduction of mandatory pensions could lead to a ‘leveling down’ of contribution arguing that this had occurred in Australia and believes that other options should be explored before taking a mandatory approach (while accepting that mandatory pensions may be necessary if pension coverage targets are not achieved).

PIBA also does not support a mandatory approach arguing that it would not achieve the objective in the most efficient manner. The imposition of a mandatory regime might, it is argued, interfere with existing pension provision (e.g. by reducing levels of pension to the minimum set for a mandatory system) or force people into pensions who would be better off saving for a mortgage or for education.

IBEC is opposed to mandatory occupational cover which, it argues, would penalise labour intensive sectors and could impact negatively on foreign direct investment, IBEC also opposes auto-enrolment (at this time) which it suggests is largely untested and believes that the system in the UK and New Zealand should be evaluated over the next few years.

The IAIM also does not support mandatory or soft-mandatory approaches which it argues would be extremely expensive. The IAIM argues that the mandatory/soft-mandatory arrangements in other jurisdictions are worth noting. In particular, it states that in Australia, 16 years after the Superannuation Guarantee was introduced it is estimated that the savings rate needs to be increased by up to 6%. In New Zealand, over a third of the relevant employees
have opted out of a soft-mandatory system after the first year. These are typically in sectors similar to those which must be targeted in Ireland. Research conducted on behalf of the Association of British Insurers suggests that up to 25% of existing pension scheme members will reduce their funding levels on the introduction of mandatory pensions in the UK. While accepting that mandatory systems will increase coverage, the IAIM argue that there is strong evidence that they will undermine existing levels of pension provision.

The IAPF opposes any mandatory approach arguing that it is likely to undermine the current system as did Watson Wyatt which also argues that it could lead to higher unemployment, higher costs and evasion.

ISME also opposes any mandatory model arguing that employer contributions would only increase business costs and cost jobs; and that it would undermine existing pension provision.

Hewitt Associates opposes any ‘mandatory’ model which, it argues, would lead to employers opting for the lowest contribution rate required.

**C.1.2 Pension contribution rates**

Irish Life argues that, in the context of the introduction of ‘soft-mandatory’ pensions, initial contribution levels should be set at 2% of annual earnings for both employer and employee and this should be increased to at least 5% each by 2015.

The IIF proposes that any auto-enrolment scheme should provide for a default level of employer and employee contributions to be effective (the actual level to be a matter for agreement at social partnership negotiations).

The Pensions Ombudsman supports a mandatory minimum contribution (in a soft-mandatory system) of, initially, 3% from both employer and employee to be increased over time.

Ferguson and Associates propose an employee 5% minimum contribution rate with the employer being required to make a contribution equivalent to the employer PRSI saving.

NYCI proposes that contributions should be 3% from employee, employer and the State.

**C.1.3 Auto-enrolment issues**

Irish Life argues that auto-enrolment (to a PRSA type pension) should apply to all workers (including the self-employed) regardless of income level or age. It proposes that opt out be allowed after a minimum of six months to serve as a barrier to unscrupulous employers encouraging employees to opt out at an early stage.
C.2 Tax and PRSI relief

One of the areas in which a very large number of submissions were received concerned tax issues. There is little consensus on the impact of existing tax reliefs nor on the future direction of policy. One group of submissions sees existing reliefs as being highly inequitable in their impact and benefiting mainly higher earners. Such submissions argue for the abolition or refocusing of tax reliefs. An alternative view is that tax reliefs play an important role in encouraging saving and, having regard to future tax paid on pensions, provide support mainly to people on or about average earnings. Such submissions generally support the retention of or an increase in tax expenditure. Amongst those supporting tax incentives there is a difference of view as to whether the existing system of tax allowances should be maintained or whether there should be a shift towards a system of tax credits.

C.2.1 Reduction and/or refocusing of tax reliefs

The TASC/TCD Pensions Policy Research Group argues that the costs and unequal distribution of pension tax reliefs are major problems which threaten the long-term sustainability of the pension system. It argues that the cost of tax relief is very significant and is now at about the same level as public expenditure on pensions (1.9% of GDP). In addition, it argues that – unlike public expenditure – the bulk of tax reliefs accrue to the top 20% of earners while the bottom 20% receive virtually nothing (a view supported by other groups including ICTU and the ICTU Retired Workers’ Committee). The TASC/TCD Group also argues that the limited change in coverage of occupational pensions over the last decades indicate that tax incentives have not been effective in increasing pension coverage.

ICTU and the ICTU Retired Workers’ Committee support reducing and refocusing tax reliefs (e.g. reducing the cap on pension contributions and the size of accumulated fund) and making them available as a refundable tax credit.

The Irish Gerontology Society also supports a reduction in tax reliefs.

The CIB shares the view that tax reliefs predominantly benefit higher earners and that this is a serious inequity. It questions whether tax relief is providing value for money to the State given that there has not been any marked increase in pensions’ coverage in recent years. It argues that the Exchequer is providing far more support, on average, for workers who are covered by private pension plans than it is for those who are covered by the public pension system and that this inequity is compounded by the fact that such support predominantly goes to higher income taxpayers. It suggests a number of options for consideration including lowering the cap on tax deductible contributions from pensionable earnings of €254,000 per annum to a reasonable multiple of gross average industrial earnings; giving the tax relief as a refundable tax credit at the standard rather than the marginal rate of tax; a reduction in the size of pension fund allowable for tax purposes; and taxing returns on pension investments.
SIPTU argues that the State should continue to support additional pension provision up to a maximum of four times the AIE. Those not in the tax net should receive credits or direct State payments into a savings fund. Additional savings (above that limit) would be an individual matter and not subsidised by the State.

IBEC proposes that consideration be given to a ‘more equitable’ redistribution of the current tax take to include tax relief on all retirement savings at a uniform rate of 41%.

The NCAOP recommends that, in the interests of equity and the appropriate use of public resources, the current system of tax incentives should be reviewed and re-focused to benefit lower income groups.

The NWCI points out that women benefit less than men from tax expenditures and, therefore, there should be a more limited use of tax reliefs. It suggests that consideration be given to full abolition of pension tax relief, restricting reliefs to the standard rate, introducing more stringent caps on reliefs, and limiting the use of ARFs as tax avoidance measures.

NYCI supports the diversion of tax reliefs away from those who do not need it and towards those who do, in particular young people. Once a more equitable system is in place it should be followed with increased coverage. In particular, NYCI proposes that the amount eligible for tax relief be reduced to €100,000 p.a. and the level of tax savings for higher earners reduced and savings used to provide incentives to those on the standard rate or outside the tax net. It supports an SSIA-type initiative for persons aged up to 45. It also proposed that tax relief for other forms of supplementary pension provision be allowed at the higher rate for all personal contributions at source by way of tax credits.

James R. Kehoe also takes the view that the current tax reliefs are socially inequitable and proposes standard rate relief on the first tier of pension contributions (up to 10% of AIE) and marginal relief on the balance up to a prescribed limit.

The APLI proposes that tax relief for all contributors be made at the same level.

C.2.2 Supporting tax reliefs

The IAPF commissioned research on the costs and benefits of tax incentives. This broadly agreed with the Green Paper estimate of €1.9 billion p.a. in respect of relief on contributions while suggesting a somewhat lower figure (€0.9 billion) for the cost of tax foregone on investment earnings. The study also suggests that in estimating the costs it is not appropriate simply to deduct an estimate of current revenues from current costs as this does not compare like with like and that regard should be had to future tax returns. Taking these issues into account, the study argues that the current system gives the highest benefit to those earning just above average industrial earnings and that the net effective rate of relief falls as you move up the income scale and/or as one increases the level of pension contributions. The study
questioned proposals to divert the full cost of existing reliefs which would move the Irish approach from its current EET design to a TTE model. It noted that none of the EU15 countries had adopted this approach and that the EU Commission has advocated the EET model. The study suggested that an estimate of €2 billion (rather than the €3.1 billion in the Green Paper) would be a more realistic estimate (taking account of behavioural change) of the additional tax revenues which would accrue to the Exchequer if tax relief on contributions was abolished and tax imposed on investment returns. The study also suggested that any move to abolish tax relief on contributions and/or to remove the BIK exemption from employer contributions should apply to both public and private sector pensions.

The IIF believes tax reliefs are an important component of the current system and play a key role in influencing individuals to contribute to pensions. Accordingly, they support maintenance of the existing system. The IIF believes that changing current reliefs may discourage higher earners from making retirement provision without necessarily having the effect of incentivising the less well-off. It also argues that changes could prejudice the sustainability of existing schemes.

The IAIM and the Society of Actuaries also state that regard must be had to the fact that tax will, it is argued, be payable on pensions in payment. It argues that the tax system gives most tax relief to people not far above the marginal tax band and saving a moderate amount for retirement.

Many pension industry organisations (such as Eagle Star, Irish Life and Permanent, PIBA) argue that tax incentives play an important role in encouraging people to contribute to pensions and to stay enrolled and support maintenance of the existing system. For example, Eagle Star argues that it is ‘crucial’ that the current tax system be maintained. Irish Life argues that the current system directed the highest (percentage) levels of tax relief to taxpayers with salaries just in excess of the marginal tax band who are saving a moderate amount for retirement.

ISME also calls for higher rate tax relief to be allowed for personal contributions to supplementary pension schemes (subject to limits).

A small number of individual submissions support the existing tax arrangements as effective. One, however, points out that, following early retirement, tax incentives are less effective due to reduced income.

C.2.3 Credits v allowances

Many of these organisations also argue that an SSIA-type system would not improve incentivisation (compared to the current system) and argue against the ‘unnecessary

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10 EET indicates Exempt contributions, Exempt fund growth, and Taxable benefits; while TTE indicates Taxable contributions, Taxable fund growth and Exempt benefits.
complication’ of tax credits (Eagle Star). PIBA, for example, points out that the SSIA approach was short-term (over 5 years) while pension saving is a long-term commitment. It also argued that, if pension tax credits were only allowed at the standard rate but emerging benefits at retirement were taxed at the marginal tax rate, the tax system would act as a disincentive to contribute to a pension. As regards any inequalities in the system of tax reliefs, PIBA argues that these should be solved by leveling up rather than leveling down. PIBA supports the maintenance of the current pension tax relief or the granting of marginal rate tax relief on all personal contributions to pensions combined with the maintenance of the current tax relief on employee contributions. The Society of Actuaries also believes that the current system of tax reliefs is an effective approach to incentivising long-term saving but needs to be communicated better.

However, some other bodies (IAIM, IAPF, ISME, Hewitt Associates, and Tesco Ireland) support the simplification of the tax regime to look more similar to the SSIA approach. Bank of Ireland Life believes that an SSIA-type tax bonus could revolutionise the take-up of pensions. Its own consumer research indicates that the current tax system is not understood and that lack of awareness is the major barrier to pensions take-up. Ferguson and Associates support occasional once-off SSIA-type pension initiatives aimed at areas where coverage is low.

The Pensions Ombudsman supports a tax credit arrangement for PRSA while maintaining the current regime for all other types of pension.

A group of Watson Wyatt clients considers that an SSIA type incentive structure is preferable to the current tax relief structure. It is felt that this should be a simple ratio (e.g. 1 for 1 or 1 for 2) for all regardless of marginal tax rate and accepted that this could involve some redistribution of tax relief away from those on the higher income tax rate. The principle that all should receive the same incentive regardless of their marginal tax rate is supported by the group.

The Irish Postmasters’ Union supports the continuation of existing tax reliefs and proposes that a solution such as tax credits be provided for those not in the tax net.

IFA calls for income tax relief on all pension contributions to be paid at the higher tax rate by means of a pensions tax credit. This should be paid to those who do not have any taxable income. IFA argues that this would introduce greater equity to tax reliefs.

The Financial Regulator points to the attraction of the clarity and simplicity associated with the SSIA arrangements and suggests that consumers need to be more aware of the tax incentives that are available.

NFPA supports extending the top rate of tax relief to all to encourage take up.
C.2.4 Miscellaneous

A number of submissions argue that the system of tax reliefs is not well understood and appears unduly complicated to most people (APLI) and support simplification and better communication.

Irish Life argues that current PRSA tax treatment seems inequitable as regards employer contributions when compared with that in personal/occupational pensions and proposes that this difference be removed to allow PRSA savers to enjoy the same benefits as others.

The Irish ProShare Association proposes that each person be given an incentive to transfer shares acquired under employee share schemes into a pension scheme (e.g. exemption from capital gains tax).

The Irish Property Owners’ Association proposes that pension tax relief should be allowed on rental income to remove a perceived discrimination and to promote the private rental sector.

C.2.5 Individual submissions

A large number of individual submissions discuss the issue of Tax and PRSI relief.

C.2.5.1 Redirecting or restricting tax relief

A substantial number of submissions propose a review of the current system where higher paid workers enjoy a higher percentage tax relief on pension contributions than lower paid workers. A number of these proposals suggest that tax relief is given as a tax credit rather than at the marginal rate of tax. It is also proposed by a number of submissions that because there is no tax incentive for low earners to purchase pensions the State should provide a direct grant to such persons. Another submission proposes that the tax-relief system that is currently employed should be maintained but that the relief should not be dependent on highest marginal rate. It is proposed that all pension contributors should get a standard relief in the region of 35%. Those that are not in the tax-net could either qualify for a rebate of the relief or be offered a greater percentage of their fund as tax-free cash at retirement age.

There are a number of proposals which set out, in great detail, the proposed workings of SSIA-type incentives. One SSIA type scheme is detailed whereby tax relief is given in the form of a credit to the amount invested at perhaps 50% of the amount invested. The proposal is for a universal, compulsory, and portable pension-scheme, and this national pension fund would be managed by an agency similar to the NTMA (a body suggested in a number of proposals as being worthy of overseeing the pension fund). It is proposed this comprehensive scheme would
apply to all employees, and the self-employed, and to all persons entering public employment once the scheme becomes operational. It is proposed that the basic State pension would be the entitlement of every retired person upon reaching the designated retirement-age. All pension income, including the basic State pension would be taxable as income. However, the tax-threshold for retired persons would be set significantly above the level of the basic State pension. All persons would be assigned a "Personal Pension Account" (PPA) in the same manner as they are assigned a PPS No. These accounts would remain the private personal property of the account-holder. These pensions would be separate and additional to the basic State pension. A small statutorily fixed percentage of all income above a set threshold would be payable into the PPA in the same manner as income-tax is payable to the Revenue. In addition, income-earners would be allowed to invest up to a combined total of 15% of their gross income in their PPA. Employer contributions could be a matter for individual or collective negotiation and agreement between employee and employer.

One other proposal is that the government set up an SSIA type scheme with the banks. The detailed proposal suggests paying in from 10 to 1000 euro a month (with restrictions which can be altered depending on age profile). Funds cannot be withdrawn until age 60/65. A tax credit from the government would be added. Being in a deposit account, the money is secure, and will allow reasonable projections by the bank assuming a 4% interest rate. At the age of 60/65 a maximum of 10% per year could be withdrawn, with the balance being given as a monthly income. It is proposed that these conditions could be altered in exceptional circumstances. There is a ceiling on tax relief when the balance exceeds a certain amount, and the interest earned could be free from DIRT.

Overall, most of these submissions propose establishing an SSIA type system for pensions, effectively arguing that making additional contributions to individuals pension policies in a similar way to how SSIA’s operated is best, due to its effect being appreciated immediately.

A number of submissions propose abolition or various restrictions on existing tax reliefs with the expenditure saved being redirected to support State pensions (e.g. to remove the tax relief on occupational pension schemes contributions; or to lower the income cap and contributions allowable for tax purposes and tax on the returns of pensions and investments). One submission proposes that all tax avoidance measures should be abolished as these have given rise to considerable inequalities in pension coverage.

C.2.5.2 Increasing reliefs

However, a number of submissions also propose increased tax reliefs. One submission proposes that tax relief (subject to a cap) for pensions is made allowable on all income, including the likes of maintenance payments, (not seen as ‘relevant earnings’). Another submission proposes that pensioners should not have to pay income tax.
It is also proposed by a number of submissions that sole earners in families should be able to claim tax relief for subscriptions to their spouse’s pension. One submission proposes he should be able to receive tax relief for starting pension payments for his children, as well as receive tax relief and PRSI relief at source for lump sum payment into PRSAs from the moment of payment. Another proposal is for PRSI relief to be made available on private pension plans as is available on company pension schemes. It is also proposed that tax relief on Pension Premium Insurance Cover be allowed against missed payment cover against redundancy / ill health. One submission proposes that the Government should make tax incentives the cornerstone of the private pension system if it wishes to promote private or supplement type pensions schemes.

Another submission proposes giving everyone relief at the higher tax rate, but to cap the total relief (possibly on a life-time basis, with some annual limits if necessary). "Tax Relief Accounts" are also proposed for an individual for life i.e. that pension tax relief (and maybe other reliefs such as mortgage interest) might be available in more flexible ways, so that people can use them when they most need them at a particular stage in life, but be encouraged to "bank them" (in a State "Tax Relief Account") at times when it better suits them. It is argued this might aid in helping young people to take pensions seriously.

C.2.5.3 Detailed proposals

A number of submissions set out specific proposals for reforms of existing tax and PRSI reliefs. One proposal is that PRSI relief on PRSAs/AVCs should be paid at the same time as tax relief, instead of separately. One submission suggests tax relief should be deducted at source, like on a mortgage. It is also proposed that the same PRSI reliefs be available to sole traders as is available to directors from 1st January 2003, when directors became entitled to this relief, as both are entitled to the same amount of entitlements under the old age pensions and PRSI net and it is proposed, they both should be entitled to the same reliefs available.

Three submissions deal with the issue of rental income. It is proposed that the ‘unearned’ nature of rental income is changed, as the business of rental income has changed dramatically in the past 10 years, with much more legislation to deal with, administration regarding tenant registrations etc. It is proposed that tax law is changed to reflect this, including where contributions to pension funds carry no allowance of tax relief. It is proposed that this will encourage all those in the sector who are opting out of pension contributions at present, and would meet the Green Paper’s objective of encouraging improved coverage to all those who have rental income.

C.3 Annuities and Approved Retirement Funds (ARFs)

A large number of submissions also discuss annuities and ARFs. Some submissions argue that annuities offer value for money but the general thrust of submissions takes the contrary view.
There is general support amongst those raising the issue for the further extension of access to ARFs at least to those in DC schemes. However, there is also strong criticism of the abuse of ARFs as a tax avoidance mechanism and calls for rules to be further tightened so as to prevent this. There is general support (amongst those considering the issue) for some role for the State in providing annuities but little agreement as to the details with some submissions envisaging a very broad role and some a narrowly confined one.

**C.3.1 Annuities**

The IIF argues that annuities offer value for money (quoting the recent Indecon/Life Strategies report). NFPA states that annuities (while the return is volatile and dependent on interest rates) are safer than ARFs.

James R. Kehoe, while taking the view that the annuity market operates as efficiently and effectively as can be expected, argues that, because it can take a long-term investment perspective, the State could provide guarantees and value to long-term savers which cannot be matched by the private sector. He proposes that the State should provide a social welfare pension (effectively an annuity replacement) payable at a rate of 15:1, i.e. each €15 of accumulated value converts to €1 of inflation-proofed annual pension (subject to a cap on the income which could be obtained). This would be payable to those participating in his proposed savings accounts and retirement bonds and to current DC pensioners.

ICTU proposes that the State should provide fair and equitable annuities (a call which Unite supports). SIPTU argues that the current market in annuities is not working and that pensioners are disadvantaged as a result. It proposes that flexibility should be introduced about the date at which annuities are bought and that the State should offer an annuity product.

The Pensions Ombudsman suggests that annuities are good value for some but not for others. The Ombudsman sees nothing wrong in principle with not annuitising PRSAs but suggests that time-limited ARFs might be an option to remove the inflexibility which exists in the current system whereby annuity purchase is necessary at point of retirement.

The IIF states that insurers would have no issues with the State entering the market as long as proper reserving requirements apply while the IAPF believes that the State could provide (in ‘rare instances’) an annuity, i.e. where an involuntary insolvent wind-up occurs and where the employer has insufficient assets to satisfy the difference in assets between the ongoing liability in respect of pensioners and the annuity cost for such purchase.

Watson Wyatt proposes greater annuity options, e.g. semi-guaranteed annuities with a discretionary performance-related bonus. The Society of Actuaries also proposes unit-linked annuities and other annuity product innovations at least for non-core benefits. The IIF states that the Revenue rules for annuities are too restrictive and it would support a wider choice of matching assets. It suggests that the Financial Regulator should carry out a cost survey of
annuities and put consumer information on its website (a proposal also mentioned by the Pension Ombudsman).

The IAIM notes the deficiencies identified by the OECD in annuity markets. It is IAIM’s assessment that there is little prospect of encouraging new entrants into the market and increased competition and diversification are unlikely (a view shared by the Pensions Ombudsman). It believes that education about, and awareness of, annuity products can be improved particularly through targeted rather than generic information/advice and suggests the regular provision, by the Pensions Board, of suitable comparative annuity level data, on various bases. The IAIM identifies a possible role for a State Annuity Fund to provide protection for DB members in the infrequent event of involuntary winding up.

IBEC believes that the State has both the opportunity and the expertise to develop a State investment fund into which individuals could invest for a guaranteed or enhanced State pension. It argues that such a fund (which might be managed by the NTMA) would undoubtedly incentivise pension savings. IBEC proposes that it would target low to middle-income earners who currently have poor pension planning and provision. It would reduce the charges implicit in the multitude of smaller schemes which can be disproportionately high to the level of investment. IBEC believes this would be a better alternative to mandatory pension savings.

Hewitt Associates recommends that the State should change the annuity basis and/or consider some form of State annuity fund particularly in relation to insolvency of a pension scheme on wind up and in the case of small DC funds which would be very poor value-for-money if required to purchase an annuity commercially. It considered that occupational DC members should have the option (but not be compelled) to purchase an annuity at retirement.

The Pensions Ombudsman, however, believes there is no benefit to the State for involving itself in the annuity market and that this is unlikely to be feasible in an EU competition context. He suggests that the Government should make it less onerous for EU companies to enter the Irish market.

C.3.2 ARFs

The TASC/TCD Pensions Policy Research Group highlights a Department of Finance survey which indicates that in 2005 only 6% of ARFs were being used to provide a regular income while 89% were being used by high earners as a tax-advantaged savings scheme. While noting subsequent changes to the legislation, the Group also highlights the OECD assessment that these still involve large tax concessions to wealthy people. ICTU and the NWCI also criticise the use of ARFs as a tax avoidance measure.

Unite calls for the extension of ARFs which are more flexible than annuities, less expensive and have a better rate of return.
The Pensions Ombudsman suggests standardisation across different pensions arrangements in relation to access to ARFs but states that reform of the ARF system would be necessary first.

Pensions industry bodies generally favour the extension of ARFs to some extent. PIBA supports the extension of the ARF option to all members of defined contribution occupational pension schemes, both to act as an encouragement to employees to join such schemes and to make larger contributions to such schemes, and to remove the inequity in the current system (whereby it is limited to certain types of pension) (as do Ferguson and Associates). The IAPF strongly believes that all DC members should have the option to transfer their funds to an ARF. IAIM also strongly endorses the conclusions reached in recent reports that there is no logical reason why retiring members of defined contribution schemes should be subject to different rules to those who may avail of the ARF options.

Eagle Star and Watson Wyatt support extension to both occupational DC and DB schemes. The APLI, IIF and Bol Life support extension of ARFs to all retirees. However, Irish Life and Permanent opposes the extension of ARFs to DB schemes arguing that this would fundamentally alter the nature of DB schemes. The Society of Actuaries favours extension to all DC members but believes that the situation regarding DB schemes is less clear-cut and argues that a number of issues would need to be carefully considered before extending ARFs in this manner. Ferguson and Associates also do not support extension to DB schemes given their different employer-guaranteed nature. A group of Watson Wyatt clients supports extending ARFs to DC schemes but not to DB. Tesco Ireland also supports extension to DC schemes but feels that ARFs are not suitable for persons on very low incomes as they carry a reasonable level of risk and opposes extension to DB schemes. ISME supports extending ARFs to all DC schemes.

Ferguson and Associates argue that the requirement for investment of a set sum into an Approved Minimum Retirement Fund (AMRF) served little purpose and should be abolished. The Society of Actuaries takes a similar view and also recommends the abolition of the capital sum requirement. It recommends that the minimum income requirement (currently €12,700 p.a.) be indexed so that it maintains its value. The IIF proposes the replacement of the current AMRF requirement with a requirement for a minimum level of income.

Age Action Ireland supports maximum choice in planning for retirement.

C.3.3 Individual submissions

A number of submissions discuss the issue of Annuities and ARFs. A great majority of the submissions believe that the restrictions requiring the purchase of an annuity are discriminatory and propose that alternatives to annuities be facilitated. A great number of these submissions propose that PAYE workers should have the same flexibility that self-employed and directors do for investing their whole pension funds (and not just the AVC part of the fund). It is proposed by a number of the submissions that a minimum pension provision for
everyone could be stipulated, but people should be allowed the freedom to invest the rest in an ARF. Others who propose a similar lifting of restrictions include those who have decided to take the fund from an employer’s pension plan, and invest it in a retirement bond, but who are prohibited from subsequently investing it in an ARF (and/or an AMRF as appropriate). Several submissions who identify themselves as being within defined contribution schemes ask for similar equal treatment, the right to purchase an annuity or to invest in an ARF/PRS. One submission proposes that, as an alternative, the Government should offer some sort of bond to persons who do not want to put their pension pot into an annuity, with a fixed rate income with some sort of inflation protection built into it. It is proposed by three of the submissions that the State could be involved in all long-term investment products relating to retirement. A further submission specifically proposes that there are no attempts to limit the rights of people with PRSAs in regard to access to ARFs, arguing that people should be rewarded with choice and options for taking this step towards providing pension and not be punished by having their options restricted.

Another alternative model is that pension fund owners are allowed to invest it themselves and be restricted to withdrawing 6% of the original sum, rising by the CPI or 4% (whichever is the lowest). It is proposed that a financial institution of the person’s choice could administer this fund or An Post backed by the National Treasury Management Agency with a charge of 0.25% of the fund or €250 max, with the fund lasting 15 - 16 years by which time the owner would be 81 years old. It is proposed that the money left when a person dies before it runs out should then be divided equally between the estate of the person and the NTMA to pay support for people who live longer than the money lasts.

A further alternative proposal is that instead of annuities / ARFs, people could purchase a bank share showing a dividend yield of at least 4% (including annual increases 10% - 15%) and capital appreciation over a period of at least 20% per annum.

One submission proposes that the State should create a State annuity fund; that the Pensions Board publish an up-to-date chart of annuity rates; and that annuitants be allowed to access UK markets where annuity rates are higher.

Another proposal is that a restricted bank account be established (with strict terms of withdrawal) where interest was paid monthly to the member, and the member could then choose a fixed or floating rate of interest, with the funds then eventually passing onto the individual estate upon death.

A substantial majority of these submissions propose that people should get a choice of deciding both who manages their pensions and in what way it is managed. Many propose that a number of the available options should have a government guarantee in some way.

A number of these submissions also propose ways of improving the annuities schemes on offer. A couple of submissions decry the ‘cosy’ competitive environment that exists in Ireland, with one proposing that the Government should insure new entrants into the market, to aid its expansion. It also proposes that all information should be disclosed on the terms and conditions.
of the pension product at the time of purchase or entry into the scheme, thereby assisting individuals to recognise annuity terms that they may find satisfactory.

Another submission proposes that the current poor value of purchasing an annuity could be improved if pension monies were invested in approved products similar to current mixed asset funds. To ensure that the benefit is guaranteed, the supplier could be required to purchase a guarantee from the NTMA, resulting in improved annuity returns, a premium for the NTMA and encouragement for people to invest in pensions. It is further proposed that trade unions are not suitable for encouraging the take-up of the annuities, but may be able to assess products on offer for their members.

One submission argues that the annuity market is uncompetitive, distorted by Revenue rules and by the small number of providers. It suggests that a growing ARF market may help to improve value-for-money and provide an alternative to annuities. This submission also argues that there is a significant counter-party default risk associated with the annuity market. It suggests that annuitants probably face a 10-20% default probability over 30+ years. It suggests that newly introduced trustee training obligations could help to address awareness issues; and that the development of variable annuities with guaranteed minimum benefits should be encouraged.

One submission proposes a number of options: (i) A State Annuity Fund – on a Public-Private Partnership basis (with one of the major pension consultancies for example) to be available as an annuity provider in all circumstances; (ii) A State Annuity Fund – Non-Partnership basis, strictly to be available in DB wind-up situations only; (iii) State-aid/encouragement for a “Central Annuity Fund” to be established and maintained by one or a combination of the major pension consultancies, this could become an annuity provider without some of the constraints that life insurance company annuity providers face – namely shareholders and solvency requirements.

Another submission also proposes that there is a need for greater State involvement though the issue of index-linked bonds by the NTMA, and permitting individuals and/or providers to participate in investments managed by NPRF.

With respect to ARFs, a small number of submissions propose that the new rule of 3% of the ARF being deemed taxable each year regardless of the fund amount has serious consequences for the small investor, with one of the submissions proposing that a threshold is introduced for this rule, a base of say €3m or €4 fund that be applied and marginal relief of up to €5m - €6m.

C.4 Simplicity; Information; Education

There is a strong sense in the submissions made that most people find pensions very confusing and clear information difficult to obtain. A range of different proposals are set out below including improved education on financial planning and pension issues. A number of
submissions suggest that Credit Unions or An Post should be involved in the provision of pension products as this would make them more accessible.

C.4.1 Organisational views

A wide number of organisations argue for greater provision of information, communication and education as part of a future pension strategy with, for example the introduction of financial planning or pension modules in transition year or the first year of third level education (e.g. APLI, Hewitt Associates, IAIM, IBEC, IIF, Irish Life, ISME, NCAOP, PIBA, Society of Actuaries, Watson Wyatt). For example, PIBA argues that further public education is required and this should form a strategic government plan.

Irish Life argues that a clear communications approach is required to ensure that workers are aware of their retirement income prospects and that a requirement for group and individual member education be brought into a soft-mandatory framework.

The Pensions Ombudsman suggests that communication needs to be greatly simplified to get its message across.

Attain Consulting argue that to ensure savers understand contribution levels and investment returns, members need to be engaged by pensions communications and there should be more emphasis on the use of Plain English. It suggests that the format and content of Annual Benefits Statements also need to be totally revamped to address the imbalance between compliance and education.

The NCAOP recommends that a body be charged with promoting financial literacy as part of the pensions reform process. This body should provide information to the public about pension charges and related issues. Hewitt Associates also argue that education and communication are two key elements and that these issues need to be addressed by a range of approaches.

ISME argues education is a fundamental issue and that workers should be educated on the need to take personal responsibility for their retirement income.

The Society of Actuaries argues for the need to make DC contributors aware of the level of contribution required to provide a target level of income and the implications of risks inherent in any investment strategy.

IBEC proposes that DSFA should make available support to trade unions, employer bodies, employers and all other independent stakeholders to assist them in both understanding and advising their constituencies on the best pension options.

The Financial Regulator argues that the design of any mandatory or soft-mandatory system must make contributions mechanisms, investment policies, costs and benefits as simple as possible and should be a low cost product. It suggest that provisions may be necessary.
(analogous with the motor insurance industry) to ensure that the market operates in a transparent manner.

The Retirement Planning Council outlines the benefits of pre-retirement courses (and indeed mid-career courses) on retirement planning.

C.4.2 Individual submissions

A number of individual submissions discuss the need for simplicity, information and education in relation to private and occupational pensions.

Several draw attention to the complexity of the pensions issue, and how vital it is for people to achieve a greater understanding of it if it is to prove productive for them. One submission proposes that pension information should be provided as part of the normal pay slip routine to each person employed in the State in a simple standard format that will not change by employer. This should be provided at least once per tax year and include a statement of benefits at retirement at current monetary levels, with the onus on the employer to manage this. Where AVCs have been paid and an employee moves to another employment an annual statement of the accumulated position should be provided automatically.

Another submission proposes that the Government should make a strong distinction between savings and pensions, which it is argued many people find complex. It is proposed that the government should legislate that policy holders are given all and every piece of information regarding their pension benefits, and all risks attached thereto. It is proposed that guarantees are given, and with an occupational pension or private pension they should be registered and approved with the Financial Regulator.

One submission proposes that there should be an independent advice service on pensions similar to MABS.

Another submission argues that the need to encourage private sector employees to save towards their pensions can be achieved by aligning the pension system more directly with individuals’ financial objectives/milestones. With the assumption that people can be convinced of their need to save for the future, the submission outlines how obstacles facing individuals who want to start saving for their retirement can be overcome through education and making the system simpler e.g. SSIA style; government guarantee law and education about the guarantees and laws; and by allowing people access to the fund whenever they need it, and the tax relief/government contributions would be reclaimed if part of the fund is withdrawn before retirement age.

Another submission proposes the need for pensions legislation to be clear and unambiguous. It is proposed that people are given accurate and transparent information when taking out...
pensions. It is proposed that all fees and operators charges are clearly outlined and there should be an obligation on Government to ensure this happens.

One submission proposes that everyone should get a choice of managing their own pension. The submission wishes the Green Paper was more widely disseminated in public, as he had only heard of it through a press advertisement. He suggests that employers could issue the Green Paper.

One submission proposes that a system of standard names be given to the information documents provided to persons.

Another submission proposes that more information is made available to members of pension funds, that there is regular intercourse between various funds, including the open interchange of actuarial valuations between the various pension scheme members. It is suggested that there appears to be a policy of limiting access to actuarial valuations, and it is proposed that if information on every pension scheme fund was made available to every other fund this would stimulate a huge increase in interest and provide better performance.

One submission proposes that a pension packet be organised by a trustworthy organisation such as a Credit Union with a fixed fee each year for managing funds.

A further submission proposes that trustees be obliged to call a meeting to present annual reports and actuarial reports to members.

One submission recommends that Family Finances needs to be made a compulsory subject from second level education onwards. This would help everyone to understand the major financial decisions of life (banking, savings, mortgages, insurance, pensions etc.) and also how to get the best value for money in these transactions. It would also make them aware that they should start saving at an early age and finances affect all family members for life. Both MABS and the Citizens Information Centres have shown that this need is constant and it should also continue to be offered free to all adults. People need to be educated to understand the need for short, medium and long term financial management and how they can achieve this.

**C.5 Regulation; Charges; Scheme rules**

Rather different views emerge in relation to regulations and charges (issues concerning the funding standard are discussed below). On the one hand, many organisations suggest that the pension system is currently over-regulated (e.g. ISME). On the other hand, several bodies call for greater regulation of charges and costs.
C.5.1 Organisational views

ICTU suggest that there is a need for greater regulation of DC schemes as regards transparency of charges and costs.

The Pension Ombudsman believes the regulatory system is very comprehensive and that the regulatory objectives are sound. He suggests that existing requirements force provision of information in a format which is difficult to understand and that this should be addressed. The Pensions Ombudsman believes that transparency regarding charges is a problem and that greater transparency needs to be introduced in this area.

The Society of Actuaries argues for some simplification of the regulatory regime in relation to, for example, point-of-sale requirements, a reduction in differences in options under different plans, and improved transferability between different plan types.

The IAPF states that regulation of pension funds needs to have proper regard to that which is being regulated and ‘to be cognisant of the fact that the entities being regulated are non-profit and exist to provide benefits that are for the social good’. While accepting that high standards of governance are in everybody’s interest, the IAPF argues that this objective must be secured in a proportionate manner and the focus should be on those participants and those areas most in need of regulation. It also argues that the objectives of regulation should apply equally to the public and private sectors except where distinctions are appropriate (such as the operation of the funding standard). All regulation has a cost and the management of that cost needs to be borne in mind considering that, generally, pension provision operates on a voluntary basis, is for the social good and, the IAPF argues, regulation has the potential to destroy that which it is trying to protect. The IAPF proposes that regulation concerning disclosure should sacrifice messages which would be advantageous in favour of those which are essential. It states that we currently have too much detail in the communications issued to members and, as a consequence, fail to get the focused attention of members.

The IIF accepts that much pension regulation is very effective but states that some issues have arisen regarding the sale of PRSAs because of the additional layer of regulation imposed by the Financial Regulator. The IIF suggest that two regulators should not operate in the same area and regulation should be as streamlined as possible. It also proposes that requirements be broadly consistent across all DC pensions. It states that the issue of charges is best addressed by full disclosure and would support the extension of disclosure requirements to group pensions on a consistent basis.

The IAIM accepts that in general the State’s regulatory objectives are appropriate but has concerns about the regulatory burden imposed. The IAIM believes that the emphasis on disclosure of information is of limited effectiveness given evidence that members do not have the level of understanding necessary to evaluate key issues facing them. It proposes a review of the regulatory legislation and how it is implemented by an advisory forum with representatives of key stakeholders. The IAIM also believes that regulation of PRSAs is excessive and has inhibited take-up. Finally, the IAIM believes the Green Paper discussion on charges is misleading.
and that a competitive environment ensures that there is ‘intense pressure on fees charged and no room for “hidden charges”’.  

Watson Wyatt proposes that having two separate bodies – one for policy setting and implementation and one for regulation – would avoid any potential conflicts. IBEC also proposes the establishment of a separate independent pensions advisory body.

PIBA argues for simplification of the regulation of pensions regarding transfers to and from company schemes and other arrangements and maximum benefits and that the regulation of providers and intermediaries should also be reviewed to remove burdensome regulation that adds little or no consumer protection. PIBA express concern that efforts to control costs associated with supplementary pensions might remove the need for advice from the market.

Ferguson and Associates argue that charges on all DC pensions should be expressed in a PRSA-style format so as to make it transparent for the consumer.

ISME argues that PRSAs are overregulated by the Financial Regulator’s requirements on sales and calls for simplification of the disclosure rules on all types of pension.

NYCI proposes that a fact-finding questionnaire for PRSAs be eliminated.

NFPA proposes that the Pensions Board and Pensions Ombudsman be given full powers to regulate all schemes; and that there should be an AGM of every pension fund at which trustees should answer questions from contributors and beneficiaries. It welcomes any moves to revisit FRS 17 which, it believes, has a disproportionate effect on the valuation of pension schemes and affects the ability of companies to borrow money for legitimate business purposes.

Age Action Ireland argues that the State has a critical role to play in regulating the pensions industry to ensure quality standards are applied.

The Financial Regulator suggests that a further consultation paper examining the regulatory impact of measures adopted and the merits/demerits of policy options may be necessary.

C.5.2 Individual submissions

A large number of individual submissions discuss the issue of regulation. It is proposed that more regulation is needed, especially in occupational pensions in the private sector, and that pension providers should be subject to severe prosecutions for legislative breaches. A submission argues that the present approach to regulation is too legalistic and should be more proactive.

It is also argued that all pension funds should be regulated using the same regulations, with a defined cap on annual expenses, entry and exit loads and charges which needs to be defined upfront, with a scope for increased transparency. Another submission proposes a consumer
protection code, which should be drawn up by the Pensions Board, with which all pension providers should be compliant. This is another measure to ensure the consumer is protected and that all companies within the industry live up to the code. It is proposed that measures be put in place to ensure that the pensions industry will deliver adequate pensions to subscribers, with no compulsion with regard to joining pension schemes.

It is proposed that legislative change may be required to allow the Pensions Board greater authority in ensuring trustees and companies to do what they can to protect members’ interests. It is argued that there should be a bond, so if a pension fund is wound up, the pension industry would be bonded to ensure that people who have paid into their pension fund over the years will have their pension protected.

A number of submissions discuss the idea of charges. Several felt that charges, in particular setup charges, are excessive. One proposes that the 5% cap on PRSA commission charges be reduced to 2%, and that a similar cap should be initiated on commission charges for AVCs. A couple of submissions propose that all pension charges and fees should be notified and justified to the regulator, and that they should be known in advance and not subject to sudden and unexpected disclosure.

It is also proposed that fund management charges need to decrease, as they are still higher compared to many other investment funds. One submission proposes that pension fund holders should be allowed to invest their pension in any type of investment e.g. shares, property, deposit, etc., but the pension fund account should be held in an account guaranteed by the Government and free of charges.

A number of submissions draw attention to the utilisation of AVC brokers (by large unions) which charge high fees and it is proposed that these unions should be ensuring that the broker/intermediary does its utmost to use this buying power to drive down charges so that people within the scheme would be getting a better deal than those outside it. It is proposed that to truly demonstrate its commitment to its members/staff, unions/employers now need to offer choice – an AVC scheme brokered by an intermediary that offers advice, or an AVC scheme brokered by an intermediary that operates on an execution-only basis, with both schemes allowing contributions to be deducted from gross salary. One submission complains that management fees are still charged even though the investment has lost in value. One argues that the Pensions Board should have increased powers to control pensions provider costs.

A number of submissions discuss the idea of scheme rules. Many deal with specific rules. One proposes that rules allowing only a spouse to accrue any benefits outstanding on the death of a pension holder before pension age should be changed to allow another defined beneficiary.

A further proposal is that any person who was in receipt of pensionable allowances for which contributions were being set aside for them for the years they worked unsocial hours and who, through no fault of their own, lose those allowances, that their future pension should be reflected by those contributions. Finally, one other submission proposes the abolition of the
rule which leaves one half of a couple with just 50% of a joint retirement pension if the other dies, which conflicts with bills and costs which are nearer 75-80% of the cost.

A couple of submissions propose that that the pension holder should be the legal owner of their individual pension fund. The pension fund should be structured like a bank account where the funds deposited are held in the name of the pension holder and cannot be withdrawn by anyone else, with legal ownership of the money in their pension fund, and for this money to become a part of their estate, after their death, similar to a bank account.

One submission proposes that rules which legally prohibit investment in pension plans by people over 75 should be reviewed. A further submission proposes that there should be an arrangement that the existing broker should not be able to manage the fund after it has matured, thus avoiding any conflict between sound financial advice and their seeking to maximise their involvement in the future fund. It is also proposed that people, on leaving work at an early age due to ill health with no entitlement to benefits, are facilitated in continuing to contribute to their pension scheme using their partner’s income, to enable them to meet their needs when elderly. Another submission proposes that pension payments are allowed to continue at the same rate when there is a salary decrease because of leave taken under the parental leave entitlement, but where there is no change in the work contract.

It is proposed that revenue rules which prohibit the separation of the AVC element when optional and not conditional or directly tied to the DB scheme be abolished (where movement of same has no impact on DB scheme). Also, one detailed proposal decries how Revenue rules facilitate disincentives to invest in pensions. Therefore it is proposed that tax incentives should facilitate investment in simple savings arrangements.

One individual submission argues that the scheme rules concerning the election of trustees should be changed to give more power to workers representatives (including non-union members) and that fines and penalties for breach of the Pensions Act should be increased and include jail sentences.

One detailed submission from an individual with considerable experience of pension issues argues that pension schemes are unduly complex both for the public and advisers. He proposes that there should be a small central clearing agency for persons with small pensions or that small funds be eligible for ARFs, a relaxation of the Revenue rules regarding guaranteed income, codification or simplification of the rules, arrangements to integrate self-employed, director, employee and public sector pension, a clear and unambiguous requirement that pensions providers retain records to identify the nature of contributions paid, and that rules about tax free lump sums need to be more easily understood.

A further submission argues that current pension rules are not sufficiently flexible to allow for the levels of job mobility. This proposes that PRSAs/personal pensions should be allowed to operate as free-standing AVCs in all circumstances, that the link between maximum occupational pension benefits and personal pensions be broken, that the size of the fund generated by a personal pension should not limit the tax relief granted on contributions, that a
partial withdrawal of funds should be allowed at certain points, and that a personal retirement bond should be developed to accept transfers from several pension schemes.

One submission proposes that the Director of Corporate Enforcement and the Comptroller and Auditor General should investigate the operation of pension funds and quantify any damage done to members’ benefits. It is proposed that it should be established whether employers who wound up their pension schemes because of under-funding enjoyed contribution holidays in the preceding years, and that the continuation of the Pensions Board as currently constituted should be reviewed.

C.6 Guarantees; Security; Funding Standard

C.6.1 Organisational views

Different views also emerged about the funding standard and the possible establishment of a pension protection scheme. One group of submissions argues broadly for the retention of the existing approach and for the establishment of pensions protection. Other submissions, however, argue for some modification of the standard – at least for larger DB schemes – and suggest that a pensions protection scheme would not be effective in an Irish context. The Society of Actuaries provides a very detailed discussion of the funding standard issue and suggests a need for a ‘more rigorous minimum funding standard’ possibly to a reduced core benefit promise.

ICTU proposes that the minimum funding standard should be retained as it indicates where remedial action is required. It also argues for the establishment of a pension protection fund following a recent ECJ case (C-278/05) concerning obligations in the event of a deficit on winding up. Unite also calls for Government action to address this issue.

Age Action Ireland also argues that the funding standard should be maintained at a level to ensure that defined benefit schemes protect the rights of members. It argues that it may be necessary for Government to provide a protection fund where companies and pension funds are wound up.

Unite argues that it is not necessary to set the standard on the basis of immediate closedown and that this should be modified.

NFPA supports setting up a pension protection fund along the UK lines (as does the ICTU Retired Workers’ Committee). It proposes that guarantees of pension benefits be enforced under consumer protection laws and that the Pensions Ombudsman has strong powers in this area. It supports a funding standard and argues that scheme members should have fully protected entitlements in the event of wind up.
The Society of Actuaries argues that (because of the assumptions used) the current statutory minimum transfer value is frequently less than the economic value of the liability. This means that even where a scheme satisfies the statutory funding standard on wind-up, employees may receive a capital sum which is unlikely to provide benefits in line with expectations (unless it is invested in higher risk assets). The Societies of Actuaries point out that current legislation places investment responsibility entirely in the hands of scheme trustees and the Pensions Board has no authority to intervene where the investment policy is high risk. It suggests that the current regulatory system may encourage companies and trustees to take extra risk to restore a scheme to solvency without proper consideration of the risks. This differs fundamentally from the approach in other jurisdictions such as the UK where the Pensions Regulator and trustees can insist on a far higher level of funding from sponsors and a shorter timeframe to repay deficits. The Society states that this, together with the UK debt-on-employer requirements (which provide that any deficiency in the fund becomes a ‘debt on the employer’) and the pension protection fund, provides a higher level of protection to members (albeit at a higher level of cost).

The Society recommends that the minimum funding standard be strengthened by requiring benefit promises to be funded on an economic basis; by establishing a ‘trigger point’ based on this valuation with a requirement to repair under-funding over a short time-period (e.g. 12 months); and by setting a higher ‘target funding level’ having regard to the risk profile of the investments. The Society also sets out proposals where, for a particular DB scheme, the financial implications of this approach would be unacceptable. The Society proposes, in order to address equity amongst beneficiaries, that the current wind-up priority for pensioners be removed and that all classes of member should rank equally in the event of an insolvent wind-up (a view also supported by the IIF). The Society argues that the core issues of improving the security of benefits, achieving greater equity between members, and improving stakeholders’ understanding of the benefit promise be addressed before consideration could be given to the introduction of debt-on-employer legislation and a pension protection fund. The IAPF states that the operation of the funding standard creates huge difficulties for trustees and employers because it applies to a position which will not arise for most schemes, i.e. wind up. It proposes that liabilities should be valued on an economic cost basis removing the link to annuity purchase (if liabilities continue to be valued on an annuity basis, increases in pension should be excluded from valuation); that reviews of funding proposals should be on an annual basis for information purposes only and should not automatically trigger action if experience has been adverse; that action should only be required on a triennial basis; that the funding standard should take account of the specific characteristics and requirements of multi-employer schemes; and that certain schemes with specific characteristics such as a strong employer bond be allowed to avail of a scheme-specific funding standard.

The IAIM agrees the emphasis on a wind-up test does not properly reflect the future funding needs of pension schemes and proposes that disclosure of any shortfall under the standard combined with considered reasons why a recovery plan is not required (where this is the case) should be an acceptable approach. It also notes concerns that wind-up entitlements are inequitable and proposes that these be re-examined.
IBEC expresses its concerns about the impact of the funding standard which it believes imposes an overly restrictive requirement on companies providing DB schemes. It proposes that where a company scheme has a difficulty meeting the actuarial funding requirement and where the sponsor employer is prepared to make a verified offer to sustain the scheme in the event that a short-fall occurs, then that employer covenant should be accepted by the regulator without the need for further immediate funding. IBEC does not support a pension protection fund as it would be costly, difficult to administer and the costs would fall on well-managed schemes.

Hewitt Associates argue that wind-up priorities should be changed to introduce a sliding scale prior to retirement. It also opposes a scheme protection fund given the size of the Irish market.

The Pensions Ombudsman suggests that the wind-up approach is a difficulty with the funding standard. He suggests that it might be possible to exempt a scheme from discontinuance valuation on the basis of the ratio of pensioners to active and deferred members. He also suggests a sliding scale of protected entitlement (to replace the existing priority for pensioners only).

Watson Wyatt proposes that the funding standard be changed to a long-term basis, subject to ‘core benefits’ being fully covered on wind up.

A group of Watson Wyatt clients accept that the funding standard should be a wind-up standard as at present but suggest an alternative to annuity buy out for larger schemes should be developed. The group also supports taking pension increases out of the liabilities to be assessed for funding standard purposes. The group feels strongly that the current priority order is inequitable and unsustainable and there is support for a reordering of priorities to achieve a more equitable outcome for non-retired members. In particular, the concept of employed and deferred members receiving their benefits without pension increases before pension increases for retired members is supported. The group also feels that Ireland is not sufficiently large to support a pension protection fund such that the insolvency of a large employer could undermine it. These views are generally supported by Tesco Ireland.

The APLI opposes a debt-on-employer approach which, it argues, would accelerate the closure of DB schemes. It suggests that the State should guarantee a certain amount of pension benefits. The group of Watson Wyatt clients also opposes debt-on-employer as it might undermine DB accrual.

The Pensions Ombudsman, in contrast, supports debt-on-employer legislation where a solvent employer decides to wind up an insolvent scheme. Where both are insolvent, he suggests that it is doubtful that the existing protection can be improved.

The Bord na Móna Staff Pensioners Association point out that certain Bord na Móna pensioners have not received an increase for the past 5 years because of a deficit in the scheme’s funds. They call for an amendment to the funding standard which they believe is unrealistic and inappropriate.
C.6.2 Individual submissions

A number of individual submissions discuss the issue of the funding standard. A number of submissions propose that a national reserve fund should be established by the State in the case of shortfalls in occupational pensions. It is proposed that the Government should legislate to force occupational pension providers and private pension providers to establish their own reserve funds in line with strict conditions for security. It is also proposed that legislation is changed so occupational pensions are not touched by the company in a wind-up or liquidation. One submission proposes a specific model, that of the US government agency, the Pension Benefit Guaranty Corporation (PBGC) set up to protect private sector pension scheme benefits: in this, an employer must get approval from the PBGC before winding up a scheme. If a scheme has insufficient funds to meet its commitments, the PBGC guarantees the funds. Financing comes from insurance premiums paid by the companies which have their plans covered from investments and from assets of pension plans taken over, but not from taxes.

One submission suggests that the implications of hybrid schemes – schemes that are not defined benefit and not defined contribution but fall somewhere in between - be included in the pension debate. It is also proposed that the funding certificate, as it stands, which offers no guarantees to contributing members of the fund nor pensioners, is replaced with a system whereby each member, at each 3 yearly valuation, is supplied with the actuarial valuation document and an invitation to a day long seminar to examine the state of the fund and the performance of the trustees, actuary and investment advisors. It is proposed that the resulting funding certificate must be based on meeting the total expectations (which are different to pensions as promised under the rules e.g. wage linkage, inflation linkage, increases in pension after retirement). Certificate and actuarial valuations, and a proper meaningful funding certificate should be established for every scheme.

A number of individual submissions discuss the issue of security. One submission proposes that appropriate security for pensions would mean placing deposits with the Financial Regulator, or the Central Bank to meet their liabilities. It could also mean forcing the product provider to reinsure with his own insurance to cover any crash in the market, where pension funds are tied to equities. It would require that any guarantee given with an occupational pension or private pension should be registered and approved with the Financial Regulator. Another submission proposes that all pension funds in the last 20 years to retirement should, under pension legislation, automatically have to switch funds staggered to capital secure investments, to avoid potential fund risks near retirement.

A number of individual submissions discuss the issue of guarantees. Most of the submissions propose that the Government should guarantee individual pension accounts. A number of submissions propose that companies who are committed to investing pension money should be held liable for any losses incurred in pension funds. Two submissions propose that, as public service pensions are guaranteed by the State, then all pensions should be guaranteed by the State. Of all the submissions, just one proposes that the security that goes with defined benefit
schemes will cripple the economy in the future, as there is no move away from them in the public service. One submission queries the lack of guarantee provided in relation to the pension benefits received from their pension fund which had now been sold to a new company. It argues that pension benefits should be guaranteed on the sale or disposal of a business. Another submission proposes the establishment of a pension protection scheme to cover the risks of scheme shortfalls. However, another submission argues that guarantees in pension schemes absorb an undue and unacceptable portion of the fund. It suggests that the best approach is to provide appropriate investment vehicles, minimise fees and provide value-for-money benefits. This submission suggests that pension protection schemes should be confined to those which promise benefits based on a low-risk strategy and which meet funding commitments.

C.7 Access to funds

There is general support for allowing some access to funds subject to definite rules as to the amount of and, in some cases, the object for which the funds would be used.

Irish Life strongly supports limited access to pension savings for younger savers (up to age 40 for specific events (such as house purchase) up to a maximum of 50% of funds available. PIBA believes that persons should be allowed to withdraw some of their fund before retirement, e.g. for a deposit towards the purchase of a home but that this should be subject to limits on the amount and purpose of the withdrawal. The IAPF believes there should be some access to funds before retirement, either event specific (e.g. house purchase) or at a certain age. However, any tax free cash taken pre-retirement should reduce the ability to take at retirement and should incentivise waiting until retirement. ISME, Hewitt Associates, NYCI, Ferguson and Associates and the Society of Actuaries also support allowing access to (a proportion of) funds in relation to key life events. A group of Watson Wyatt clients, while not supporting general access to funds, envisages that, in the context of an SSIA-type initiative, participants would be required to ‘roll over’ a significant proportion of funds into a pensions vehicle with the balance available for consumption. Tesco Ireland also does not support general access to funds but suggests an SSIA-type arrangement whereby, after 5 years, a person should be required to roll-over a significant proportion of the accumulated fund.

A number of individual submissions discuss the issue of access to funds. All of these submissions recognise that this issue is central to people’s concerns about taking out pensions. One submission argues that allowing access to the pension fund is one of two central points necessary to convince private sector employees to save for their pension, as people require the assurance of being able to access their money when financial milestones occur through life. It is proposed that people’s fear of needing the money after they lock it into their pension fund can be solved by allowing people access to the fund whenever they need it. The tax relief/government contributions would be reclaimed if part of the fund is withdrawn before retirement age. It is also proposed that fear they will not be allowed access their fund till 70 or
80 due to future changes in the law, should be dealt with through a change in law, allowing anyone to access their fund from the age of 50.

Another submission proposes that all defined contribution pension schemes should have a facility, whereby the fund should be made available, for legitimate medical expenses, at the behest of the pension holder, before normal retirement age. It is argued that access in other circumstances defeats the purpose of retirement planning.

A further submission proposes access to the pension fund after a specified period - five years from contribution date without any tax payments. It is proposed by one other submission that access could be on the basis that access before a minimum age (55, for example) would result in the loss of a proposed ‘SSIA-Type Credit’.

C.8 Gender, marriage and sexual orientation issues

NWCI proposes that unisex life plans be required and calls for pension splitting.

The Clondalkin Women’s Network raises the issue of gender equality on the death of a pensioner.

One individual submission discusses pension adjustment orders. It is proposed that although pension adjustments to a husband’s pension in the case of a separation usually only hold if the order is made in court, that arrangements made outside court need to contain a pension arrangement because often it is women who are left in the vulnerable position of not having a pension after taking time out or job-sharing because of child rearing commitments. It is proposed that women should be protected by law to have fair pension arrangements included in any separation agreement.

Another submission calls for the removal of all forms of discrimination against unmarried couples (whether same-sex or opposite sex) based on marital status or sexual orientation while a further submission proposes that rules which deny widows who cohabit from continuing to receive their late husband’s contributory pension should be abolished, as it is seen as an unjust and intrusive measure.

C.9 Protecting DB entitlements

SIPTU argues that the ease with which employers cease DB schemes is a matter of concern and proposes strict criteria limiting the circumstances in which a company could terminate an existing DB scheme. NFPA opposes a growth in DC schemes given that this will transfer the risk to individuals.
The reasons why employers are moving away from DB schemes are outlined by IBEC including increased longevity and the difficulty of estimating this factor, low levels of investment return, inflexibility in the event of merger and take-over, and increasing contributions.

PEPS argues that DB schemes are safe, pay-related, and predictable in outcome whereas DC schemes are risky and unpredictable in outcome. It argues that workers should not be encouraged into DC schemes away from superior DB pensions. It suggests that this has occurred in particular in areas of the public sector.

Irish Life argues that the same restrictions on transfers that currently apply to PRSAs should apply to its proposed soft-mandatory system. However, APLI proposes that the prohibition on transferring to a PRSA on changing employment or on wind-up be lifted as it may be quite easily circumvented.

ICTU argues that its proposed mandatory pension scheme should be designed in such a way as not to undermine decent voluntary provision.

A number of individual submissions specifically discuss the issue of the protection of DB entitlements. One submission argues that it is critical that the value of pensions for early leavers from DB Plans is fully and adequately protected, particularly in the current market place, where people are likely to change jobs a number of times during their career. It is also important to protect DB pension entitlements of employees ‘down-sizing’, so if an individual wishes to transfer to a lower paying job (e.g. an easier, lower paying and/or less demanding job) within an organisation rather than either leaving or working at their current job, until normal retirement age, that normal DB final salary provisions should reflect their previous work effort.

One submission proposes that if a year's service has been "clocked" up in a company this should never be at risk from a change in the employer’s loyalty to the scheme. It is proposed that holding companies should be prevented from selling off subsidiaries with pension deficits without a binding commitment to funding such deficits, and purchasing companies should be prevented from winding up schemes, and that a cost benefit analysis from a member's perspective should be undertaken before any new regulations which have cost implications are enacted. It is also proposed to prohibit, in large PLCs, the hiving-off of assets within schemes that are fully funded into ‘top hat’ sub-schemes for the top executives in situations where the surpluses could be more equitably used to augment the benefits of the members for whose benefit the contributions were made. Of the individual submissions, only a small number take an anti-DB stance, proposing that all future public sector pensions need to change from DB to DC in order to have a sustainable pension arrangement.
C.10 Portability of pensions

The Financial Regulator supports full portability of pensions from one employment to another and allowing consumers to switch from one product to another. It suggests that formal portability and switching codes should be considered.

A number of individual submissions argue for enhanced portability in pensions. Among the specific requests are that the inability to move funds from a group pension scheme to a private pension scheme be reviewed in favour of portability. One submission proposes that the same portability be extended to all pensions no matter when they were started. A number propose that people be allowed to bunch all their pensions together into a single fund. It is proposed that every person should have a single personal pension “container” which can be carried from employer to employer, which will reduce the complexity involved in current arrangements. Two submissions propose, in relation to non-nationals returning to their home country, that clear rules and guidelines regarding transfer of pension funds from Ireland to all other countries be established. It is proposed that non-nationals be given the choice to transfer pension funds from employer/PRSA to global pension funds operating in multiple countries, and that there be arrangements with governments of various countries for transferring pensions to and from Ireland to support globally mobile professionals. Another submission proposes that people, on leaving work at an early age due to ill health with no entitlement to benefits, are facilitated in continuing to contribute to their pension scheme using their partner’s income, to enable them to meet their needs when elderly. Effectively, all but one of the submissions proposes that people’s pension entitlements should be guaranteed.

C.11 Investment and Property investment

Irish Life opposes any State role in investment arguing that a State-run investment scheme ‘might not be afforded the political freedom to pursue such a long term strategy’.

A number of individual submissions discuss the issue of property investment as a pension vehicle.

Three submissions propose that property be used directly as a form of investment for pensions. One proposes that a family with one investment property may use this as a form of pension, with government tax breaks and stamp duty clawback options, with a commitment to keeping such an investment until near retirement. One submission proposes a mechanism whereby an employee with no occupational pension scheme could buy an investment property and declare it as part of a pension scheme whereby the same rules as SSAP property would apply, but without the exorbitant costs. It is proposed that similar regulations to those governing PRSAs could work but with a cap on the costs (unlike an SSAP). The third submission proposes that PAYE employees starting a property pension be allowed tax benefits on their self-occupied house for capital repayment on the same, encouraging everyone to save more money on their mortgage interest and save for the future.
A further submission proposes that property pension investments could be put into a property income providing vehicle.

**C.12 Integrated pensions**

A number of organisations raise concerns about integration – particularly concerning low earners – and make specific proposals as to how this should be addressed. However, other submissions point out that integration is an integral part of DB pension design and highlight difficulties in addressing the issue by legislation.

ICTU argues perceived anomalies concerning integration of pensions need to be addressed in the private sector and states that one solution is for lower-paid workers’ pensionable salary not to be reduced when social welfare pensions increase. Unite also argues that rising rates of social welfare pension should not be allowed to lead to pensioners in an integrated scheme receiving less. The Irish Postmasters’ Union argues that integrated pensions minimises the benefit of State pension increases to the pensioner. NFPA also does not support integration.

The Pensions Ombudsman suggests (i) an overhaul of the State Pension as it applies to part-timers, or alternatively more sophisticated design work on the occupational pension schemes; plus a removal of any possible clawback of supplementary pensions once granted, until the State pension status of the member changes – in other words, supplementary pension not to be affected by re-entry to the workforce; (ii) a restriction on reduction of pensionable pay in the last 3/5 years before normal retirement age (NRA) and (iii) an averaging for contribution purposes (e.g., 100% of Year NRA minus-3 increase is taken into account; 2/3 of Year NRA minus-2 increase, and 1/3 of final year increase.) He suggests that schemes could be prohibited from basing a pension on a lower pensionable salary than the highest one used for calculating member contribution.

A group of Watson Wyatt clients expresses concerns about the impact of high State Pension increases on integrated pensions schemes, particularly in the case of lower paid members and considers it inequitable that members may pay contributions on a pensionable salary greater than that used to calculate their pension. However, the group believes that it will be difficult to find a legislative solution suitable for all pension schemes and that it would be preferable for plan sponsors and trustees to develop their own scheme specific solutions in individual cases.

The IAPF believes that integration is a valid concept of scheme design which is a matter for employers and employees and that State intervention in this area would only increase the decline in DB schemes. Hewitt Associates argue that integrated pension schemes have worked very effectively although it accepts that integrated pensions for low earners are now ‘very difficult to justify’. It argues that a removal of integration is not feasible as the cost would be prohibitive and lead to a further reduction in DB schemes. It suggests that possible approaches might include a requirement that pensionable salaries cannot reduce and to follow a ‘ratcheting’ system as in the UK and/or to redesign the scheme to incorporate a lower accrual rate but with no integration.
The IAIM states that Integration is an integral part of the design of virtually all DB schemes. Any significant adjustment would have dramatic implications for an already expensive and potentially high risk obligation of sponsoring employers. In its view it would accelerate the move away from defined benefit schemes. It states that the difficulty identified in the Green Paper posed by declines in pensionable pay in years close to retirement is generally recognised by, and addressed, by trustees.

The APLI does not consider that integration is inherently problematic. It does, however, recognise that the effect of integration on lower paid workers is that such workers may not receive a scheme pension despite having contributed to it. It proposes that this may be addressed by making alternative DC arrangements for such workers and forthright disclosure. APLI would not support prohibiting integration.

A number of individual submissions discuss the issue of integrated pensions. One proposes that the link between State Pension inflation and wage inflation in relation to coordinated pensions needs to be addressed as a priority. Another proposes that the Government should abolish coordinated pensions, as a matter of urgency. A further submission argues that the integration of occupational pension schemes is of more benefit to employers than the individuals. It is proposed that this imbalance should be addressed especially for average/median income earners. The final submission proposes that an integrated scheme can work now, though with checks and balances and contribution rates and effects on DB schemes to be fully thought out. It is proposed that the strategy should be that people see a benefit for all their taxes e.g. PRSI. One submission proposes that for a period of 10 years, integration of pension should be based on the 2007 pension rate.

**C.13 Miscellaneous issues**

**C.13.1 Sectoral schemes**

IBEC argues that there should be greater encouragement for sectoral umbrella schemes while the IAIM also supports the encouragement of multi-employer schemes in sectors with low take up. SIPTU propose that the Construction Industry Pension Scheme should be administered through the social insurance system at least for the purposes of collecting contributions.

**C.13.2 Retirement commutation**

Unite argues that commutation terms favour the fund rather than the member and supports the Green Paper proposal that members be made aware of the value-for-money issue.
C.13.3 Retirement Annuity Contracts

Ferguson and Associates argue for the abolition of RACs given the existence of PRSAs.

C.13.4 Treatment of jobsharers

One individual submission points out that, in some employments, jobsharers will have their pensions calculated in a less favourable manner than a person working part-time.

C.13.5 Winding up

SIPTU argues that the costs of winding up a pension scheme are excessive and that the NTMA should carry out this function in the future. (See also the submissions regarding the funding standard).

C.13.6 Pensions for children

A small number of individual submissions discuss pensions for children. One proposes that this is an area that should be actively discouraged, as parents are too preoccupied with other financial issues. The other proposes, however, to make pension provision from birth, where some part of child benefit could be set aside and invested on a mandatory basis, and help to generate a much needed early savings habit. It is proposed that parents could also early fund their child’s pension with the usual tax breaks. Another proposes the establishment of child pension accounts which would involve paying 10% of the child benefit amount into a designated pension account. Additional contributions to this account would be facilitated.

C.13.7 Brokers

PIBA argues that brokers provide an important role in facilitating competition between providers thereby reducing costs, increasing fund performance, and enhancing product design.
D. Public sector pensions

Trade unions generally take the view that public sector pensions are working well, had been through a period of considerable reform and that the value of the pension had been taken into account by the benchmarking body in its recommendations on public sector pay. Therefore, the unions oppose any further reviews of pensions (and, in particular, any review of the linkage of post-retirement pensions to ongoing pay increases or ‘pay parity’). A number of bodies, in contrast, argue that several features of public sector pensions are very valuable and unusual in the private sector and that these should be reviewed (in particular pay parity).

D.1 Organisational submissions

ICTU argues that public sector pensions are working well and opposes proposals to erode cover. It argues that the higher value of public sector pensions has been taken into account by the Public Sector Benchmarking Body in its recommendations. ICTU thus argues that it would be ‘completely inappropriate and unacceptable’ to further alter or erode the pension structure. ASTI and the INTO endorses this opposition and argues that further changes in public service pensions are not warranted (in particular, the INTO opposes an alteration in pay parity).

SIPTU also argues that current public sector pensions are working well and produce pensions of the order of 50% replacement income. It recommends no major changes to the current system of public sector pensions.

Unite opposes a number of proposed changes in public sector pensions including raising the retirement age, increasing contributions, removal of fast accrual terms, modifying pay-parity for post-retirement increases, and moving to career average earnings.

The INTO makes a number of points specific to teachers’ pensions. It argues, based on the challenging, demanding and stressful nature of teaching, for a reduction in retirement age to allow for retirement, irrespective of age, after 35 (or at least 40) years service without actuarial reduction. It opposes any increase in retirement age.

The Association of Retired Commissioned Officers (ACRO) opposes a number of options in the Green Paper such as raising retirement age, and modifying the pay parity system (which, it argues, is the most important measure for safeguarding its members’ living standards) and moving to a career earnings average.

The Pensions Ombudsman suggests the removal of several perceived anomalies such as fast accrual terms and notional added years.

The IAPF believes that there is merit in developing a governance framework for dealing with the future costs of any increase in public sector pension liabilities to ensure the sustainability of the public sector DB model. This body should examine the costs of pensions and the scope for reform to ensure fairness and equity as between future public and private sector pensioners.
The IAIM calls for proper assessment of the appropriateness and cost of the various benefits and how they interact with levels of remuneration, job security and other working conditions. This should include commercial costing of benefits and the publication of the results. Public sector pension liabilities should also be valued and disclosed publicly.

IBEC believes that a combination of major reforms of public sector pension is necessary which could include: a contribution rate cap beyond which employees would have to fund any pension liabilities on an equal basis; all public servants should be required to contribute towards the cost of funding retirement benefits (such as pay parity); Government should complete and publish a detailed actuarial analysis of the pension liabilities for public sector employees; costing of public service pension liabilities should be done annually by each Government Department and agency and should be published; public sector workers should be aware of the value of their pensions and payslips should record the indicative value of pension contribution rates; raise the retirement age for public servants currently enjoying an early retirement age; pension increases should be indexed to a capped maximum level (e.g. CPI ); public service pensions should be calculated on a career average basis; ensure that pension benefits are taken into account in any examination of public service remuneration in the future; adopt a fundamental repositioning of the public service pension for new entrants away from defined benefit provision to a defined contribution with a State guarantee of certain minimum investment returns. IBEC also argues that a commitment to a reduction in public service numbers from current levels would assist in capping the State’s future pension liabilities.

Tesco Ireland believes that it is important to consider, simultaneously with private pensions, the public sector pension arrangements – particularly pay parity – to avoid the development of a two-tier system.

The IIF believes that it is vitally important that the broad regimes applicable to both public and private sector pensions be consistent.

The Society of Actuaries takes the view that the level of public sector pension is a matter for Government and its prime concern is that the costs of benefits should be determined on a commercial basis as one component of an overall benefit package and in the context of budget constraints and affordability. The Society points out that public sector schemes have a number of highly valuable design features which would be unusual in the private sector and suggest that the appropriateness of some features may merit review (in particular post-retirement pay parity). The Society proposes that the costs of public sector pension should be determined on a realistic commercial basis using modern accounting standards and accounted for as part of the national debt.

Watson Wyatt argues that the costs of public sector pensions should be fully quantified so that it can be factored into any comparison of aggregated pay relative to the private sector and that, in particular, the costs and appropriateness of providing pay related increases in retirement should be considered.
A group of Watson Wyatt clients believes strongly that the current public sector pension scheme is unsustainable. In particular, it is felt that the practice of granting pension increases on pay-parity basis is completely unjustifiable and should be changed as soon as possible. The group believes that all new entrants to the public sector should join a different type of scheme – possibly a hybrid arrangement in order to reduce long term costs and introduce some element of pension risk sharing in the sector.

Ferguson and Associates propose that public servants should be allowed to make AVCs with any provider of their choice though payroll deduction.

**D.2 Individual submissions**

A number of individual submissions discuss the issue of public sector pensions. Just over half of the submissions take a critical view of public sector pensions. These submissions mainly draw comparisons with private sector pensions: a couple of submissions propose that the job security and pension entitlements of public servants should be reflected in their paying a higher rate of PRSI contributions than private sector employees: one submission proposes this should be subsidising the redundancy element of private sector contributions, going towards the State’s pension reserve. (It is proposed this should be backdated a few years and set off against future benchmarking pay increases). A couple of submissions propose that private sector employees should not have to pay for public sector pensions before they arrange funding for their own pensions.

A number of submissions propose that final salary based pension schemes be discontinued. It is argued these are unsustainable in economic terms, and have no parallel relation in the private sector. One submission proposes that new recruited employees should not have index linking of their pensions. A number of submissions proposes that public sector pensions need to change from DB to DC in order to have a sustainable pension arrangement, and that this should be applied to all new public sector appointments (or to those earning over €50,000 per annum). It is proposed that for existing public sector pension liabilities, the Government needs to consider available funds for public sector funds and project cash inflow and outflow for this over the next 50 years, providing budgetary allocation for any gaps during each year's budget to make sure that these gaps are addressed.

Other proposals include one that the State abolish all occupational pension schemes in the public sector for new entrants, abolish all new tax relief support for pension contributions, and tax, as a benefit-in-kind, pension contributions for those in DB schemes, both public and private, where the contributions by the employee, if any, do not meet the complete cost of providing the pension. It is proposed that the State use the savings arising from these changes to double the current State Pension. Another submission proposes more accountability for pensions paid to Dáil public representatives. All of these submissions generally take the view that public service pensions should not receive any further support from government.
Several of the submissions take a supportive approach to public sector pensions, and propose specific enhancements / improvements. One proposes improving the public servants’ early retirement scheme to facilitate the increased employment of energetic young people. Another submission proposes increasing the current level (when applicable) of 5% pension/gratuity contribution (integrated and non-integrated). One submission proposes that clarification is needed around the effects of job-sharing/career breaks on future pension entitlement. Further submissions include one which proposes that where a pension scheme has a compulsory ‘spouse and child’ element, the payee should be entitled to nominate a family member/partner to receive the benefit, instead of presuming marital status. One individual submission objects to paying into the public sector widows and orphans scheme despite being single and having no dependants.

One submission complains that the person concerned will have to pay almost 45 years’ contributions but will receive no additional benefit after 40 years and will not have the extra contributions repaid. Another submission proposes that workers are not penalized for being prepared to work longer years than is necessary to obtain a full pension, and proposes extra allowances being accorded to them for remaining in their job beyond the age of 60, until the age of 65.

A number of submissions discuss retirement age for public sector workers. A couple of submissions propose that the compulsory retirement age of 65 years in the public sector is changed, that the age restriction of 56 years for making contributions to qualify for a contributory pension be altered, and that the compulsory retirement age be changed for all local authority officers including those permanently employed before 2004, when the Act was amended. Another specific proposal is that provision should be made to allow public sector employees who were over 25 when joining the public sector (and who do not qualify under the 7 years added scheme for those who have professional qualifications), work until they reach their 70th birthday or until they have completed 40 years service, whichever is the earlier. It is proposed that such a provision could reduce the need to purchase added years, and should be subject to the provision of a doctor’s certificate of fitness to work every other year.

A small number of individual submissions argue for an increase in the retirement age for public sector workers (or for specific groups of workers such as Irish army, the Gardaí and firefighters).
3. Report of final conference

Morning Session:
Chair: Professor Frances Ruane, Director, Economic and Social Research Institute

Opening Remarks:

Ms. Mary Hanafin TD, Minister for Social and Family Affairs.

The Minister welcomed all guests, in particular international guests who had travelled to be at the Conference. She believed that Ireland had a lot to learn from international experiences. She remarked on the issue of pensions being a complex one. The Minister then noted the successful consultation process that had taken place including the public seminars which had been held in February and March 2008.

The Minister commented on the fact that it was typical of young workers not to think about pensions. However she felt that pensions are about real lives, real people, real futures and as a result noted the importance of pensions to the Government. She noted that Government has also to look at what is financially, economically and socially sustainable into the future. She noted that Ireland had the advantage of a young population but this did not mean that decisions could be put off. The question to be asked was how to provide older people with an adequate income in retirement.

She stressed that there may be concern that a new Minister means there would be a delay in pension reform, and assured those present that this would not be the case. The Minister also noted that Lloyd George had introduced pensions to Ireland and the United Kingdom 100 years ago and a postage stamp would be issued to commemorate the occasion. She ended by noting that a good pension system would be a far better commemoration.
Green Paper on Pensions Consultation Process:

Dr. Orlaigh Quinn, Principal, Pensions Policy Unit, Department of Social and Family Affairs

Dr Quinn began by commenting that the Green Paper on Pensions consultation process had been a learning experience for all concerned. She then gave the background to the consultation process which began when the Green Paper was published in October 2007. Since that time, there had been an extensive campaign on the issue as well as six regional seminars which were lively sessions and consisted of a wide variety of interested people. She noted that substantial submissions had also been received.

Dr Quinn then gave an overview of submissions and noted that there was a lack of consensus on an overall ‘pension model’. There was strong emphasis on the role of the State and criticism of private pensions (particularly in relation to security).

She noted some suggestions had been made regarding pension models, including some support for a mandatory system, possibly operated by the State in order to avoid high costs; some support for auto-enrolment; access to funds; support for a higher State pension funded by higher PRSI, and the argument that the current system works well. She also noted that there was a fear that if pensions were operated through the private sector only that costs might be very high for people on low incomes.

Dr Quinn then gave an overview of suggestions made regarding private pensions which included issues concerning the system of tax reliefs, access to Approved Retirement Funds (ARFs), retirement age, and charges / regulation. Some of these views were that high earners benefitted most from the tax system and therefore the Government should assist people with low incomes. Other views regarding tax relief and Approved Retirement Funds also noted that greater benefits were going to higher earners; matching contributions (SSIA-type) would give greater clarity; reduce tax reliefs to standard rate tax; provide tax credits; unfair that DC occupational schemes have to purchase annuities; extend ARF option to all pensions; issues about ownership, control and inheritance of annuities; and protection of DB entitlements.

Alternative views were that altering the tax position would jeopardise pension provisions; and that a State annuity fund would provide better value than market annuities.

Dr Quinn noted that the issue of retirement age also arose and suggestions to increase retirement age as an effective way of reducing costs were made. Also, people wanted the option to work longer, albeit voluntarily. The importance of choice was advocated for people as opposed to mandatory rules being put in place. Dr Quinn also outlined a number of the other issues raised in submissions which affected women, particularly the marriage bar and homemakers issues. Dr Quinn closed by saying that analysis of issues raised in the consultation process would take place and a report would be published. The Government would consider all matters and are to develop a framework by the end of 2008. Her final quote was taken from a submission which noted, “The main thing with pensions is keep it simple and make it fair, treat all people as equals and make things easy to understand and people will respond.”
Patterns of pension reform around the world:

Edward Whitehouse, Head of Pensions Policy Analysis, Social Policy Division, OECD; Head of Knowledge Management, Pensions Unit, World Bank

Mr Whitehouse began his presentation by highlighting that, between 1990 and 2005, a great deal of activity regarding pensions took place throughout the world. He then went on to discuss which countries had made pension reforms.

Who reformed?

![Graph showing percentage of GDP spent on pensions]

It was noted that Ireland was in a comfortable position as it is at the lower end of the pension spending scale. Also, in some continental European countries, there had been a fiscal crisis of some sort, and fortunately this is not the case in Ireland (though Mr Whitehouse argued that there was no clear link between fiscal pressure and reform).

Mr Whitehouse then looked at the type of pension reforms which had been introduced in different countries.
Mr. Whitehouse noted that pension reductions can be implemented by (i) protecting low earners, (ii) across-the-board cuts and (iii) stronger pension earnings links. Five countries that protected low earners were Portugal, Sweden, France, Mexico and the United Kingdom.

### Protecting low earners

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<thead>
<tr>
<th>Country</th>
<th>Low earner</th>
<th>Average earner</th>
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<tr>
<td>Portugal</td>
<td>-23%</td>
<td>-39%</td>
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<tr>
<td>Sweden</td>
<td>-4%</td>
<td>-20%</td>
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<tr>
<td>France</td>
<td>-1%</td>
<td>-19%</td>
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<tr>
<td>Mexico</td>
<td>-27%</td>
<td>-50%</td>
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<td>UK</td>
<td>+23%</td>
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There were across-the-board cuts in some countries, in particular Korea, Austria, Finland, Germany and Japan. Mr Whitehouse then noted that Poland was the most powerful example.
of a stronger pension–earnings link, as Poland had made deliberate reforms where everyone pays contributions and gets the same amount back for the contributions made. Also it was noted that countries like Italy, Slovak Republic and Poland wanted to remove redistributive policies i.e. where people got more benefits than they actually paid in.

Mr Whitehouse then focused on the growing role of private pensions. This role has increased as follows:

1. Mandatory private pensions as substitute for part of public provision - Latin America, Eastern Europe, Central Asia, Sweden
2. Mandatory private pensions on top of public plans - Australia, Hong Kong, Italy, South America
3. Cuts in public pensions leave a bigger role for private pensions - Germany, Japan
4. Many countries have had voluntary private pensions with broad coverage – Canada, Ireland, United Kingdom, United States

It was noted in order to rectify the ‘pensions gap’, Ireland has to look to voluntary private pension schemes and he suggested mandating private pensions on top of public plans (see 2 above) would be a good place to start. He then went on to highlight the pension gaps in some countries and suggested that Ireland needs 30% contributions from private pensions to reach the average pension.
Mr Whitehouse had some issues of concern. First, will people save for pensions? He pointed out that Ireland has relatively high private pensions cover. He noted that the Irish Government has a target of encouraging saving for retirement to 70% of employees over the age of 30. He believes this will be very difficult to achieve, on a voluntary basis, based on international experience.
Secondly, will people save enough? Data is lacking here over the lifetime. Private pension saving could be encouraged by compulsion, tax incentives, facilitating access, financial education, and automatic enrolment or ‘soft compulsion’. He noted that people have diverse ways of saving for their futures, and saving in formal pensions is not always the best solution for everyone. He argued that compulsion also has costs and that people may be saving for retirement in other ways. He also had concerns about leveling down of cover.

He then turned to tax incentives and noted that Ireland had one of the highest levels of tax incentives in comparative terms. He favoured the view that tax incentives were not effective in increasing overall saving. Looking at evidence on tax incentives and pension cover he suggested that there was no (statistically) significant relationship between levels of tax incentives and private pension cover. He argued that tax expenditure was not a good way of increasing the savings rate and given the Exchequer cost, national savings may even fall.

![Tax incentives graph]

To conclude, Mr Whitehouse looked at some issues and challenges. On fiscal sustainability, Ireland does well due to low spending and the establishment of the NPRF. On early retirement, Ireland also does well with relatively high retirement ages for men and women. Looking at social sustainability, Mr Whitehouse noted that in a number of countries there is a higher percentage of over 65’s below the poverty line, especially in Ireland, Australia and Mexico. He then highlighted the relatively high level of people on means–tested pensions in Ireland.

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11 It was subsequently pointed out that more recent Irish data show a significant improvement in this regard.
In terms of pension coverage, he also highlighted a number of gaps in Irish cover, in particular amongst older workers (late 40s and 50s) and amongst low earners.

Thus, while Mr Whitehouse concluded that the Irish situation was very satisfactory in terms of fiscal sustainability and early retirement, he thought there were question marks about social sustainability and coverage of voluntary saving.
Comprehensive pension reform in the UK:

Robert Laslett – Director, Private Pensions and Cross-cutting Analysis, Department of Work and Pensions

Mr Laslett discussed recent developments in the UK concerning reforms of the UK pension system. He began by outlining the current structure of the UK pension system.

The reasons for the proposed reforms were fourfold: the complexity of the existing system, demography, under-saving, and inequality. In terms of demography, the old age dependency ratio (over 65s: 20-64 year olds) will rise significantly over next 4 decades.

In terms of under-saving, research has indicated that significant numbers of people – particularly those on lower incomes - are not saving enough to meet their pension needs. The Occupation Pensions Schemes survey shows that membership of private sector DB schemes is falling rapidly while there is only a modest growth in DC schemes.

A third driving factor was inequality and concerns about pensioner poverty (particularly women and carers).
Mr. Laslett outlined the reform timeline to date. Following publication of the Pension Commission’s final report in April 2006 (Turner Report), the UK government published a White Paper ‘Security in Retirement: Towards a New Pensions System’ in May 2006 and a further White Paper ‘Personal Accounts: A New Way to Save’ in December 2006. Pensions legislation was introduced in 2006 and has now been passed into law while further legislation is to be enacted in 2008.

The Pension Commission highlighted the fact that in terms of pension reform, there were essentially four possibilities: poorer pensioners; higher percentage of taxes to older people; people would have to save more; or people would have to work longer. The Commission proposed a two-tier approach. First, it proposed reform of the State pension with more generous, earnings-linked basic State pension, a flat-rate State second pension, improved coverage for women and carers, and the raising of State pension age by one year every 10 years to 68 by 2046. Second, it proposed a National Pension Savings Scheme (NPSS) which would ‘auto-enrol’ employees with an opt-out, and a 3% employer contribution.

The May 2006 White Paper also proposed State Pension Reform so as to restore the earnings link for State pensions, move to flat-rate (contributory) State second pension, improved coverage for women and carers, and pension simplification. Secondly, it proposed enabling retirement savings through ‘auto-enrolment’ into ‘good quality’ employer based pension schemes and the creation of ‘personal accounts’ to address the potential problem of the non-existence of such schemes. As part of an Extended Working Life policy, it proposed that State Pension Age be increased by 1 year per decade. It also proposed Pension Credit uprating.

The Pensions Act 2007 set out reforms in relation to
- State pension age
- State pensions reforms (including women/carers package, e.g. cut qualifying years to 30; and basic State pension earnings uprating from 2012 subject to affordability or within lifetime of next Government)
- Second State Pension to become flat weekly top-up
- The establishment of a Personal Accounts Delivery Authority (PADA) with advisory powers on development of a Personal Accounts scheme

The second Pensions Bill provides that all workers must be automatically enrolled into a scheme which meets a qualifying test with a minimum contribution of 8% of earnings (including a minimum 3% employer contribution) between £5,000-£33,000. There must be a default mechanism for those individuals who do not make an investment choice in a DC scheme. Government will monitor charge levels to identify if high charge levels are preventing individuals from accruing meaningful savings. Individuals can opt out of the scheme at any time once enrolled. Opted out members are re-enrolled (and can opt out again) every three years. The Bill also provides for Personal Accounts to complement existing good quality workplace pension arrangements.

Mr Laslett stated that the Department for Work and Pensions were seeking clarification from the EU that from 2012 automatic enrolment into Workplace Personal Pensions (WPPs) is compatible with European consumer protection legislation. The Pensions Commission’s aim was automatic enrolment across all employers and workers and Mr Laslett stated that it was hoped that this will enable them to maintain this position. A broad range of stakeholders support the approach to the European Commission.

He highlighted the fact that key features of the Personal Accounts include the Universal Service Obligation, and pension portability. It is classified as an occupational defined contribution pension and will be a collective scheme run by the Personal Accounts Delivery Authority (PADA) with trust type governance. All significant operational functions will be outsourced. There will be low charges and contribution per member will be capped at £3,600 per annum. Mr. Laslett stated that the reasons for the establishment of the new Personal Accounts Delivery Authority was that it needs to be, and be seen to be, independent from Government and that civil servants do not have the required expertise. The functions of the PADA are: to advise on detailed policy design and develop a commercial and procurement strategy; to implement this strategy, and oversee suppliers’ design, build and test of systems.

The planned timeframe for the implementation of the reforms is as follows. In 2008 ongoing uprating of the Pension Credit in line with earnings will be introduced as will Savings Credit threshold earnings uprating. In 2010-20, equalisation of women’s State pension age begins. In 2010 there will be implementation of State Pensions Coverage Package, in 2012 Basic State Pension earnings uprating is planned, subject to affordability, in addition to abolition of defined contribution “contracting out”, at the start of the auto-enrolment obligation and Personal Accounts. In the period from 2024-6, State Pension Age will rise to 66 and in 2034-6, to 67 and in 2044-6 to 68. Around 2030 State Second Pension accrual will become flat rate.
The Development of a Professional Pensions Industry: Regulation and Reform in Australia:

Mr Ross Jones, Deputy Chairman, Australian Prudential Regulation Authority

Mr Jones’ objective in making his presentation was to provide a broad overview of Australia’s pension system, with an emphasis on where it fits within Australia’s retirement income system. He did emphasise that there was a very high dependency level over 65 in Australia. Australia’s retirement income system is a three-pillar system

- Age pension (non-contributory safety net);
- Compulsory superannuation (the Superannuation Guarantee); and
- Voluntary savings, including superannuation.

Mr Jones also noted that there was no grand plan for the retirement system that is in place in Australia - the system evolved over time. Because of the separate evolution of this three-pillar system, he noted it was a complex system and had some adverse consequences as a result. However, he also noted that between 1996 and 2006 pension fund assets in Australia had quadrupled and it has one of the fastest growing rates in OECD. He also noted that the superannuation system was often held up as a model for other countries

Mr Jones highlighted the significance of superannuation to the Australian economy e.g. superannuation assets in Australia amounted to AUD$1.1 trillion at June 2007. This represents over 100% of Australia’s GDP. It is managed as follows:

15% - public sector schemes (DB now closed to new members);
6% - corporate/employer funds (also DB and also mainly closed);
17% - industry funds – set up by compulsory guarantee system in 1990s – rapidly growing;
25% - self-managed funds (limited to 4 members, all must be trustees), self-employed – not regulated by the Australian Prudential Regulation Authority (APRA), regulated by tax law,
32% - retail funds - large financial institutions – for profit.

The growth in funds has led to a dramatic change in the management of the industry.

There has been a major shift from DB to DC. He noted that, prior to the 1990s, there was a defined benefit system in place, which had not got high coverage – 40 –45%. Now in Australia there is much greater coverage but in defined contribution schemes. He mentioned that the regulatory response had to change when changes from defined benefit to defined contribution schemes took place.

Trustee licensing was then addressed by Mr Jones, in which he noted that the regulator primarily focuses on the trustees. There are also standards set for trustees: fitness and propriety, adequacy of resources, risk management and outsourcing. The focus is on ensuring
that trustees know what they are doing. Also, industrial consolidation continued as rigorous licensing procedures saw many smaller funds wind-up or merge.

Mr Jones went on to highlight some factors regarding the three pillars. The first pillar is increased twice a year in line with a floor of 25% of male total average earnings and is means-tested against income and assets. The new government has indicated it will review old age pensions in the context of a broad tax review.

Compulsory superannuation (second pillar) commenced in 1986. Superannuation guarantee (SG) arrangements were introduced in 1992. The aim of the SG is to ensure that as many Australians as possible have access to superannuation and to provide higher standards of living in retirement. Employers are required to contribute 9 per cent of wage or salary. In discussing the second pillar, Mr. Jones noted that in the early 1980s, there was high inflation in Australia and in 1983 the Government changed. As a result the Government, employers and trade unions agreed on the ‘wages accord’. This meant there was to be no increase in wage inflation and that employers would pay money into a superannuation fund. However he did note that the Superannuation Guarantee (SG) had an unfortunate title, as there was no guarantee of a person’s entitlements, only a guarantee that employers would pay into the fund. Employees were not required to make contributions, but are encouraged to do so by tax incentives. Coverage is high at 98% of full-time employees and over 90% of all employees. However, in terms of adequacy most people’s view is that 9% will not be sufficient. He also noted that there is a problem concerning labour mobility as pensions are tied to employment and there are now 30 million accounts for 10 million workers. It is a Government objective to consolidate these accounts.

Finally, voluntary superannuation (third pillar) is encouraged by the provision of tax concessions to employers and the self-employed. Employers can make additional superannuation payments on behalf of employees if they wish. Employees can make additional personal contributions if they wish but these are not tax deductible when contributed. Incentives exist for the self-employed and employees to make voluntary contributions. Mr Jones noted that with the third pillar a person can receive substantial tax concessions, but can only exit from the scheme when they reach retirement age.

The Government enacted legislation in 2007, including major changes in the elimination of all tax on benefits from age 60. This provides a simple and easy way to stay in employment longer. There are also rules to allow partial retirement from age 55.

Mr Jones then highlighted the impact of compulsory superannuation on the financial market. Australian share marked capitalisation has grown on average at 15% for past 20 years. Australian pension funds on average allocate more than half of their total equity allocation to Australian shares. This has had an impact on demand for services.

Mr Jones then focused on policy implications. He accepted that 9% is not sufficient to provide adequate retirement income for everybody. Therefore Australia encourages voluntary contributions by way of tax incentives. There is a significant incentive to save and while you can’t access money until age 60, it is then tax-free. However, there is still a problem of
complexity. Mr Jones stated that consumer financial literacy was a problem in all countries and there is a need to find a simpler and better system. Consumer confidence is needed in any model depending on voluntary contributions as voluntary contributions decrease if uncertainty is present.

Finally, Mr Jones noted that Australia had gone from a poorly regulated DB scheme with low coverage to a comprehensive DC system with high coverage but with contributions which are too low to ensure adequacy in all cases.
1st Discussion Session

Gerry Hughes, School of Business TCD, praised the panel for their informative presentations. He felt that what Government appears to be doing is to get someone else to take responsibility for pensions, in particular the private sector. He was sceptical as to whether this was achievable. He believes that there are not enough funds going into pension schemes to achieve targets. Mr Hughes highlighted the fact that, in the past, the Government has paid large tax subsidies to private pension schemes. But these were DB schemes and now many schemes are closed off to new members. Therefore, the only option as a new employee is a defined contribution scheme which is not guaranteed. Finally, Mr Hughes’s concern with the Green Paper is the emphasis on the unaffordability of the State Pension, and feels that emphasis needs to be focused on how to develop the State Pension.

Liam Carberry, Professional Insurance Brokers Association, asked Mr Jones if he considered the 9% contribution rate was sufficient. Mr Jones answered that a 9% contribution rate was adequate for a young person starting in a pension scheme, but not for members who are already in a scheme and who would not contribute over their full life.

Dr Orlaigh Quinn, Principal, Pension Policy Unit, Department of Social and Family Affairs, stated that recent poverty data indicated an improvement in the level of older people in poverty which showed the value of increases in the State Pension. She noted that there are a range of options in the Green Paper to consider, as ‘everything is on the table’.

Michael O’Halloran raised the issue of compulsory versus voluntary contributions. He believes that 50% of members that are in pension schemes are not there because of choice – but because there were already pension schemes in place. He argued that compulsion would be necessary but that if compulsory schemes were introduced there would be no incentives for members unless employers contributed and that for low income earners to contribute 9% is impossible. He then said, if there was no compulsion, there would have to be an increase in social welfare pensions and the State would have to increase tax for higher earners. He gave the example of Tesco with 17% of staff in the voluntary scheme compared to Superquinn with 100% in a compulsory scheme

Ross Jones referred to the 9% compulsory system which was phased in as part of a wage agreement and fell on the employer. This made it easier for both employees and employers to accept and there had not been great concern by employees as employers pay it.

Robert Laslett stated that, in the UK, there is a long history of voluntary contributions. However, around 2002, voluntarism began to fade away and compulsory pensions came on the agenda. He hoped that the fact that an opt-out is allowed will make it feel less like a tax.

Edward Whitehouse said it is important to distinguish between compulsion and auto-enrolment. There is also an increase in schemes like Tesco in the UK and US, where there is automatic enrolment – you have to opt out if you do not want to be a part of it. He noted that the two ways forward for Ireland were either like the Australian or Swiss approach which is to extend existing provision across the workforce or to have a basic pension as a starting point and
then a private scheme to build on this. He then asked why should Tesco waste money on a scheme if the majority of employees do not want to be in the scheme. He wondered that if people were left to their own devices, will they have enough on retirement, or will it be left for other people to provide for it. Mr Whitehouse felt that tax incentives are expensive – depending on what you expect people to do with money otherwise, i.e. will they simply put it in an alternative tax shelter e.g. SSIA.

Niall Doyle, Irish Insurance Federation – which supports a universal pension - asked about the means tested pension in Australia and mis-selling in the UK.

Ross Jones stated that the Australian basic pension was a safety net pension and is income related, but not assets related. Therefore, if you have other income (e.g. pension) you may not receive it.

In relation to means-testing, Robert Laslett said it is difficult to work out who in working age has saved enough, but felt that this is the wrong test. We need to look forward he said, to see if there is a reasonable expectation that a person will get a good return. He said research indicated that it is possible for people to be on a means-tested pension and still get a return on saving but there are issues about sharp tapers on some benefits.

Edward Whitehouse stated that in Australia (where two-thirds of people get the basic pension) there is affluence testing and in the UK there is poverty testing. These are philosophically different. In Australia, rich people probably do not even bother claiming pension, he believed, whereas in the UK there can be take-up problems amongst the poor. He argued that there were advantages to means-tested pensions. Both Australia and the UK have reduced taper rates which encourage return on savings. The downside of tapers is that either few people are affected a lot or a larger number are affected to a lesser degree. A universal approach would mean that taxes would have to be raised to pay for it.

The chair raised the question of inter-generational equity. Edward Whitehouse said that countries varied greatly in the speed with which they introduced reforms. He suggested that people who are retired or close to retirement (who cannot alter their position) should not be affected adversely. However, he felt that trying to be fair to everybody was impossible.

Ross Jones said that the comparison between ‘bad’ DC schemes and ‘good’ DB schemes was over simplistic. In Australia, when the DC pension was introduced, the comparison was not between a DC and DB pension but between a DC pension and nothing. He also pointed out that DB guarantees are dependent on a solvent fund and employer and, given economic changes, some DB guarantees may not be honoured.

Lorraine Mulligan of SIPTU believed that there was a major problem in the current pension system in Ireland especially with regards to the costs of private pension arrangements. She asked how this can be addressed. She also asked about representation on boards of trustees and whether ordinary members have any voice.
Ross Jones said that regarding the representation issue there is equal representation of employers and employees. In Australia, there was a debate as to whether trustees should have academic qualifications. It was decided that this should not be a requirement as this would act as a disadvantage to member representatives. However, all trustees must have skills/capabilities and boards have training programmes. Overall, the board is expected to have a general level of competence. Mr Jones stated that fees and cost issues are complex regarding private pensions. While we can seek improved competition, there is a problem of inertia, lack of understanding and lack of transparency.

Mr Laslett said that the UK had adopted a cap on charges for stakeholder pensions. This has held down fees but made it unremunerative for companies to sell pensions to lower/middle income people. This cap would be reviewed. Regarding trustee boards, there are programmes to improve trustee skills. In the UK, the general approach (based on behavioural economics) is to give people prompts, e.g., a person is in a scheme unless they opt out.

Edward Whitehouse said that even disclosure of charges can be complex. However, in the UK, league tables have been published so this should be possible. In the initial stages of reform in Australia, the employer chose the fund but had no incentive to avoid high charges. Now, individuals can override employers’ choice. With regards to low earners with low balances, he believes that the Government should subsidise administrative charges for their accounts e.g. in Mexico the Government lodge a set amount into all accounts. He had a more positive view of the UK experience of a cap. No matter what you do, experience would suggest that with competing private sector providers you cannot get costs below 0.6-0.8% of assets p.a. so the UK 1% is reasonable. With large single funds with simple investment plans, you can get very low charges (e.g. 0.1%) such as in the USA ‘thrift savings plan’ which is a civil servants pension scheme. Overall, he felt that if things are kept simple, charges can be kept down but this needs to be built in at design stage.
Afternoon session:

Chair: Ms Anne Maher, consultant and company director

**New Zealand Superannuation and KiwiSaver:**

Dr Brian McCulloch, Director New Zealand Treasury

Dr McCulloch began his presentation by outlining that the New Zealand policy framework is built around the following: (i) the New Zealand Superannuation (NZS) which is a universal State pension funded from general revenue; (ii) the New Zealand Superannuation Fund – a sovereign wealth fund; (iii) KiwiSaver - a voluntary private savings initiative with incentives.

Dr McCulloch outlined that New Zealand Superannuation is a universal State pension paid from general revenue and set at 32.5% of average income for an individual. It is described as simple, clear and easy to understand. It has proved durable, Dr McCulloch noted, as it provides confidence and certainty to lower and higher income earners. It enables choice for those who decide to work after 65 and those who do not. It is also seen as fair and equitable as everyone who is eligible gets the same benefits. Overall it is an efficient scheme and paid to all residents 65 years and over.

There are a lot of positive features to the NZS, such as: indexed annually, taxed along with all other income, no income test, no requirement to retire from paid work, no asset test, unrelated to past earnings history, and it is not contributory.

However, the New Zealand Superannuation raises two concerns. As there is an ageing population in New Zealand, it is unclear whether the NZS is fiscally sustainable. There is also uncertainty as to whether higher income earners are making adequate additional private provision for their futures.

Dr McCulloch then noted that over the next two decades both the population level and structure in New Zealand will change markedly. There will be (i) a larger proportion of ‘elderly’, especially ‘older elderly’; (ii) some ‘unexpected longevity’ – people underestimating how long they live; (iii) people will be available for work for longer and/or longer in retirement or semi-retirement; (iv) there will be changing demands on Crown finances.

He went on to outline how the fiscal cost of NZS is expected to increase to 8% of GDP over the next two decades. However, Dr McCulloch pointed out that future Governments will have options, such as who should get NZS, the amount payable and at what age payment should begin.
Pension costs in New Zealand

...from around 4% of GDP now to 8% by mid-century.

Dr McCulloch then went to outline the policy rationale for the New Zealand Superannuation Funds. There will be a stronger Crown balance sheet to cushion the impact on Crown finance. Public debt is already at relatively low levels, so policy is to build up a fund of Crown-owned financial assets to partially pre-fund the extra fiscal costs (tax smoothing) with a diversification benefit of broadening the Crown financial portfolio across capital markets but good governance arrangements are vital to avoid repeating the international record of poor financial performance of public funds.

The fund has been described as:

“A clearly defined portfolio of Crown financial resources...... managed by an independent governing body......with explicit commercial objectives......and clear accountability.”

Dr McCulloch estimated that by 2020 the New Zealand Government will start to draw on this fund, and noted that this fund does not solve the sustainability issues, but does provide additional fiscal headroom as budget adjustments need to be made over time.

Dr McCulloch then went to give a brief description of KiwiSaver. It was described as a voluntary work-based savings scheme which had started on 1st July 2007. The policy objectives of this scheme are to:

- provide “Better income in retirement for those who want it” (NZS provides many with comparable post-retirement income);
- increase national saving by encouraging a long-term saving habit and asset accumulation – at present the focus on household saving is in financial assets. There is a
bias towards low-to-middle income households who may not be saving enough for retirement. This approach is overly reliant on housing wealth and potentially vulnerable.

- maintain government saving levels so no reduction in NZSF contributions
- support long-fund fiscal aims of prudent debt and long-run sustainability

These objectives encompass savings, investment, financial markets and retirement income. Dr McCulloch noted that the New Zealand Government cherry-picked ideas from everywhere to suit themselves when originally designing KiwiSaver. The original model was described as a scheme with modest incentives. It is voluntary, and open to all. Workers are auto-enrolled on joining the workforce or changing job. There is a one-off kick-start payment ($1,000) and an annual fee subsidy for all members. For employees, the contribution rate is 4% (or 8%) of gross salary or wages, deducted by the employer. For non-employees, there is no specified rate and this is at provider discretion. There is one account per person. Funds are under private management and are locked-in until superannuation age. There is portability across employers. Members elect which provider and fund, or default allocation. There is a default provider tender process. There are contribution holidays, ‘hardship’ withdrawal, mortgage diversion and first home deposit subsidies.

In 2007, enhancements were added to KiwiSaver: member tax credit (MTC) increased by $20 per week, compulsory employer contributions to rise annually to 4% gross salary, employer tax credit to increase up to $20 per week, MTC available to non-employees and self-employed. All of these features are available from age 18 to age 65.

Dr McCulloch also noted there had been progress since KiwiSaver’s launch in 2007. It has 640,000 members as of end of April 2008 and 33 providers offering 48 different schemes. It was also indicated that default providers have been put in place for members who don’t choose a scheme for themselves.

Dr McCulloch also referred to other aspects of the KiwiSaver scheme such as it does not target a specific replacement rate for practical and philosophical reasons. There are no withdrawal rules. Also there are no defined fee levels or Government guarantees as entry is voluntary to the scheme. However, there is mandated disclosure and also measures are in place to reduce switching of schemes and crowding out.

Overall, KiwiSaver was described as a unique product which goes alongside the Superannuation programme. However, Dr McCulloch noted that the system is not complete or finished and there are future challenges such as durability and sustainability of the framework (e.g. there will be a General Election in 2008 – what will be the attitude of a new Government?); what will be the impact of financial market turbulence on savers, and providers.

The model will need to be adjusted over time. Initially there will be a need to monitor operational performance and for “debugging”. However, there is also a long-term KiwiSaver evaluation: to look at effectiveness relative to policy objectives.
**Lessons for Pension Reform from OECD Experience:**

Mr Sebastian Barnes, Economist, Organisation for Economic Co-Operation and Development (OECD)

Mr Barnes began by describing the Green Paper as an excellent publication which gives a comprehensive overview of the Irish Pension System. He then went on to say that Ireland’s position is unusual for a developed county as it has a young population, but this situation will change.

![Graph showing the population aged over 65 relative to the working-age population](image)

He also noted that there was huge uncertainty due to the relatively young population in Ireland and a greater risk from changes in longevity. Therefore, substantial adjustment is needed even though by 2050 Ireland will only be in the position that other countries are in now. However, Mr Barnes noted that Ireland is already building a cushion to help it adjust such as low taxes, zero net Government debt, and 1% of GNI is saved each year in the NPRF. However it was noted that Ireland cannot rely on margins to get through, it has to start building pension resources, by focusing on the State pension and the ‘pensions gap’, by raising coverage, good quality employer schemes and encouraging saving. Mr Barnes noted that between 1995 and 2007 the value of the State pension increased by 40% in real terms, which was facilitated by strong economic performance.
Raising the state pension

He said that projected increases imply a relatively high pension for low earners, but much less for average earners. This shows that the quasi-universal State pension cannot be the only instrument used in raising pensions. The OECD survey recommends (i) the setting of long-term objectives in terms of a target pension value relative to earnings; (ii) indexing of retirement age to longevity; (iii) modernization including actuarial-equivalent for deferred retirement, further limiting means testing under the non-contributory pension, and replacing in-kind allowances with cash. The recommendations include a form of indexation which will finance longevity and give a framework if longevity is higher than expected. They will also increase work incentives for people who do not want to retire early according to Mr Barnes.

There is a relatively large ‘pensions gap’ between Irish mandatory State pensions and OECD schemes. Therefore, Mr Barnes argued that private saving is needed and emphasised the importance of getting private pensions right. Mr Barnes went on to say that private pensions are well developed which is an impressive performance, given the young population in Ireland.
However, there is a significant ‘pensions gap’. Mr Barnes noted that Ireland’s good performance on pension cover is necessary given the relatively large pensions gap.

Two key challenges are coverage and adequacy in private pensions. Are enough people saving and are they saving enough? In terms of coverage, Mr Barnes stated that there are gaps mainly where employers do not provide a scheme and for women, the low paid and part-time workers.
The level of coverage needed depends on the level of State Pension and the target for replacement income. If one takes the OECD average of 60% replacement income, Ireland would need to have cover of about 75% but if you take a lower replacement rate, lower cover is needed.

He then stated that employer schemes are the key to private pensions as defined benefit schemes are widespread and should provide good pensions for many. Mr Barnes argued that the rising share of defined contribution schemes shifts risk completely to employees but contribution rates appear relatively high. Policy should encourage employers to provide good schemes. Funding regulations should promote high levels of benefit security at a reasonable cost. He stated that there is a trade-off between security and cost – if trade-off is wrong, cost will be greater. Therefore, it is very important to get the right balance. He stated that DB/hybrid schemes are attractive as they share risk, and reduce the cost of providing pensions. These are developing in Ireland. He considered that the ‘termination/wind up’ funding standard may be restrictive and might deter other schemes from setting up in Ireland. The rules are less restrictive in other countries although in Ireland there is a relatively long time to correct underfunding. Mr Barnes also spoke of the need to ensure adequate benefits for retirees especially for those with fragmented contribution histories.

Regarding annuities, there are two problems according to Mr Barnes, which are that people have a problem understanding annuities and misjudge their longevity as well as a flexibility issue. While annuities seem to be the right approach in principle, they depend on an efficient market which can be difficult to develop in a small country. However, the fact that the State Pension is already guaranteed can, he argued, help to reduce concerns about security for additional cover.

Mr Barnes then spoke of encouraging private saving. International evidence did not suggest that tax incentives were efficient in raising saving. He also noted that, in Ireland, the minority of high rate taxpayers benefit more than the rest of taxpayers, this system is expensive and ineffective. Other suggestions for encouraging private pensions which would be more effective were: (i) matching contributions (similar to SSIA), and (ii) ‘soft’ compulsion – ‘opt out’ schemes but he suggested that ‘hard’ compulsion may be necessary. Overall, he stated that financial education for people is important, as people need to understand the risks and also how things work.

In conclusion, the OECD Survey recommendations are to replace tax breaks with capped matching contributions (i.e. lower the level of support, and target it better); facilitate private pensions (e.g. reconsider the funding standard, reconsider the requirements to purchase annuities, increase flexibility to work beyond 65); introduce ‘soft’ compulsion (PRSA opt out if other provision inadequate). Finally, Mr Barnes concluded by suggesting that Ireland prepare for the long-term and also try to lock in what has been achieved in recent years through longevity indexation, clear targets and modernization of some details; and a reform of incentives.
**Pension Reform in Ireland – where do we go from here?**

Mr Brian Duncan, Chairman, Combat Poverty Agency, Managing Director, Irish Pensions Trust

The final speaker, Mr Duncan, began by noting that the first Green Paper on Pensions was published in 1976, 30 years prior to the publication of the present Green Paper. He then highlighted some changes that had occurred in that time. There had been strong economic growth leading both to greater resources and greater demands. There was also growth in value of social welfare benefits; easing of contribution requirements; substantial growth in private pensions, with more recently a strong move from defined benefit to defined contribution and a much stronger compliance regime. There is a growing gap between public and private sector provisions, and some awareness of the impact of demographic changes such as the ageing population and improved longevity.

He outlined Government commitments to increase the basic State (social welfare) pension to €300 (at least) by 2012; to secure a retirement income from all sources of at least 50% of pre-retirement earnings and to work to develop flexible responses to retirement. However, in relation to the commitment to 50% replacement, he believes that while this may generally be sufficient it may not be so for low income groups. Therefore, he sees the challenge is in determining how much is mandatory and how much is voluntary.

Mr Duncan believed we had been served well by social partnership in Ireland and also that a lot of Ireland’s success was due to the fact that we did not copy the approaches taken in other countries. He then went on to list some key principles to be considered before any decisions regarding pensions are made.

- Building on existing arrangements.
- Focus on low income groups – the higher the income the more likely an individual can make adequate arrangements.
- Consider the impact on maintaining a competitive economy.
- Anticipate future changes in demographics and recognise the impact of improving longevity.
- Distinguish between pension provision and wealth creation.
- Minimise the gap between public sector and private sector provision.
- Address the position of those who opt out of the paid workforce to take on carer duties.
- Simplify the system.

He then went on to outline the 3 categories of groups in the pension provision chain.

1. Low income group – who are and will be reliant on State benefits.
2. Middle income group – who have a combination of State benefits and private pension provisions.
3. High income group – who look on pension tax reliefs as a wealth creation opportunity (e.g. ARFs).
Mr Duncan felt that any solution needs to focus on the low income groups. He highlighted the issue of poverty after pension age of 65 (2006 data). He noted that the recent data was significantly different to the OECD data cited earlier and presented a more positive picture. He highlighted that children and single parents were less well off than people over 65 and stated that all resources should not be put into pensions only.

<table>
<thead>
<tr>
<th></th>
<th>Consistent Poverty</th>
<th>Relative Poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>Population</td>
<td>6.9</td>
<td>7.0</td>
</tr>
<tr>
<td>Over 65’s</td>
<td>2.4</td>
<td>1.9</td>
</tr>
<tr>
<td>Children under 14</td>
<td>11.2</td>
<td>11.1</td>
</tr>
<tr>
<td>Single Parent</td>
<td>36.5</td>
<td>30.7</td>
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Mr Duncan pointed out that life expectancy has improved significantly over the last 30 years and, as a result, life expectancy at age 65 has grown by around 50% over that period. Therefore, there is a need to increase retirement age to be prepared for other economic and social challenges due to changing demographics and improved life expectancy.

Pension provision in the public / private sector in Ireland was then contrasted. The public sector has a clear distinction between pension and lump sum provision: pension and lump sums are calculated separately and only the pension is subject to social welfare offset (from 1995). By contrast, the private sector puts somewhat less emphasis on pensions. The lump sum is not related to the amount of remaining pension, values (commutation factors) do not recognise value of pension foregone, and the focus on ARFs is moving further away from pension provision. The perceived “poor value” when purchasing annuities is part of the issue and, with improved life expectancy, needs to be addressed. Mr Duncan believes there is no real alternative but to provide a State annuity (up to a specified minimum level) and that focusing on ARFs is not the solution for going forward.

He also highlighted the growing gap between public and private sector pension provision and growing awareness of the cost of public sector pensions. He mentioned recent reforms, including the adoption of flexible (later) retirement age and integration with social welfare (for new entrants from 1995). Pay parity is not guaranteed but is “expected”. Public sector benchmarking has attempted to address the issue by putting a value (12% to 15% of salary) on excess value of pensions. However, he asked whether this approach was sustainable. He suggested that reforms must address both the public and private sectors. The Green Paper details a number of options which must be explored in depth.
He then discussed some issues regarding a mandatory earnings related pension. He stated that focusing on enhancing the basic (flat-rate) social welfare pension is the most cost effective approach and targets resources to the area of greatest need. However, he asked whether there is such pressure for some element of earnings related pensions that the issue will not “go away”. The challenge with a compulsory earnings related element is to provide a meaningful addition to the basic flat rate social welfare pension while not eroding the opportunity for additional private provision. There is a very strong case that any mandatory earnings related element should be done through the established PRSI system to reduce collection, administration and compliance costs. The PRSI system could also be used as a default option for voluntary or soft-mandatory provisions.

Mr Duncan went on to say that we cannot predict the future, therefore flexibility is needed. On the other hand, as much certainly as possible is essential for individuals to plan for their future. In the Irish context flexibility is best achieved by a combination of the following:

- Flat-rate social welfare pension, funded on a pay as you go basis
- Mandatory earnings related scheme through the PRSI system, with some degree of opt out for those with “adequate cover”

Mr Duncan then had a list of things that he would do if he were the Minister for Social Affairs. He would, first, increase the basic flat rate pension to 40% of average earnings, funded through a combination of higher PRSI contributions, gradually pushing out the pension age and some limited curtailment of private sector tax reliefs. He would also maintain the insurance related qualifying conditions for the basic pension (but significantly simplify the qualifying conditions and allow credits for those involved in caring) as a universal approach would provide pensions for those who do not need them. He would introduce a mandatory earnings related scheme funded by 4% employer and employee (minimum) contribution rates, applicable from age 25 (up to a salary of €50,000) operating through the PRSI system with the State determining the investment strategy. This should allow a once-off option to opt out for those over 25; but would be mandatory for those reaching 25 in the future. He argued that there will be huge pressure to allow an opt-out option on an on-going basis; and asked if clear and cost effective criteria can be devised. He would introduce State guaranteed annuities up to a specified limit (related to the level of contribution under a mandatory scheme) and, in conjunction with the limit, restrict the availability of lump sums (and possible ARFs). Finally, he would consider the impact of new structures on public sector pensions.
2nd Discussion Session

Jerry Moriarty, Irish Association of Pension Funds, noted that there was a report due out soon regarding tax reliefs and tax incentives. The speaker felt that there was not sufficient focus on the tax that will come back into system when people retire, e.g. tax relief in social welfare pensions, which will improve the sustainability issue in 30 years.

Brian McCulloch said that the cost of social welfare and public sector pensions are growing and he suspects that, with this adjustment in social welfare, there would need to be similar increases in public sector pensions also.

Sebastian Barnes said that his impression is that there are different ways to think about the tax system, especially some tax arrangements in Ireland, as people are not taxed that much on higher incomes. In New Zealand, they tried to keep taxation as neutral as possible.

Seamus Cody of Impact trade union said that, concerning longevity, there is not an issue between the workforce and pensioners, but between the economy and pensioners. Also, if there was a significant increase in State pensions, this would take pressure off other schemes. Mr Cody welcomed the emphasis on the potential to increase the State Pension.

Brian Duncan commented on DC vs DB pensions. He said that a DC scheme is complicated as people are never quite sure of the amount of pension that will accrue, but with DB schemes a person has a better idea what they will get. However, if risks became unsustainable to the employer – they will just stop the scheme. Therefore, it is important to have some form of State Annuity.

Niall Doyle of the Irish Insurance Federation asked if New Zealand allows children into the auto-enrolment scheme. Brian McCulloch said there are children in the scheme, but no employee contributions are received from them and no tax credits.

Gerry Hughes (TCD) believed that in order to address poverty in old age the Government has to increase the State Pension.

A question to Dr McCulloch was whether there is a possibility for redistribution of pension income to make the system fairer. Dr McCulloch stated that with regards to the ‘Kiwi Saver Scheme’ in New Zealand there was a number of reasons why KS was introduced, one being to increase national saving.

A second question was why has there been a change in the philosophical approach to pensions in New Zealand. Dr McCulloch replied that Dr Cullen (Minister for Finance) had said what people expect from the State in old age is security, and that that position has not changed. He also went on to say that the economy has a high level of foreign liabilities and Kiwisaver policy is unlikely to have significant effect on overall policy – but does have some impact.
Paul Kenny argued that one of the fundamental problems with the current pension system was the failure to communicate and provide information. He suggested that this was one reason for the low take-up of pensions, as people found the area too complicated. Brian Duncan suggested that there was a trade-off between simplicity and choice because pensions are a complicated area. He doubted if it was possible to greatly simplify DB pensions. Brian McCulloch clarified that in New Zealand there is no retirement age per se. There is a qualifying age for pension but people do not have to retire and can continue to work and receive pension.

Jim Walsh, Combat Poverty Agency, asked Brian Duncan about the need to raise the rates of social insurance and how that fitted with the Government commitment to reduce PRSI. He also asked if the abolition of the current PRSI threshold (over which no additional PRSI is paid) could play a role. Brian Duncan questioned whether the recent reductions in income tax and PRSI made sense in the longer-term and suggested that, in order to address pension and poverty issues, it will be necessary to raise tax and social insurance levels. He suggested that an explicit social insurance contribution directed to pensions could make people more aware of what was involved. Although he saw logic in abolishing the PRSI threshold he felt this would be difficult to achieve politically.

Brian McCulloch pointed out that about one-third of the people who had been auto-enrolled in New Zealand had opted out so far. Such persons can opt in later and if they change jobs will be auto-enrolled again.
4. Report on regional seminars

This section sets out a summary of the issues raised at the regional seminars.

Introduction

In February and March 2008, the Department of Social and Family Affairs hosted a series of public seminars where attendees were invited to give their views in relation to all aspects of the pension system. Two seminars were held in Dublin, while a further four were held in Waterford, Cork, Tullamore and Sligo. All seminars were well attended, allowing for well-informed and constructive debates on the key issues highlighted by members of the public and representative organisations.

Structure of seminars

The seminars followed a similar structure in each location, with two presentations, followed by parallel workshops and a final plenary session.

Presentation 1

Dr Orlaigh Quinn, Principal, Pensions Policy Unit, Department of Social and Family Affairs:

Dr Quinn began each seminar with an overview of the Green Paper on Pensions. She referred to the origins of pension provision, under Chancellor Bismarck in Germany in the 19th Century. Dr Quinn referred to the Green Paper as the “kitchen sink” of pensions, covering all aspects of the pension system. Beginning with the philosophy underpinning pension provision in Ireland, the Green Paper also discusses demographic and sustainability considerations, and adequacy of current provision. In addition, the Green Paper discusses specific issues related to the social welfare pension system as well as those of occupational and private provision and public service pensions. The Green Paper also examines issues and attitudes towards retirement age and work flexibility in older age. It also sets out several potential approaches to pensions development.

Dr Quinn mentioned that there were tensions outlined within the Green Paper that become apparent when considering approaches to pension reform. For example, if we decide to increase the adequacy of pensions (either through social welfare or private means), this will cost more and thus may have an impact on financial and economic sustainability. Other choices arise when considering whether a voluntary or mandatory approach (or somewhere in
between) should be taken as the preferred route. We also need to consider whether current challenges within the pension system can be met through the private or public sectors.

Dr Quinn continued by discussing the adequacy of individuals’ current pension provision noting that the average income of pensioners was currently €327 per week, compared to €776 for all households. 70% to 80% of pensioners are currently dependent on social welfare pensions as their main source of income. Recent Central Statistics Office (CSO) research has found that 50% of people currently in work expect private or occupational pensions to be their main source of income when they retire. Yet, based on available data on current contribution levels to private and occupational pensions, the social welfare system will still be the main source of income for most people when they retire.

Demographic projections provided by the CSO suggest that life expectancy will continue to increase over the decades ahead. Dr Quinn presented these figures at the seminars which showed that, based on current projections, life expectancy at 65 years for females will increase from 84 years currently to 89 by 2036 and 91 by 2061. For males, the equivalent figures are 86 and 87 years, increasing from 81 years today.

On the basis of these projections, it is estimated that age-related expenditure could increase from 12% of GDP to 26% by 2050. Pension costs are estimated to increase from 5% of GDP to 13% by 2050.

Dr Quinn concluded each presentation by pointing out that there are policy choices available which can help address the emerging challenges facing the pension system. These include increasing taxes or private savings, reallocating expenditure from other areas, increasing the retirement age, increasing the number of people at work or by improving competitiveness. She said that the options for the pension system exist on a range from keeping the current system in place with no reform to a mandatory system through which all people at work would be expected to contribute. Other options include increasing the social welfare pension, reforming and enhancing voluntary provision through incentives (e.g. tax reliefs) or a soft-mandatory or auto-enrolment system that people in work would automatically join but could opt out at a later date.

**Presentation 2**

**Mr Paul Morrin, Senior Statistician, Department of Social and Family Affairs:**

Mr Paul Morrin’s presentation focused on the models for reform that are presented in the Green Paper on Pensions. Focusing first on the current pension system, Mr Morrin pointed out that one of its objectives can be seen as poverty prevention and the provision of a minimum income. This is, in effect, an objective of the social welfare pension system where the current target is to achieve a payment of €300 per week by 2012. A second objective of the pension system is to provide a replacement income in order to ensure that living standards do not drop
significantly at the point of retirement. Targets set by the National Pensions Policy Initiative (1998) here include replacing 50% of pre-retirement income and ensuring that 70% of people at work (aged 30–65) take out private or occupational persons. Both objectives and the three targets are inter-related.

Mr Morrin then outlined the several models for reform in the Green Paper, as set out below.

**Model 1 – Enhanced social welfare**

Under this reform, the social welfare pension would be increased to 50% of average earnings (which amounts to approximately €300 per week in 2007 terms). This alone would provide replacement income for half of the workforce and could be partly financed by a gradual increase in the statutory retirement age. Advantages here include that it would provide a pension for almost the entire labour market, would complement the existing system, would deal with periods of care outside the work force, and would not add any administrative costs. On the negative side, costs would increase in line with the ageing of the population, some people may reduce their private pension saving (because the social welfare pension will have increased), and any increase in the retirement age may have a disproportionate effect on lower income groups as they have a lower life expectancy.

**Model 2 – Enhanced voluntary approach**

This model involves replacing the current tax reliefs for PRSAs with an SSIA-type incentive. For other pensions, the employee tax reliefs would all be ‘levelled’ up to offer relief at the higher rate of tax. Here, advantages include that it would be straightforward to implement, would not damage existing provision and would be targeted at hard-to-reach low and middle income groups. PRSAs also support labour mobility. In addition, it could be implemented at relatively low cost to the Exchequer. Disadvantages outlined include that, currently, data suggest that PRSA contributions are not sufficient to provide adequate replacement incomes, charges are high to members for personal pensions, and the success of this reform would be wholly dependent upon the level of take-up.

**Model 3 – Soft-mandatory pensions**

Under this approach, an employee would be automatically enrolled into a new scheme with an option to ‘opt out’ after three months. Contribution rates outlined in the Green Paper are 5% for the employee, 2% for the employer and 2% from the Exchequer (up to a maximum of €750). The model also included an option of once-off access to funds before or at retirement.
Mr Morrin pointed out that an advantage to this approach was that it reinforced individual responsibility (given that inertia is a major reason for not taking out a pension) and that early results from a similar New Zealand scheme (the ‘KiwiSaver’) were encouraging. The scheme would also be relatively low cost.

However, a high contribution rate may be a disincentive to participate (for both employees and employers). In addition, the soft-mandatory approach may damage good existing pension provision through schemes switching to the potentially lower cost new model.

**Model 4 – Mandatory pensions**

The final model presented was a mandatory pension system where people currently without a pension would be compelled to save. Under the model outlined in the Green Paper, the State would provide a 5% contribution while there would be a total contribution rate of 15% of all earnings between €15,000 and €60,000. The social welfare pension would be set at 40% of average earnings.

As outlined by Mr Morrin, this approach is the only one that is guaranteed to meet coverage and replacement income targets. It is likely to increase national savings as those currently without pensions would be compelled to save. Given the earnings threshold outlined above, 80% of people at work would be covered by this scheme.

However, disadvantages include that this option would be very costly. In addition, it may damage competitiveness, especially in low wage sectors. There may also be difficulties with implementing the new system and there would be pressure for some form of State involvement to keep charges down.

**Workshops and plenary – issues raised**

Following the presentations at each seminar, participants attended workshops focused on either of two themes – social welfare pensions or private/occupational pensions. Both workshops also discussed the issue of retirement age. Following the workshops, rapporteurs outlined the main conclusions and points raised to the plenary. This plenary session provided another opportunity to individuals to make their views known. The following sections provide an overview, presented thematically, of the debates and discussions that were held throughout the country. These sections are a summary of the points made across all plenary sessions and workshops and attempt to capture the range of views expressed.
Models for reform

There was a wide range of views on whether voluntary, soft-mandatory or mandatory approaches presented the best way forward. Finland, Switzerland, the Netherlands and Australia were all mentioned as potential models from which Ireland could learn. During the seminars, various opinions were put forward promoting each of the models in the Green Paper, and variations of these, but there was no consensus on the most appropriate way forward.

The absence of a mandatory approach, according to some, would result in more pressure being placed on the State to provide income replacement. For those advocating a mandatory system, there were very mixed views on whether this should be privately or publicly administered. One model proposed was a mandatory approach, with investments held by the National Treasury Management Agency and administration contracted out.

Others suggested that the State should begin by securing, maintaining and improving State provision and supporting this by voluntary supplementary pension provision. In parallel, the State could plan for a move towards auto-enrolment or mandatory provision – but only if coverage and adequacy targets were not met.

One argument made against mandatory provision was that it could ‘level down’ all pension provision with a consequential impact on adequacy. Others suggested that any mandatory system would need to have a minimum age of entry so that it did not impact disproportionately on young people who may be saving for a new home, for example. Another concern was that migrants, including non-nationals, should be considered in the design of any new system.

While some people advocated a move to a soft-mandatory approach, whereby employees would be automatically enrolled into a pension scheme with the choice of opting out, there were mixed views on elements of the model proposed in the Green Paper. Some said that the waiting period (three months), after which people could opt out, was too short and that a period of at least six months should be set. There were also mixed views on whether people should have access to funds at certain stages, with some saying that this would encourage more people to invest in pensions and others arguing that it would have negative implications for adequacy.

Others proposed increasing social insurance so that a higher pension is payable for all those who have contributed through the system. This would not involve retrenching current arrangements but may involve increasing the level of social insurance contributions and putting more money into the National Pensions Reserve Fund. It was argued, however, that this may be construed as a tax. Others suggested, however, that paying into social insurance would provide more value for money for people as they would not be subject to administration costs and stock market risks. This view was supported by those who argued that the State was in a position to take a long-term view in relation to investment. It was also suggested that additional social insurance contributions could be made on a voluntary basis, and ringfenced for pensions, resulting in an increased State Pension. Another model proposed was that people could voluntarily pay into a defined contribution fund, managed by the NTMA, from which the
State could, subject to limits, provide a guaranteed income at the rate of €1 for every €15 in the accumulated fund.

There were others who suggested that the current system worked relatively well and that Ireland had a well developed pension system in comparison to other EU states. Accordingly, some enhancements to the current system would be sufficient.

Another view was that the State should not become so heavily involved in the provision of retirement income, given the impact this may have on competitiveness. The point was argued that increasing State involvement reduces people’s own resourcefulness and personal responsibility and results in people becoming less productive. The ability of the State to fund existing, or additional commitments, was also in question as a result of the demographic challenges we face, and in such circumstances it was suggested that people need to take responsibility for their own futures.

It was also pointed out that any reform should not cut back on good pension arrangements (e.g. in the public sector) or on the tax relief available.

Another view was that adequacy was the key challenge facing the pension system, rather than coverage. It was pointed out, however, that coverage is low for certain groups, particularly women.

Another option put forward was that some form of “pensions for children” should be introduced to encourage early saving. This could be done by diverting part of a Child Benefit payment, or ringfencing future Child Benefit increases for pension provision. This money could be held in a central fund and then transferred to a pension scheme at commencement of employment or when a person reaches a certain age.

**Contribution/qualifying conditions for the State Pension**

For various reasons, many people express dissatisfaction with the current averaging system for qualification for the State Pension (Contributory). People spoke about the inequity that this creates for people with broken insurance records or who started work at a particularly young age. Some of the people placed at a disadvantage as a result of the current arrangements include returning emigrants and missionaries who worked here in their early years, people who have spent many years in religious life before leaving, those excluded from social insurance by virtue of their income or the nature of their employment in the 1950s and 1960s and women returning to paid employment after a long absence. Insurance records are averaged from the first day a person becomes insured until they reach pension age and so big gaps in a record can have a major impact on entitlements. It was felt that reducing the number of years over which a person’s record is averaged, or adopting a total contributions approach, would help the situation.
One person argued that the issues raised were reflective of inequalities in society. If a person started work at 16, with the result that their contributions were averaged over 50 years, this may have been because free education was not available for them.

Others criticised the means test for the State Pension (Non-Contributory), arguing that it was too strict. In addition, some people argued that the means-testing of qualified adults was particularly unfair given the fact, for example, that money in joint accounts is automatically assessed at 50% for each spouse. In this regard, some people mentioned that, if individualisation is implemented through the tax system, the same should apply to the social welfare system and people should be assessed on their own income only. Others pointed out that they could not qualify for a medical card because their spouse had a part-time job.

Former public servants considered that they got no benefit for the many years of social insurance contributions they have made and suggested that their modified contributions should count towards some level of contributory pension. This was echoed by a number of contributors who called for more recognition of modified contributions. It was suggested that, perhaps, every four modified contributions made should equal one full contribution when assessing eligibility for pension.

For those that had to emigrate in the 1950s and later, the point was made that they had to save money while those people that remained in Ireland could benefit from social insurance credits. One participant called the years outside of Ireland “lost years as far as the Department [of Social and Family Affairs] is concerned.” While returned emigrants are told that they could have made voluntary contributions, participants argued that this information was not available to them at the time.

Another participant said that she had 480 “stamps” but did not qualify for a contributory pension. If she had one pre-1953 contribution, she said, she would qualify for a half-rate pension.

The issue of spouses working on farms was raised on numerous occasions. These people felt that while they have made a major contribution to the running of family farms, they cannot qualify for pensions in their own right because PRSI contributions are only made in the name of the person returning the income to Revenue.

The proposed increase in the minimum number of qualifying contributions to 520, from the current level of 260, was also criticised.

It was pointed out, under the various proposals put forward, that any reforms to contribution conditions should be retrospective so that current pensioners, or those that did not qualify for a pension, benefit from any new arrangements. In addition, others argued that the pension entitlements already accrued (e.g. by those over 55 years of age) should not be diminished under any new reforms.
The issue of the State Pension entitlements of a particular group of former self-employed people was raised at all the seminars. This group were already over 56 years of age in 1988 when self-employed were brought into the PRSI net and so could not satisfy one of the basic qualifying conditions for contributory pension i.e. commence paying social insurance at least 10 years before pension age. A special pension of 50% of the maximum rate, and based on payment of 260 contributions, was introduced in 1999 to cater for such people. Those who also failed to qualify for this special pension feel aggrieved that they got no recognition for the contributions they made, while those who qualified, but had more than 260 contributions feel they are entitled to a higher rate of payment (6 years contributions should be paid at 60% of the full rate etc).

**Marriage Bar / Care work**

The issue of the Marriage Bar and its effect on the pensions of those who had to resign their employment on marriage was a recurring theme throughout all the seminars. Those involved said that they felt discriminated against on two counts – they were forced to resign from work and now find that the pension system discriminates against them. Representatives from the National Women’s Council pointed out that the Marriage Bar issue was of crucial importance in relation to pensions. They emphasised that the issue was not a new one and should not wait until the end of the Green Paper process to be resolved. Given the advanced age of many of those affected, they stressed the urgency of addressing this issue quickly. One contributor suggested that, as it was society that caused the problem in the first place, it was up to society to address the wrong that had been visited on those concerned.

In addition, it was pointed out that women are on an unequal footing with regard to private and occupational pensions – also partly as a result of the Marriage Bar, a situation compounded by the average contribution test. In this regard, it was felt that, as suggested in the Green Paper, a solution would be to introduce a universal pension, one that provides a substantial income in people’s older years. (The point was made, however, that the introduction of a universal pension may be unfair on those who paid social insurance vis-à-vis those who have not.) In addition, several contributors stated that the current Homemakers disregard should be backdated to an earlier date than 1994.

Others argued that the promise of pension rights for people that worked in the home has not been implemented.

In relation to private pensions, it was claimed that women would still be excluded under a mandatory or soft-mandatory regime due to an inability of the system to recognise care work.
Level of State Pension

Many participants argued that the current level of State Pension was not adequate, even with the commitment to increase this to €300 by 2012. The general feeling was that the €300 commitment should be implemented immediately. Others called for the pension to be indexed to earnings. In addition, the automatic entitlement of all pensioners to a Medical Card was raised as a possible option.

There were also calls to raise the level of the Living Alone Increase, a payment made to those in receipt of the State Pension who are living alone. The point was made that older people see a sharp drop in household income when their spouse passes away and that this should be recognised. An amount of €50 per week was suggested. A related point concerned those who are widowed and who already qualify for contributory pensions in their own right. Such people would also have sufficient contributions to qualify for widow/er’s pensions in their own right and feel that it is unjust that they cannot receive both payments.

Others argued for improvements in secondary benefits such as the fuel and telephone allowances.

A related issue raised is the position of those on reduced rate pensions who are also entitled to a qualified adult allowance. Until 2001, in some cases the qualified adult allowance was paid at the full rate even though the main pensioner was receiving a reduced rate. The treatment of such cases was standardised in 2001 and in all new cases since then the qualified adult payment is related to the rate at which the main payment is made i.e. if the main pension is 50% of the full rate the qualified adult payment is also paid at 50%.

At the time, existing qualified adult payments were not reduced, although since then they received only standard budget increases rather than the special increases applied to qualified adult payments for those over 66 years of age. Accordingly, such people no longer receive a full rate qualified adult payment though in many cases the rate they receive is still ahead of that applying to post 2001 cases. These people feel that standard social welfare policy in situations where entitlements are reduced is that existing recipients are not affected, and that this approach was not followed in their case.

Tax Relief

Some attendees felt that it was unfair that tax relief was paid at the marginal rate as this gave greater benefits to those that were paid more. To address this, several people expressed a view that all pension tax relief should be granted at the higher rate.

Some pointed out that individuals should continue to be encouraged to make provision for themselves through appropriate tax incentives. This was difficult at present, it was pointed out, because of a lack of understanding of the current tax incentive regime. This was supported by those arguing for an SSIA-type incentive arrangement – with restricted access to funds at
certain points in a person’s life. A State 33% top-up on an individual’s contribution was suggested by one contributor – as it was a compromise between tax relief at the higher and lower rates.

Another said that tax should be levied on the growth of the fund rather than on the pension in payment. An alternative view was that tax reliefs should be abolished altogether and that the extra finance available should be put towards raising the level of the State Pension (non-contributory) with the contributory pension set a level 30% above this.

Another suggestion was that parents should be granted tax concessions for contributions made to a family member’s PRSA where he or she could not afford to contribute themselves.

One participant said that the Green Paper on Pensions was misleading because, while it mentioned tax relief over 80 times, it only mentioned tax deferral on a few occasions.

**Retirement Age / Longer working**

A strong view held across the country was that there should be no compulsory retirement age at all – but that the age at which one retires should be voluntary. Another view was that it was not sustainable to pay out pensions for 25 years and that retirement age should be increased. It was also stated, however, that there were too many barriers for people to work beyond 65.

It was recognised that not everyone was in a position to work longer but that people should be supported to continue to work if they wished. This may include provision of an enhanced pension if it has been deferred. If retirement age was to be increased, however, there should be a long lead-in period.

Many people stated that employers should not be permitted to impose compulsory retirement ages and that employees should be given the opportunity to continue working if that was their wish. While there are some occupations where people may have to retire earlier (e.g. for physical or safety reasons), this may be facilitated through allowing people to work more flexibly as they get older.

The point was made, however, that increasing the retirement age may have a disproportionate negative impact on people with low incomes as they have a lower life expectancy.

The retirement condition associated with the State Pension (Transition) was also criticised.

**Defined Benefit and Defined Contribution**

It was said that there was no such thing as a ‘good’ defined benefit scheme anymore as they were too expensive. There were fundamental difficulties with the defined benefit design,
according to one participant who suggested that, in many cases, the defined benefit promise was one which could not be delivered upon.

Some participants argued that employers took advantage of defined benefit schemes during times of surplus, yet increased contribution rates for employees when the scheme was in deficit. One contributor blamed accounting standards (FRS17) for the demise of defined benefit schemes as employers do not want defined benefit scheme liabilities on their balance sheets. In addition, it was claimed that, while defined benefit schemes envisaged an employee contributing over a 40-year timeframe, many businesses did not survive that long. Others argued that the Funding Standard was being used as a tool by some companies to justify switching from defined benefit to defined contribution schemes.

One participant argued that actuarial funding certificates (AFCs), which are required under legislation to show that a defined benefit scheme is fully funded, should be put on a website so that proper comparisons between schemes can be made.

In relation to defined contribution schemes, some participants argued that young people would not put money into them as they had no control over their investments and because the system was too complicated.

The shift from defined benefit to defined contribution schemes was not being adequately policed, according to one participant. There were strong views in some seminars that this shift was a concern, although it was pointed out that defined contribution schemes can provide good pensions – as long as enough money is paid into them. The question of who pays the contributions was also seen as important.

Another said that very few defined benefit schemes were being opened, if any, and that we should accept that defined contribution arrangements were the future of pensions. In that regard, ownership and control should be given to individuals, and the pension system should continue on a voluntary or soft-mandatory basis.

**Approved Retirement Funds**

Several contributors made the point that it was unfair that members of defined contribution occupational pension schemes were forced to purchase an annuity whereas those with PRSAs or Retirement Annuity Contracts (RACs) were able to invest in an Approved Retirement Fund (ARF). While some argued that ARFs should never have been introduced, others suggested the option should be extended to all pension products. Some said that it was anomalous that a person could make investment decisions while contributing to a pension scheme yet was not given the same opportunities on retirement by having access to an ARF. The issue was raised that ARFs can be passed on upon retirement but that this was not the case in relation to most annuities. However, an alternative view was that extending the option to all pensioners would “collapse the system” given that people could then take risks with their retirement fund.
One contributor suggested that the introduction of the notional 3% drawdown from an ARF has penalised individuals for prudence. The point was made, however, that more is ‘spent’ on tax relief than is spent on social welfare pensions in any given year and that the 3% drawdown is to discourage tax sheltering.

Others argued for the introduction of a State annuity fund which they said would offer better value for money for pensioners.

Cost

There was recognition that pension provision will cost more in the future but it was also pointed out that there was a responsibility on everyone to meet this cost – employers, employees, and the Exchequer. Existing pensioners made the point that they had contributed greatly to the prosperity of the country and should not be penalised if difficulties arose. Some people made the point that if there was better control on social welfare payments generally, particularly those being made abroad, more resources would be available to fund pensions.

While there were no easy solutions, concern was expressed at the possible impact that increased costs may have on competitiveness. Addressing such concerns through the partnership process was mentioned as a possible option, and pay agreements should include pension costs as part of any salary increases announced (e.g. 5% pay award could be shown as 3% pay and 2% pension).

Others argued that pension provision is too costly for young people, whose efforts are directed towards other priorities such as buying a house. Accordingly, affordability is a barrier for many young people in taking up pensions. The State should increase the contribution limits allowed for tax purposes for younger people, according to some contributors. This would encourage young people to enter the system at an earlier stage.

Another point made was that the State should increase the contribution made to the National Pensions Reserve Fund (NPRF).

Others suggested that we need to bear in mind the competitiveness issues associated with meeting the future costs of pensions. In addition, we need to be cognisant of the impact of current promises on future generations.

Service/Information

On means testing for social welfare pensions, one participant argued that the process made people feel uncomfortable and that, instead, the person should be granted a pension automatically. In addition, some pointed out that the claim form was too long and daunting for older people. While participants said that the website and literature provided by the
Department were useful, people were still not fully aware of their entitlements. One solution suggested was that the Department should be more pro-active in identifying people in certain situations and targeting them with information. In addition, people should be given forecasts of their potential pension entitlements. There was also some criticism of the service provided by the Department with some people complaining of difficulties contacting the relevant sections.

In relation to private pensions, it was mentioned that one of the major problems with them is their lack of transparency. People should have access to quick and easy information about their pensions and should feel as though they have ownership of their assets. These are issues which should be addressed by the State as well as the pensions industry. Generally, there were too many rules associated with pension provision and simplification was needed.

Education, awareness, information, and the need to get engagement on pension provision at an early age were considered important. There was support, for example, to enhance pension education and information by including it as part of the secondary school curriculum. This awareness raising and information provision should continue throughout a person’s working life, with guidance on the options available at retirement. Several people argued that the Government and the Pensions Board should be providing more encouragement for people to take out pensions.

In addition, the language used by the State in relation to pensions should be made clearer.

It was also mentioned that more information should be provided on people’s pensions in Border areas, particularly those who may have entitlement to a UK and an Irish pension.

Another contributor said that the introduction of the electronic payment system did not suit many older people.

**Protection/Regulation**

Several contributors said that there were not enough protections in place for people who had contributed to a pension scheme over a number of years. One participant, who had been with an employer for 32 years and subsequently left the employment, was told a few weeks before retirement that the pension scheme had been wound up and that there was no pension for him. Others pointed to the issue of frozen benefits and how some individuals’ pension savings have been eroded over time.

Some participants pointed out that people did not take up pensions due to a fear about the potential return on their investment, as well as the underfunding position of many schemes. While some argued, therefore, for a State guarantee on pension returns, others saw this expectation as unreasonable. It was suggested, however, that the ‘gambling’ aspect of pensions was unfair on individuals saving for retirement.
While some saw the introduction of PRSAs as a progressive move, the complexity of the sales process acted as a disincentive to both selling and purchasing. Others argued that simplification of the entire system could lead to greater pension take-up. A greater level of transferability of pensions (e.g. from private pensions to occupational schemes) was also seen as important.

Rather than demographic change being the issue, it was Government and the pensions industry that created the problems, some contributors said. Some claimed that there was a lack of trust in financial companies. In addition, it was claimed that many people perceive pensions as bad value for money and instead tend to invest in other vehicles, e.g. property. Pensions were compared to endowment mortgages – high cost investments which were not suitable for most people.

**Charges**

The issue of pension fund charges was also raised, with participants stating that the industry takes too much in contribution and fund charges. One argued that additional voluntary contributions (AVCs) can lose up to 25% on charges with no guarantees on performance.

**Demographics**

Several people argued that the State should not be making decisions now on a set of demographic projections which stretch out over 50 years. This, it was argued, creates a false sense of urgency. One contributor pointed out that the focus should be on productivity rather than dependency and that there was no evidence that economic growth falls as a population ages. Several contributors made the point that they were sceptical about the demographic projections presented in the Green Paper.

**Public Sector Pensions**

While many argued that public sector pensions are a benchmark for good pension provision, others claimed that this depends on a variety of factors. Another contributor stated that it was important that the Report of the Commission on Public Service Pensions was not “shelved”.

**Integration**

It was pointed out that occupational schemes are making a saving through integration. In addition, it was claimed that this was an important issue for lower earners, many of whom did not know the full effect.
## Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
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<tbody>
<tr>
<td>ACRO</td>
<td>Association of Retired Commissioned Officers</td>
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<tr>
<td>AFC</td>
<td>actuarial funding certificate</td>
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<tr>
<td>AIE</td>
<td>average industrial earnings</td>
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<tr>
<td>AMRF</td>
<td>Approved Minimum Retirement fund</td>
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<tr>
<td>APLI</td>
<td>Association of Pension Lawyers of Ireland</td>
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<td>APRA</td>
<td>Australian Prudential Regulation Authority</td>
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<tr>
<td>ARF</td>
<td>Approved Retirement Fund</td>
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<tr>
<td>ASTI</td>
<td>Association of Secondary Teachers of Ireland</td>
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<tr>
<td>AVC</td>
<td>additional voluntary contributions</td>
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<tr>
<td>BIK</td>
<td>benefit in kind</td>
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<tr>
<td>CIB</td>
<td>Citizens’ Information Board</td>
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<tr>
<td>CIS</td>
<td>Citizens’ Information Service</td>
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<tr>
<td>CPI</td>
<td>consumer price index</td>
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<tr>
<td>CSO</td>
<td>Central Statistics Office</td>
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<tr>
<td>DB</td>
<td>defined benefit</td>
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<tr>
<td>DC</td>
<td>defined contribution</td>
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<tr>
<td>DSFA</td>
<td>Department of Social and Family Affairs</td>
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<tr>
<td>ECJ</td>
<td>European Court of Justice</td>
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<tr>
<td>FRS17</td>
<td>Financial Report Standard 17 (an accounting standard)</td>
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<tr>
<td>GAIE</td>
<td>gross average industrial earnings</td>
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<tr>
<td>GDP</td>
<td>gross domestic product</td>
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<tr>
<td>GNP</td>
<td>gross national product</td>
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<tr>
<td>IAIM</td>
<td>Irish Association of Investment Managers</td>
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<tr>
<td>IAOP</td>
<td>Irish Association of Older People</td>
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<tr>
<td>IAPF</td>
<td>Irish Association of Pension Funds</td>
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<tr>
<td>IBEC</td>
<td>Irish Business and Employers Confederation</td>
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<tr>
<td>ICTU</td>
<td>Irish Congress of Trade Unions</td>
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<tr>
<td>IFA</td>
<td>Irish Farmer’s Association</td>
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<tr>
<td>IIF</td>
<td>Irish Insurance Federation</td>
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<tr>
<td>INTO</td>
<td>Irish National Teachers Association</td>
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<tr>
<td>IQA</td>
<td>Increase for qualified adult</td>
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<tr>
<td>ISME</td>
<td>Irish Small and Medium Sized Enterprises</td>
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<tr>
<td>KS</td>
<td>KiwiSaver (New Zealand pension)</td>
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<tr>
<td>LAI</td>
<td>living alone increase</td>
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<tr>
<td>NCAOP</td>
<td>National Council for Ageing and Older People</td>
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<tr>
<td>NFPA</td>
<td>National Federation of Pensioners’ Associations</td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>NPRF</td>
<td>National Pensions Reserve Fund</td>
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<td>NRA</td>
<td>normal retirement age</td>
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<td>NTMA</td>
<td>National Treasury Management Agency</td>
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<tr>
<td>NWCI</td>
<td>National Women’s’ Council of Ireland</td>
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<tr>
<td>NYCI</td>
<td>National Youth Council of Ireland</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<tr>
<td>PAYE</td>
<td>pay as you earn</td>
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<tr>
<td>PAYG</td>
<td>pay as you go</td>
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<tr>
<td>PIBA</td>
<td>Professional Insurance Brokers Association</td>
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<tr>
<td>PBGC</td>
<td>Pension Benefit Guaranty Corporation</td>
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<tr>
<td>PRSA</td>
<td>Personal retirement and savings account</td>
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<td>PRSI</td>
<td>Pay related social insurance</td>
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<tr>
<td>RAC</td>
<td>retirement annuity contract</td>
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<tr>
<td>RWC</td>
<td>Retired Workers’ Committee</td>
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<tr>
<td>SPC</td>
<td>State pension (contributory)</td>
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<tr>
<td>SPNC</td>
<td>State pension (non-contributory)</td>
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<tr>
<td>SPT</td>
<td>State pension (transition)</td>
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<tr>
<td>SPTC</td>
<td>State pension (transition) and (contributory)</td>
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<tr>
<td>SSAP</td>
<td>Small Self-Administered Pension Funds</td>
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<tr>
<td>SSIA</td>
<td>Special Savings Incentive Account</td>
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<tr>
<td>TCD</td>
<td>Trinity College Dublin</td>
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