Green Paper Consultation Responses

Indexation; means test / entitlement to state pension (non-con); payment differential between con and non-con pensions; level of state pension

Submission 12

General Comments

The State pension system is the only system that guarantees a rock-solid payout for those moving towards retirement. The private or occupational system in contrast does not have the advantage of political intervention if things go wrong.

The performance and security of Private or occupational pensions can sometimes depend on index-linking which can be tied to various markers such as equity markets or futures. There are many instances and law suits where private pension have gone bankrupt due to fraud or mismanagement, leaving investors with nothing.

The Irish government have perhaps spent too much money propping up state pensions especially in the light of elections and improving the outlook on the government with the voters. They are now in a situation where commitments to these pensions may not be easy to keep up with and have begun strongly encouraging people to take out private products. This of course is the result of not seeing the road ahead and taking the easy way out.

Legislative safeguards must be in place to statutory guarantee minimum performance with the financial regulator with private pensions. Many accounts have come from across the world documenting shortfalls and allied issues which cause concern.

The Government should make a distinction strong between savings and pensions for the following reasons: All too often people are hopping in and out of pensions because of their options, to get involved in high risk shares and come out of sound pension schemes because of hearsay talk of a wind fall rumours they heard down the local pub.

The State should ensure that a strong level of competition exists within the private pension market, by assessing premiums and performance against public pensions, and better performing average payouts across the global market for comparison and alignment.

The State should also note that because of the complexity of pension in general, many are discouraged from thinking about it. And like to stay away from things they can't possibly understand. The government are quick to point out the poor levels of literacy when promoting education.

QUESTIONS AS IN EXECUTIVE SUMMARY

Chapters 1 to 6 : Various issues.

Q1. Answer: Modern day challenges will include migrant EU nationals who will add considerably to the load on the Exchequer. This is a problem created by our government who did not insert reservations on immigration when EU were signed. There will be implications for the state, as opposed to the individual.

Q2. Answer: The use of the word "universal" means ‘one’ or solitary. There's no reason why this word is used to describe what is essentially a "dynamic" pension designed to fit.

Q3. Answer: No Answer

Q4. Answer: "Living alone" should not be a policy recipe for extra payments and national policy should be reviewed in due of this serious haemorrhage on the basis of living alone. Nobody should be compensated for living alone per se. This is a complicated area, but it may in fact encourage people to set themselves up in certain situations so they will get more.

Q5. Answer: No Answer

Q6. Answer: Yes, a formal indexing system is desirable, but should be set below the headline of inflation so was not the cause more inflation or economic pressure. Or delayed prudently in case of rapid or a transient peaks that don't last, and any increases are therefore not merited as such.

Q7. Answer: The government should not engage in massive increases in pensions to win elections, and hope to get a bigger vote thereby. This puts a great deal of pressure on the Exchequer and there are more deserving increases needed elsewhere. Pensions and affordability are coming under strain because of massive inflation in every the goods and services in the economy. Pensions are not immune from the rip-off of culture that is now endemic in this country, making the government’s job a race to keep up with a no-competition, cartel-driven economy. The government will do themselves a lot of favours if they push for more competition to force down prices and break up the cartels with severe penalties. This will take a lot of pressure off the welfare system in general.

Chapter 7

Q1 Answer: The government should make tax incentives the cornerstone of the private pension system if it wishes to promote private or supplement type pensions schemes.

Q2 Answer: No Answer

Q3 Answer: The government should do its best to ensure a level playing field as much as possible, to avoid a two-tier spilt developing overall. Much of the pensions problems encountered today involve radically different treatment and payout awarded to different schemes, to the detriment of many who don’t qualify or can’t afford a better scheme.

Chapter 8

Q1. Higher social insurance contributions would mean reform of the PRSI system, so the exact percentage of contribution would be known to the employee, but in all cases some level of contribution should be made to the State welfare system in case of problems with high risk occupational and private pensions.

Q2. No Answer

Q3. No Answer

Q4. No Answer

Q5. These approaches are convoluted and add greatly to customer dissatisfaction and frustration, given the myriad of issues involved and the problems with understanding them. The government should ensure a level of flexibility within reason.

Chapters 9 and 10. Defined Benefit, and Funding Standard.

Q1. Answer: Every effort should be made to rationalize pensions and entitlements as much as possible, to remove the convolution of the current system that leaves many wondering what's going on.

Q2. Answer: Primary legislation should force all pension or financial product providers to provide all information and up date clients and the Financial regulator of any changes well in advance.

Q3. Answer: Appropriate security for pensions would mean placing deposits with the financial regulator, or the central bank to meet there liabilities. It could also mean forcing the product provider to reinsure with his own insurance to cover any crash in the market, where pension fund are tied to equities. The state must take very a serious view of the security of private and public pensions and insist on strict legislative safeguard, especially in the area of occupation pensions that can go disastrously wrong when the company folds.

Q4. Answer: Most people view the word 'investment' as a profitable thing. They do not view the word 'investment' as has been prone to risk, and suffer from all over zealousness which produces disillusionment and anger when things go wrong. There is an aversion towards reading the small print, because the advertisements of such products are seen as beneficial to their interests.

Q5. Answer: The government should do everything it can to legislate for the pension industry in ensuring that policy holders are given all and every piece of information regarding their pension benefits, and all risks attached thereto. There are obviously more safeguards with public pensions than with private pensions, which carry far more risk. Guarantees must be guarantees; this is not the case in occupational pensions, where if the pension fund goes bust because of insolvency in the company, the policy holder gets nothing. Any guarantee given with an occupational pension or private pension should be registered and approved with the Financial Regulator.

Q6. Answer: A national reserve fund should be established by the State in the case of shortfalls in the standard welfare pension. The government should legislate to force occupational pension providers and private pension providers to establish their own reserve funds in line with the financial regulators strict conditions for solid security. And change the legislation so occupation pensions are not touched by the company in a windup or liquidation.

Chapter 11 Annuities and related matters.

Q1: No answer.

Q2: No answer

Q3 Answer: The state could be involved in all long-term investment products relating to retirement, whether it's late and it or not.

Q4 Answer: All information should be disclosed on the terms and conditions of the product the moment of purchase or entry into the scheme.

Q5 Answer: The Irish government should insure new players into the market, and we doubt those trying to corner the market or been involved in price fixing.

Q6 Answer: Trade unions are not suitable for encouraging the take-up of the annuities. But, maybe able to assess products on offer for their members. Employers usually occurs employees to invest in shares and some cases have annuities of their own.

Chapter 12: The Role of Regulation.

Q1 Answer: No, more regulation is needed especially in occupational pensions in the private sector, that are prone to a exploitation from delinquent or corrupt fund managers and company performance. And pension holders get nothing if the company goes bust.

Q2 Answer: No, there seems to be little emphasis in ensuring that prosecutions are taken in the event of a reckless or corrupt practice that causes pension funds to collapse. This is a matter of notable omission.

Q3 Answer: No, it must be clearly felt that pension providers will be subject to severe prosecutions for legislative breaches. Some companies may see these as guidelines are not legal rules.

Q4 Answer: All pension charges and fees or other pecuniary levies should be notified and justified to the regulator. Some people take the view that charges should not apply as a separate issue; remain part of the premium, which would cut down on paper work and bureaucracy. All charges relating to any pension should be known in advance and not subject to sudden and unexpected disclosure.

Chapter 13 Public Service Pensions.

Question 1: Answer The public service have excellent job security and can contribute to their own pension funds like the civil science. The public sector also receive a huge public sector pay increases, and should have little difficulty in paying premiums.

Question 2: No Answer.

Chapter 14: Work Flexibility in Order Age: A new Approach Retirement.

Q1. Answer: The government should encourage earlier retirement, not later retirement. This country seems to be obsessed with the older generation, much to the great disadvantage of the young. There seems to be no effort whatsoever made in favour of an up and coming generation who need job opportunities. However, nobody wants to stop anybody doing what they want with their lives. The British have encouraged earlier retirement and thus made more opportunities for the young and consequently a pension system full of investment.

Q2. Answer: Voluntary deferral of pension entitlements is a good idea, but should have a safeguard of letting later workers apply for job-seekers allowance if work runs out before the deferral date becomes active.

Q3. Answer: No, earlier retirement should be preferred. There are undoubtedly health considerations for those in labour occupations, who may could the state more in the long run with health issues. Working beyond retirement may also prevent family life from reaching a higher level due a life long work culture or stress and strain.

Q4. Answer: The theory that hard work won't do anyone any harm is a nonsense, and certainly if it's prolonged well past the normal retirement can cause stroke and a myriad of health problem which may cost the state billions in health funding. The overriding principle should be to allow greater opportunity to flourish in the younger generation by forcing retirement. Nobody should be working in a hard labour occupation beyond 65 if reason and common is to be applied. Allowances could be made in some clerical posts provided no satisfactory potential employee can be found of a lower age.

Q5. Answer: These questions in this chapter are loaded and preclude where this consultation process is going, which is a no-limit on retirement for the purpose of letting the State off the hook on pension payments that are currently elevated on account of need to win elections. It could be suggested because some people work so long and effectively for life in their greed, that the issue of a pension doesn't even arise. The scenario is— 'work for life and die on the job without a pension or invest in a risky occupational pension, or, retire at a sensible age before health problems arise and get a state or cheaper private pension'.

Footnote: *The Executive Briefing Paper for this consultation is a mess in terms of the way its laid out and will probably lead to confusion on readability and questioning moving from one chapter to another for all who read it unless great care is taken.*

Submission 61

1. State Pension (Non-Contributory) should not be paid to any person who did not pay PRSI at any time during their working life time.

2. Self employed pay no tax, no PRSI, and still receive assistance from the state under 65 years.

Submission 64

Non Contributory Pensions

1. Means test based on income tax return through Accountant.

2. Cost of living index taken into account, so pensions remain in line with living costs for the elderly.

3. Allowance be made if adult handicapped children remain with parents/or parents are responsible for subsidising same.

4. Transport costs for rural areas have to be taken into account, so pensions should be higher for rural isolated dwellers.

5. Applications should be uncomplicated and by mail for more old people/as computers screw them up, and the language used is too complicated

6. Post Office closures have ruined the life of all pensioners, cheques should be mailed to the home weekly. Many old people, if frail or bed ridden, cannot take advantage of on-line banking. Towns are a nightmare for parking etc., or there is nobody to drive to banks. Most post offices were in local villages.

7. “Home Care Choices” and phone number of same should be enclosed with pension cheques to avoid hospital crises intervention and to educate the elderly.

8. Over “65” should be allowed to double their pension through work, if available and they are healthy and can work.

9. People doing post doctoral or doctoral studies lose their pensions. This has to be cancelled.

10. People age 65 have approximately 30 more productive years left in many cases. These cannot be wasted in terms of academic growth.

Submission 72

I would like to highlight the difference between Contributory versus non-Contributory. It is my understanding that there is only a very small amount in the difference between the two state pensions.

I do understand that the non contributory is means tested.

However, there are a large number of pensioners who rely solely on a state pension and whose circumstance would not differ greatly to that of other non-contributory pensions.

I believe there should be at least €70-€100 per week more for a contributory pensioner in comparison to a non contributory pensioner.

When you consider the amount of money a contributory pensioner pays to the state over average of 40 yrs versus someone who may never have lived in Ireland but retires here, qualifies for non-contributory pension, medical card etc, I believe this is rather insulting to the contributing pensioner.

Submission 87

The current state involvement in the provision or support of pensions/ pension contributions is patently inequitable as it treats various categories of citizens differently without regard to their economic status. Indeed it appears to be in inverse ratio to their economic need.

For example, the average employee in the private sector who is not eligible for an occupational pension scheme is compelled to contribute to public sector pensions, to some private sector pensions by way of tax relief, to future public service pensions by way of the Nation Pension Reserve Fund, to the state pension by way of PRSI before he can find the money to fund his own pension.

Apart from being inequitable, this arrangement is patently unsustainable.

We already have a state pension scheme funded by PRSI contributions.

This scheme should be enhanced to provide a comfortable pension for all citizens.

The following would bring some sort of equity to the state involvement in pensions:

1. Abolish all occupational pension schemes in the public sector for new entrants
2. Abolish all new tax relief support for pension contributions.
3. Tax, 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.
4. Use the savings arising from the above to double or indeed triple the current state pension. And do it now- not in five or ten year’s time. Some of those currently in receipt of the meagre old age pension were hit by slave-like tax rates of 73% on average incomes in the nineteen eighties. They are entitled to their money back, now that we can afford it.

The above changes would not stop anybody making appropriate additional provision for their old age by investing as they see fit.

It would make Irish companies more competitive as they would not have to make provision for defined benefit schemes.

It would enhance mobility in the public sector.

The enhanced pension would allow pensioners to make meaningful contributions to their care in old age where needed and would give them more freedom of choice.

Until equitable changes along the lines proposed above are introduced, the government remains exposed to court action under equality and other provisions.

Submission 137

I have just recently retired from the Civil Service, on a pension of €500 net per week. This pension contains no allowance for my wife, who has no income of her own. My pension is my only income.

I feel most aggrieved that my wife who gave up her career 35 years ago to become a full time homemaker, will not qualify for any pension of her own, because her income is presumed to be half of mine, i.e. €250 per week. However in the case of a woman whose husband has the same income (€500 per week) but made up of a Social Welfare pension of €220 per week and a works pension of €280 per week, the Social Welfare pension is disregarded from the means test, and only half of the works pension (€140 per week) is assessed as means. In that case the woman would receive a Social Welfare pension of €102 per week.

The fact that two women with the exact same net household means are means tested differently is blatant discrimination. No court could uphold such practice.

As a solution to this unjust anomaly, I would suggest that the Dept. Of Social Welfare consider any of the following three options.

Treat these homemakers as individuals in their own right, and means test them on their own means only, and not on their spouse's means.

Or

Grant them full PRSI contributions (not credits) for periods spent as homemakers regardless of the 1994 Homemakers Act.

Or

At the very least these homemakers should receive a pension equal to the Adult Dependant Allowance accompanying the Old Age Pension.

Submission 146

I would like to urge the Department of Social Protection on the pension debate to seriously look at the case of anyone applying for a State pension which could be means tested. For thousands of people who struggled in the 1980s, and maybe in the present climate that's coming, as far as I can ascertain the amount one is allowed to have as income form another source is €30.

This I would urge to be increased to €100 and index linked as long as it is from a private pension source only.

This I feel is holding people back from contributing a large amount for fear of it being used against them.

Submission 153

1. From Jan 2020 contributions paid should be 1040 (20 years).
2. From 2020 non-contributory pension should be abolished. Everyone should pay into a pension fund.
3. Retirement should be still 65 to make way for new entrants to the work force

Submission 171

The current system, whereby people who have paid little or nothing into the State pension 'fund' are paid almost the same pension as people who have diligently paid their PRSI contributions for 40 years or more is, I contend, both inequitable and unsustainable. People should NOT receive benefits which they have not paid for; with the accepted exception being those who are indigent or penniless and need a minimum amount to maintain a basic standard of living. However, such a basic standard should be just that - basic. Just enough to eat and live very modestly and no more.

In particular, the recent amendments to Pensions legislation whereby persons who have paid few or no contributions (especially persons from a farming or self employed background) get almost full benefits is economic nonsense and clearly unsustainable in the long run (i.e., the next 20 -50 years). The country cannot afford to pay every Tom, Dick and Harriet €200+ per week, especially as the number of pensioners grows rapidly. If people, for whatever reason, do not pay PRSI contributions **over a prolonged period** then they should be entitled to little or nothing from the PRSI 'fund' (theoretical and all as it is!!).

The idea that somebody, after 40 years of full PRSI contributions, gets a pension which is just about €10 per week more than a person who has paid practically nothing into the PRSI fund clearly discriminates against the prudent contributor and, in its effect, encourages people to 'sponge' off the State; i.e., paying minimum or no PRSI contributions and expecting (nay, demanding) maximum PRSI & pension benefits. Anybody who has not paid a significant number (at least 25 years I suggest) of PRSI contributions should be entitled to only a minimum pension (say 40% of the full, contributory pension). Where people seek to obtain a pension on the basis of 'poverty' then ALL OF THEIR ASSETS SHOULD BE CONSIDERED in determining what their needs and entitlements are.

Stop enabling the farmers and such-like, via myriad schemes which utterly fail to realistically value their assets & property, to obtain more State funds (from the compliant taxpayers of course) on the nonsensical proposition that they are indigent or struck by poverty. If you don't pay PRSI, you should not get a pension!

In short, if people won't contribute to the PRSI fund over a prolonged period then they should be entitled to little or nothing and the rules for determining 'need' and 'poverty' must be tightened up drastically, so that well-heeled farmers and ex-self employed persons are no longer paid undeserved pensions from the public purse.

Submission 205

To delete wife's allowance for OAP being income or savings related. For example, I am shortly eligible for OAP and my wife (who is a housewife) has been turned down as being eligible for any allowance, due to the fact that over the years we saved as much as we could afford for our retirement. No way could we afford to run a house and expenses on a pension alone.

Submission 206

I worked as a trainee psychiatric nurse until I married, at which point I was forced to give up my job by the State. Thus, when I reached pension age I did not have enough contributions to qualify for a contributory pension through no fault of my own. Ironically my husband as a retired psychiatric nurse receives nothing for me within his pension ie if I died his pension would remain the same. If he died, however, I would only get half his pension.

I was also refused a non-contributory pension all of which combines to make me feel like a non- entity and surely very unjust.

Submission 219

I wish to draw attention to what I consider an unfair, even cruel, anomaly in Means Test for Non-Contributory State Pension.

I cite my case - I am a 68 years old widow. I was in receipt of a Non-Contributory (Old Age, formerly Widows) pension at the full personal rate of €200 per week up to last year (2007). I was informed by the Department of Social Protection that it had been reduced to €132.50 per week.

The reason given was my means, calculated by the Department at €97.20 per week. This, my sole means, arose from my being granted a small UK Contributory Pension of that amount per week because my late husband had been a migratory worker in England during the bad old days.

Instead of benefiting now from it I am effectively being punished by the Department here for receiving it. I could have income from working here (and otherwise it would seem) of up to €200 per week without penalty. But I have no other income.

I hope I have clearly explained my situation. Is it unreasonable of me to ask that a social welfare pension from another State within the EU be disregarded as income in the calculation of means here?

Many people, including politicians, I have spoken to find it hard – some even refuse - to believe the effect this has had in my instance. When I further explained that over the period between my application to the UK authorities and their approving of it in excess of £5,000 sterling in arrears that had accumulated was forwarded to the Department here who advised on "arrears from your British Pension that are currently being held by our Accounts Branch will be offset against any monies owed by you. If there are any monies owed to you an arrears cheque will issue to you." I have heard nothing since.

Which brings me to the second point I wish to make. I own my home. It may be worth a significant amount of money. But what good is that to me in my everyday life!
I needed that money badly to replace the doors and windows that were falling out of my house. The point I am making is how much more difficult it is for a person living in their own home with absolutely no income other than a social welfare pension to make ends meet. Considering the additional expenses of maintaining the house, keeping it insured, etc, compared to a pensioner occupying a local authority property.

I trust that the legislation that will inevitably follow this Green Paper will in particular remove the calculation of a UK social welfare pension as means, which I, and others like me no doubt, perceive as an anomaly which in my case is so grievously hurting. Indeed it may well have been, and this has been the view of many I have spoken to, this may have been an effect of the Legislation that was never intended in the first place.

Submission 239

A few lines concerning old age pensioners. My advice to you is to do the honourable thing and have the same amount of pension for one and all as they all gave a service to the country. The way it's done at present is not right. Owing to some people paying PRSI, they will get twice the amount and the rest will starve.

The small farmers being means tested over the big farmers paying a few pounds PRSI is not fair. There is plenty of money coming into the country and the farmers are not being looked after.

Submission 241

I wish to make my views known. I am an 82 year old pensioner with a part widows pension of £69.35 from D.S.S.

I have applied several times to Sligo district office. Because I have a few hard earned euros in my bank account, I am means tested and get nothing. I think this is very unfair and can you please tell me why I will not get some Irish pension. How can anybody live on £69.35 sterling pension? I get no fuel allowance, I know many O.A.P.s with 2 pensions. Why oh why can't I get part Irish pension?

Submission 265

I feel I have been discriminated within the Social Welfare system. I have been a lone parent since 1991. During that time, I stayed at home to raise my seven children and only returned to work in the last two years, when my last child started school. I find now all those years spent looking after and caring for my children, that I have no credits built up for a pension in my later life. I am looking for credits for all those years of caring. Both for myself and countless other women who chose to raise their children at home themselves.
I have been involved in the National Women's Council social welfare campaign. I see the need for women's economic independence as a priority in combating women's poverty in

older years. The majority of those over 65yrs, especially women because they live longer, are solely reliant on the state pension through the social welfare system for their income. (And 36.2% of women over 65yrs are at risk of poverty). The Irish social welfare system, based as it is on a male breadwinner model, discriminates against women. And defines many older women as 'qualified adults', deriving their pension rights through their husband's contribution record and receiving a reduced payment on their behalf. The system thus reinforces women's dependency on men as the primary earners.
The National Women's Council of Ireland - Comhairle Naisunta na mBan, a non - governmental organisation, is the national representative body for women and women's organisations in Ireland.

The National Women's Council of Ireland works to achieve change through a very broad range of action and activity. Increasingly their work is carried out in partnership with other organisations in the public, private and voluntary sectors.

As an affiliated group of the National Women's Council we share a common vision.

My aim is with the help of The Nation Women's Council of Ireland to provide a decent pension for all, particularly women. To ask for recognition for women who chose to stay at home and care for some one be it child, husband, or parent. To look for credits for that time of caring in order that I and they may have a decent standard of living in or retirement age. Also women who were affected by the marriage ban.

As the collective voice of women, The National Women's Council is committed to securing economic independence for all women whether working as carers in the home or in the formal economy. We see Pension policy as an essential component in the work of ensuring women's economic independence.

Pension Policy affects the lives of all women - young and old, working in the informal or formal economy. Pension policy particularly affects women who, due to the nature of our taxation and social security systems, are economically dependent and women who are living in, or at the risk of poverty.

Women's access to pensions was historically restricted and reflected the general male breadwinner character of social welfare, taxation and employment arrangements: one of the first tasks of future reforms should be the final removal of discrimination.

Fewer women than men in old age have independent access to pensions and that the level and sources of their income in old age differ from those of men. These differences arise from past and current differences between men and women in relation to their respective roles in the economy and the family: women still earn less, work fewer hours and withdraw from the labour market to a greater extent than men.

We are concerned that the government, for instance, has attempted to make the case for mandatory supplementary pensions because of the low take up of voluntary (supplementary) pensions. Such a reform would tie the pensions system as a whole *more closely* to the nexus of employment and earnings and would therefore exacerbate rather than mitigate gender inequalities.

These concerns are all the more important in light of the fact that women comprise a majority of the older population.

If state pensions are not adequate, women lose relatively more than men, as women are more likely than men to rely on state pensions. We have a shared vision with the NWCI in which we want to see a society where men and women enjoy the same power to define their lives and the type of society they live in. It is a vision of the future in which both care and employment are shared more equally by men and women and which achieves gender equality outcomes. In pursuit of this vision pension policy needs to promote the following gender specific principles:

- **Economic autonomy.** Financial autonomy and individual entitlement are core characteristics of a feminist pension model. The key challenge for a feminist model is to move to a feminist model of pensions where women have <u>direct</u> pension rights.

- **Labour Market Equality.** Gender inequality in pensions is primarily a function of cumulative labour market inequality. A woman friendly pension cannot happen without measures to address gender inequality in working life and without reforms to support and maximise high levels of female labour market participation for considerable periods of their adult lives.

- **Facilitating atypical work.** Gender equality in pensions requires a pension model that recognises and rewards all labour market participation.

- **Ethic of care.** No reform can be complete without the development of a care contingency that enables care work to be facilitated and respected and that enables women to have pension cover and maintain pension contribution records during key stages of care.

- **Equal sharing of care obligations.** The method of facilitating and/or compensating for time spent caring during working age and caring should not disproportionately lock women into long-term patterns of caring . This requires the State to invest in a child and elder care infrastructure and also requires the state to have parallel policy promoting men's full engagement with care obligations. This can be achieved by way of statutory family friendly policy, obligatory paid paternal leave and supporting traditionally male employment sectors to engage more fully in developing work life balance policy and culture

- **Pension equality or pension justice.** While working towards greater gender equality in terms of participation in care and employment the pensions system must not reinforce and must be capable of compensating for the disproportionate time women spend in periods of care and the wider gender equality women experience in the labour market

<u>Include women affected by the Marriage Bar</u>

- **Retrospective pensions justice.** The pensions model must be able to   compensate for the disproportionate time older Irish women have already spend in periods of care and the significant historical discriminatory practices (until 1973 married Irish were banned from public employment and women also experienced other discriminatory policies and practices) which led to significant gender inequality in the labour market.

Special attention is drawn here to principles of *economic independence* for women and an *ethic of care* that values and rewards care in the context of gender neutral care policies. These principles have implications for many aspects of pension provision. At a *general* level it requires policy makers to ensure that the pensions system as a whole is not predicated on male lifetime patterns of work and earnings: on the contrary, we insist that women's continuing experience of lower earnings, fewer years employment and greater contribution to unpaid care work should not exclude them from an adequate, independent pension in old age.

<u>Gender and pensions- Overall strategy</u>

The policy principles reflecting the concerns of the organisation: I and the NWCI and the international experience of pension provision and reform suggest the following strategic lessons for Ireland.
The critical decision is the relative importance in the pension system of the first-tier state pension. Specifically, the core of the pension system should be an *adequate, comprehensive pension guarantee* for all individual men and women. The stronger the first tier of pensions, the lower the level of poverty and the greater the access women have to an independent pension in old age.

- In relation to adequacy, the structure and amount of state pensions should build on the so-called 'paradox of redistribution'. Policy should not only *prevent financial poverty* but *guarantee a decent quality of life* by offering income replacement levels significantly above the 'poverty line' rather than targeting means-tested pensions to those on lower incomes to alleviate their poverty

- The redistributive impact of pensions arises not only from the generosity (or otherwise) of pensions but also from *the mix of direct state expenditures and indirect tax expenditures.* Even if these are not wholly equivalent, there is a clear trade-off between tax subsidies (for example to occupational and private pensions) and improvements to the state pension. Indirectly, women benefit less than men from tax expenditures and therefore general equity considerations and gender equality principles suggest that reforms should focus on a considerably enhanced state pension in the context of a more limited use of tax allowances for supplementary pensions.

As a collective voice with the NWCI we acknowledge that a pension appropriate to Ireland's evolving circumstances requires *the development of a second-tier pension*. However, NWCI suggests that neither the recently introduced PRSA scheme nor the option of a mandatory second-tier pension is appropriate for women. Aside from general social arguments against such provisions (shifting of risk to individuals, uncertain pension outcomes, need for tax support, the inability of such reforms to improve the incomes of current pensioners) these pensions tie the second-tier directly to workers' capacity to fund pensions and therefore to their incomes and employment: this would be to women's disadvantage.
Stressing that the critical issue is the link between the first and second tier, we propose

that, if a second-tier pension is to be introduced, it should take the form of *a state earnings related pension* that builds on the existing, widely accepted social insurance system. This should have low entry thresholds in terms of income and hours worked, offer scope for credits for periods of non-employment for care, and apply an earnings formula that allows women to reflect their 'best' years in terms of ea

Recommendations

Gender and Pensions- specific reform priorities

We recognise that in developing this vision of a pension model specific short-term reforms are required in themselves and as steps that are incrementally consistent with the recommended longer–term strategy.

Comprehensive Pension Guarantee

Make adequacy and individual entitlement the immediate, core function of first tier pensions.

Over a time period introduce an adequate universal pension for all over 66 and resident in Ireland for a minimum of ten years with a value of 1/40th pension for each year of residency.

Social Assistance aspects of pension provision.

1. The means testing system needs comprehensive reform to ensure maximum coverage and maximum level of individual entitlement within a partial household resource test. All of these reforms could be introduced in the short-term.
2. Full individualisation of marriage-based old age non contributory pension;
3. Introduction of means-tested parental allowance as discussed in DSFA (2006);
4. Abolition the 'limitation rule' and the qualified adult allowance and changes to the household means test formula to maximise economic autonomy
5. Reform of Carer's allowance/Benefit into a 'wage' - facilitating care of older and infirm people   to be valued as paid work
6. Information campaigns, administrative changes and resources to ensure consistency in regional application of guidelines, so that each individual man and woman is exercising his/her full potential to be an individual claimant.

Social Insurance aspect of pension provision

1. As a long term objective, introduce an income replacement function into social insurance, but more immediately introduce a gender sensitive income replacement function into social insurance old age contributory pensions by:
2. Ensuring maximum eligibility by permitting short time spans for minimum entitlement, moving away from an average contribution test to a shorter time span for testing contributions, switching from rewarding 'maximum number of years' contribution records to a 'best of' rule over shorter periods that allows the most beneficial period to be chosen for pension contribution periods.
3. Ensure benefit calculations advantage women by avoiding averaging over 'last' years of

employment when the gender pay gap can be more pronounced, and having tiered gradual movements across contributions-based entitlements and across averaged earnings.
4. Maximise access by enabling easy re-entry after periods of disruption; this would entail reforming the S.57 SI 312 1996 rule, according to which a person with no SI record for more than two years must have 26 paid contributions before credits can be awarded, and would also reform of social insurance contribution rules to enable relatives assisting, including spouses of self-employed and farmers, to be insured as employees.
5. Accommodate care and address previous pension injustice by transforming homemakers' disregards into credits and awarding these retrospectively from 1973.
6. Promote a gender neutral care ethic by introducing paid parental leave benefit for parents of young children
7, Acknowledge the previous injustice of the 'marriage bar' with a once-off, ring fenced retrospective scheme

<u>Voluntary pension recommendations</u>

- There are various reforms to the tax treatment of pensions that could bring greater equity and more progressive income distribution outcomes
- In the next and subsequent budgets it should be possible to make the tax treatment of pensions more equitable and there are a variety of specific reforms that should be considered that include full abolition of tax relief for private and occupational pensions, restricting such relief to standard rate relief, introducing more stringent caps on the use of reliefs, and limiting the use of Approved Retirement Funds as tax avoidance measures
- Examine options for savings schemes that are supported by the State and structured progressively to benefit those on lower incomes.
- Encourage Credits Unions, and the Money Advice and Budgeting Service to introduce a state-backed low charge savings product for low income earners.
- Regulate to require unisex life plans and pension splitting

<u>Governance</u>

Effective, gender inclusive, transparent governance systems are also required. As a member of the NWCI we wish to engage fully in the pension's debate and in seeking formal representation in key pension's policy institutions including the Pensions Board. We will also seek to ensure pensions policy is fully engaged with, within the National Women's Strategy. We also insist that all data on pensions (including tax reliefs and private pensions) are disaggregated by gender.

As an affiliate of NWCI we fully support the NWCI in pursuing economic independence for women and we look forward to a transformed pension system which acknowledges the disproportionate time women spend in periods of care and employment.

I believe that the Government must place women's issues and concerns at the centre of the current developments in pension policy as part of the Green Paper.

Submission 281

Applicants for state non-contributory pension are currently allowed an earnings disregard of €200 per week from employment, when accessing their means. This disregard should be extended to include income from farming and self employment.

The homemakers disregard scheme should be back dated twenty years prior to 1994 and allowed as credited contributions for pension purposes.

People should be informed by the DSFA regarding their situation regarding a state pension and what remedial action is needed where appropriate.

Submission 289

In view of the issues and challenges facing the Social Welfare pensions system and the approaches to reform discussed in this chapter, the key questions include:

1. In the light of the reforms to the Social Welfare system undertaken in the 1970s, 80s and 90s which will, in future, see most people qualifying for contributory pensions, are there implications for people who are at present not receiving support through the Social Welfare pension system?

There are many considerations that would need to be addressed individually. One of the most critical would be how to deal with worker mobility within the EU both in respect of Irish-born citizens who spend some of their careers overseas and also workers who come to Ireland for part or all of their career. Presumably coordination and integration of national pension arrangements is something that should be dealt with at EU level.

2. Is the introduction of a universal pension arrangement a desirable and feasible option?

Pension arrangements need to be simple to understand. However, there will inevitably be some level of complexity for exceptional cases. But for the majority of workers in the mainstream there should be a universal pension arrangement.

3. If universal provisions are not considered appropriate then what groups, if any, currently outside the Social Welfare pensions system should be targeted for action?

There should be a needs-based approach whereby those with most need, i.e. those in economic hardship, should be targeted.

4. Policy in relation to pensions has, for many years, concentrated on improving the position of all pensioners. Is this the most appropriate way of improving pensioner incomes or should there be a more targeted approach using measures such as the Living Alone Increase?

Basic State pensions, as stated above, should be universal and simple to understand and meet basic financial needs. Other enhancements should be means tested and funded through mainstream Social Welfare funds. The basic State pension should be related to minimum wage rates on a 35 hour-week basis.

5. If the basis of qualification for contributory pensions was changed from average contributions made, to one based on total contributions, what would be an appropriate level of contribution a person should be required to have to receive a full pension?

The present arrangement of average contributions is the most equitable. It could be improved by increasing the number of variations to, maybe, 10 year multiples. e.g. 10 years contributions = ¼ pension, 20 years contributions = ½ pension etc. The calculation should also give credit for contributions paid elsewhere in EU.

6. Should a formal indexing arrangement linking pensions to some level of prices, earnings or risk of poverty threshold be introduced? How would a formal indexation mechanism be operated having regard to the overall budgetary and economic position?

Absolutely, pensions should be indexed to CPI, or average hourly pay-rates, or minimum hourly pay-rates or some other appropriate benchmark

7. Given the issues raised in this chapter, in Chapter 3, and in the Green Paper in general in relation to the long-term affordability of existing arrangements, how can the challenge of the growing cost of Social Welfare pensions be addressed?

It is not a question of "can it" but how it should be done. All citizens of the state are entitled to a basic pension that meets basic needs. The debate should be around how much is "basic" and how funding from the Exchequer should be raised and allocated.

Submission 292

Developing a Better Pension System

1. INTRODUCTION

In responding to the Green Paper, I am seeking to avoid repetition of, or unnecessary reference to, the wealth of data already provided; focussing instead on the broad policy principles on which I hope to see agreement and action in the near future.

In my view, early action of the kind suggested below is now urgent and should be seen as a national priority. I strongly believe – and the data confirms – that Ireland's 'demographic dividend' is rapidly waning in value; we no longer have the luxury of endless debate; and no further delays are acceptable if we are to develop a better pensions system - one that is truly inclusive and protective of all the 'children of the nation' irrespective of age. Thus I would argue that the various proposals put forward below, for changes in the tax, social insurance and occupational/other supplementary pension systems, be made in tandem - concurrently rather than consecutively - as we have no time to waste.

2. BACKGROUND AND OBJECTIVES

Trade unions such as SIPTU have striven for decades to negotiate the introduction and/or improvement of many hundreds of Occupational Pension Schemes (and, more recently, some PRSAs) in the private sector. They have also secured improvements in public sector pension arrangements, particularly for lower-paid public servants. They have lobbied consistently, with some successes, for improvements in the social welfare pension system;

and have been the main advocates for the maintenance and further development of the social insurance system.

However, some of these gains are now being eroded. Many workers for whom good pension arrangements have been secured (and paid for) are now finding their benefits are being reduced; and, almost as worrying, that they are becoming objects of anger, aggression and envy, or victims of attempted 'levelling-down' to the poor position of those without adequate pension arrangements.

The agreed objective, in a civilised, wealthy and socially responsible society, must surely be the opposite: **to 'level-up' everyone to good standards of pension provision**. The fact of increasing longevity makes this increasingly important, albeit increasingly costly. But the longer the cost issue is avoided, the greater the bill becomes, as the period over which it must be paid also decreases. So it stands to reason that the sooner we start investing more in pensions, the better.

A further concern is that even people who believe themselves to be in 'good' or even 'adequate' pension arrangements may find this belief to be mistaken when they reach pension age. And at that stage, they may find themselves unable to do much about it. The **adequacy** of many existing arrangements is therefore a serious concern.

The other major concern is that nearly half the workforce has no supplementary pensions cover at all – whether good, bad or indifferent. Nothing whatsoever to supplement the social welfare pension, which does at least cover most workers, nowadays.

If this situation is allowed to continue, and half of today's workforce of about two million people retire on an income equivalent to about one-third of AIE, this will mean a lot of people retiring on far less than half their pre-retirement income. Anyone earning more than two-thirds of AIE will be in this unenviable situation.

Therefore, in my view, our **'priority objectives'** in relation to pensions, should address three main issues: **Protection, Adequacy and Coverage.** Protection of good existing pension arrangements, in both the public and private sectors. Adequacy of pension provision in both the public and private sectors, especially for lower-paid workers in both. And resolution of the coverage issue in a manner compatible with achieving the other two, equally important, objectives. This latter point raises a further important point of principle, because of course any one of the above objectives could be realised at the expense of one, or both, of the others. As could other desirable objectives, like equality and equity – both achievable by extending coverage of a very poor standard to the entire population!

I believe that Ireland can and should build on what I would see as 'the bones' of a good pension system in order to achieve adequate pensions for the high proportion of the population who will not otherwise have post-retirement incomes sufficient to maintain a standard of living that is both minimally adequate and also bears a reasonable relationship to their former earnings.

This can be done if we first accept the absolute necessity of doing so; if we then face up to the real financial cost of adequate pension provision of this kind (and indeed the social and human cost of **not** doing so); if we assess, fairly and squarely, the most efficient way of meeting this substantial financial cost; and then agree to a 'fair sharing' of the costs involved.

3. OVERVIEW OF SUBMISSION

These three key objectives – extending **coverage**, ensuring **adequacy** and **protecting** good existing arrangements – could be achieved by a combination of reforms carefully designed to build upon and develop the positive features of the present system and remove the negative features.
Specifically, I would argue that

1. The **social welfare pension system** requires reforms to further extend its coverage and make it more **fully inclusive** – see **section 4** below.
2. The **level of the social welfare pension** should be raised to at least 40% of AIE1 over the next 6 years; and then to 50% over the subsequent 6 years – see **section 4** below.
3. The **tax incentive** for people to save for retirement should be 'equalised upwards', i.e. those on lower-incomes, paying tax at the standard rate (or less) should receive the equivalent level of relief or subsidy as those paying at the higher rate. This particular reform should be seen as part of a more comprehensive approach, for the reasons explained in **section 5** below; because as a 'stand-alone' reform, it may not be sufficiently effective in relation to the main 'target population', i.e. people on low and low-to-middle incomes.
4. Planning should commence immediately for the introduction, in 2009, of a system of **mandatory pension contributions** in respect of incomes which fall within a specified band and which are not already adequately 'pensioned' – see **section 6** below.
5. The commencement of **'Child Pension Accounts**', first suggested by SIPTU in 2003, should be the subject of an early Feasibility Study tasked with examining the possibility of introducing such Accounts in 2010 – see **section 7** below.
6. **Other reforms** designed to safeguard occupational pensions in both the public and private sector, are suggested in **section 8** below.
7. The issue of **costs**, and how these might be met and shared, is discussed in **section 9**.

4. THE SOCIAL WELFARE PENSION SYSTEM

The further development of the social welfare pension system is vitally important for both current and future pensioners; and in my view, both parts of the system (i.e. the social assistance and the social insurance pensions) should be improved so as to deliver better pensions to a higher proportion of the population.

(i) Inclusion

At this stage, after several decades of improvements and reforms, the social insurance system is fairly inclusive, but not fully so. This process must be completed by including, on a fair and equal basis, those groups who have traditionally been excluded because their ‘employment status’ or work patterns did not conform to the perceived ‘norms’ of the time.

Over the years, the system has adjusted to social realities and the exclusion of particular groups has been addressed. Thus categories such as non-manual workers, married women, public servants, self-employed people, part-time workers, and certain carers and homemakers, have been brought into the social insurance system for some or all of its benefits.

However, difficulties and anomalies remain, e.g. for ‘assisting relatives’, carers with spouses earning over specified amounts, homemakers who had children and left their employment before 1994, people who entered social insurance before a certain time, women who were victims of the ‘marriage bar’ and so on.
Surely the time has come to tackle the remaining anomalies, promptly and fairly; and for the Exchequer to pay the requisite amounts into the Social Insurance Fund so as to ensure that at the very least, people of pension age are not excluded from basic entitlements?

I see considerable merit in a system of **social insurance**, as distinct from a universal system paying basic pensions to all citizens or residents. However, the social insurance system **must be fully inclusive;** it must cater for the vast majority of the working population, so that only a small minority need depend on the non-contributory, social assistance pension financed wholly by the taxpayer.

This social welfare pension system should also allow for **greater flexibility** than at present e.g. in relation to retirement ages. Greater **transparency** would also be helpful, because despite the Department’s range of booklets and fairly user-friendly website, it can be difficult for people (irrespective of their age!) to access information about their entitlements, their insurance record and so on. The system for checking people’s PRSI records and likely entitlements, in advance of retirement, should also be improved.

(ii) Level of Social Welfare Pensions

At €223.20 per week, the current Contributory State Pension is barely 30% of estimated current AIE, which is about €750 per week. (I do not accept the Department’s convention of expressing the **current** pension as a percentage of the **previous** year’s AIE – even though the latter is generally the most recent figure to be published by the CSO. If the latest published figure is updated by reference to the known increase in average earnings in the interim, this gives a more realistic picture and usually proves quite accurate.)

Trade unions such as SIPTU have consistently argued for the contributory social welfare pension to be raised first to the target level agreed in 1998, which was 34% of AIE; and for progress to then be made towards 40% and ultimately, 50% of AIE. It is disappointing that so little progress towards this target has been made to date and I now believe that strenuous efforts should be made to achieve a national consensus in favour of (a) reaching 34% over the next 2 years, i.e. by 2010; (b) reaching 40% over the following 4 years; and (c) reaching 50% over the following 6 years, i.e. by 2020.

As for the non-contributory pension, I would favour the retention of a small differential (no more than 10%) between it and the contributory pension, so as to underline the principle of social insurance and deliver some financial reward to PRSI contributors. I welcome the present government's commitment to raise the non-contributory pension to €300 per week by 2012 and would like to see a parallel commitment to ensuring that the contributory pension rises to €330 per week by the same date. However, instead of these numerical targets, it would be preferable to **index both pensions to AIE** and to avoid adjustments in the percentage differential between them, as present practice enables unacceptable anomalies to arise (e.g. in one recent Budget, a smaller increase was given to contributory pensioners than to non-contributory pensioners, presumably so that the lower rate could be seen to be reaching the government's promised target, without incurring the cost of proportionate increases in the higher rate).

5. THE TAX INCENTIVE

There has been near-unanimity in recent years, among the 'key players' on the pensions pitch, that improving and equalising the value of the tax incentive (which encourages people to make or increase pension contributions) would be helpful in increasing pension coverage. Whether it would be sufficient, on its own, to bring enough of the 'target population' into good pension arrangements, is another matter. But there was general agreement that it was worth trying. The trade union representatives added a rider to the effect that it would be worth trying, **for a limited period** (as with the SSIA offer, for example), as long as it did not preclude or slow down planning for more radical measures if it proved insufficient on its own.

Unfortunately, however, successive governments have baulked at this idea – or, more likely, the cost of implementing it and the absence of any tangible short-term or even medium-term political gain from doing so. The immediate fiscal cost of extending to lower-paid workers a tax incentive which has proved highly effective for middle and upper-income earners, would obviously be high if the measure proved successful in increasing pensions take-up; but so would the long-term social benefit (and indeed, the returns to the Exchequer, arising from more people having higher taxable incomes in retirement).

If the power and potential of the tax incentive in relation to pensions is to be fully explored and exploited, the government should introduce a radical new scheme in Budget 2009, giving all taxpayers an opportunity to have their pension contributions tax-relieved at the same rate as higher-rate taxpayers. As this rate comes close to 50% (when the PRSI and Health Levy are added to 41% tax), this relief should be given in the form of **'one for one' matching contributions** – not only for simplicity and transparency, but because this 'SSIA-style' mechanism has so recently proved popular, comprehensible and effective in encouraging savings.

However, as with the SSIAs, any such measure should be strictly time-limited (e.g. people should be given no longer than 12-15 months to enrol in new pension or PRSA arrangements); and take-up should be carefully monitored so as to assess its effectiveness in relation to the main target population (i.e. women, young people and lower-paid workers in the 'least-pensioned' sectors). And, at the same time, work should also be intensified on the issue of whether and how a system of mandatory pension contributions can be introduced if the improved tax incentive proves insufficient.

Unfortunately, it is quite possible that even a greatly improved SSIA-style tax incentive will prove inadequate to the task of persuading low-paid workers, with heavy day-to-day demands on their disposable incomes, to make provision for their retirement. Nor would such a scheme act as any additional incentive to employers who currently will not, or maintain that they cannot, make a worthwhile contribution to their employees' pension fund, even though such contributions are fully tax-relieved. For this reason, it is important to stress that work on an appropriate system of mandatory pensions must be immediately resumed and intensified – see next section.

6. MANDATORY PENSIONS

In my view, serious planning must begin for the introduction of a system of mandatory pension contributions which is appropriate for Ireland's particular stage of pensions development, so that no more time is wasted if the improved tax incentive fails to deliver the required results within the agreed timeframe. The purpose of this new tier of pensions provision should be **to close the gaps** in pensions coverage which currently exist - and may still exist, even after the tax and other improvements described above have been implemented - and **not to replace or weaken existing good provision**. Indeed, it is crucially important that extending good pensions **coverage**, to those currently without it, is not done at the expense of the other two main objectives – ensuring **adequacy** and **protecting** good existing pension arrangements. The experience of other countries is instructive in this regard.

The 2006 Report on Mandatory Pensions, prepared by a sub-committee of the Pensions Board within a very short time-frame, at the request of the then Minister for Social and Family Affairs, Seamus Brennan, made an excellent start in devising a system that would be appropriate to Ireland's needs. After studying the experience of other countries, commissioning some relevant research and deciding on various parameters and sets of assumptions, the sub-committee concluded that the type of system which would best suit our needs would be one that built on the present system by (a) further improving the social welfare pension and (b) introducing a supplementary scheme that would be mandatory for those without cover that was at least equivalent.

Specifically, what this Report recommended was

1. An increase in the **social welfare pension** to **40% of AIE**, over a 10-year period; in 2006, in round figures, this would have meant increasing it from €10,000 per annum to €12,000 per annum. This would benefit both present and future pensioners.

2. Introduce **Mandatory Supplementary Pensions** – which it called *'Special Savings for Retirement',* or SSRs – for all those at work who did not already have adequate provision and whose incomes were within specified bands. Thus all workers, both employed and self-employed, would be covered, if they earned between 50% and 200% of AIE (the suggested 'eligible income' band). In 2006 terms, using a round figure of about €30,000 per annum for AIE at that time, this would have implied compulsory contributions for anyone earning between €15,000 and €60,000 per annum who was not already in an adequate pension arrangement.

The Pensions Board based its costings for such a system on a required total contribution rate of 15% of 'eligible income' – so for someone on exactly AIE, for example, the total annual contribution would be €2,250 and for someone on twice AIE they would be €6,740. The Board accepted that contributions totalling 15% of 'eligible income' were the least that would be needed in order to produce an eventual pension of about 50% of that income.

How exactly this 15% contribution should be shared was, in the view of the Pensions Board, a matter for the government of the day to decide. (In Chile, for example, employees pay the entire contribution; in Australia, employers pay it all and it's up to workers to decide whether to add anything. Neither approach has yet resulted in what could be seen as 'adequacy' because the total has not been high enough; although in Australia, the employer contribution has now reached 9% and some workers choose to add to this.)

It seems to me that the fair and obvious way of sharing the cost would be an equal, 3-way split between employers, employees and government, i.e. 5% each. And even if, in some cases, this had to be phased in (e.g. over 5 years), the important issue is the necessity to achieve, as soon as possible, a total contribution rate which will produce adequate pensions. There is no reason to believe that the 15% figure, accepted by the Pensions Board in 2006 as minimally adequate, is too high; if anything, unfortunately, it may now be too low.

Other features of the scheme devised by the Pensions Board were: **collection** of the contributions via the existing PRSI system (which would clearly be the most cost-effective, since the mechanism already exists) and **investment** of the contributions by the state – either directly (e.g. through the NTMA) or by letting individuals decide between various state-approved investment vehicles (as in New Zealand, for example).

The **investment issue** was one of the potential problem-areas identified by the Pensions Board as requiring much further attention than it was able to give it in the early part of 2006. If the state collects the contributions, and arranges their investment (directly or indirectly) must it also provide a state guarantee of the outcome? The experience of other countries appears to have been mixed: in Australia, they started with a single investment option only, but recently introduced a 'choice of funds'; in Chile, the state has no involvement in investment, but nevertheless guarantees the outcome.

Other potential problems identified by the Pensions Board were the **compliance issue** (who to exempt, how to decide who already had 'adequate' cover, how exactly to define 'adequacy' and what resources would be needed to ensure compliance) and, of course, the **danger of downward pressures** on existing standards.

These are crucially important issues to resolve before introducing any system of mandatory pensions in Ireland, but I believe that they can and should be resolved, through careful planning and consultation with all the key interests involved. There is no virtue in doing further damage to system already under pressure from a combination of forces, some of them almost entirely outside of our collective national control. Conversely, we cannot, as a society, tolerate further inaction which leaves both the current and future generations of pensioners at the mercy of these forces.

7. CHILD PENSION ACCOUNTS

At this stage, our national pension policy should aim to be fully comprehensive in the short, medium and **long term**. Thus, early improvements in the **social welfare** pensions are needed, in order to benefit today's pensioners and those workers who are coming up to retirement age shortly. For those who still have time to plan and save for better incomes in retirement, the social welfare changes plus improvements in the tax incentive, combined with the introduction of a new system of mandatory pension contributions for those who still do not have adequate cover, should between them deliver better pensions. And for those at an even earlier stage of life, we need measures which then could perhaps defuse the so-called ‘pensions time-bomb’ entirely for future generations.

The commencement of **Child Pension Accounts** (CPAs), suggested by SIPTU a number of years ago and elaborated on in some detail in 2003 and subsequent years should, in my view, be the subject of a Feasibility Study to be started in mid-2008 and competed by Easter 2009. If the scheme is considered to be both feasible and desirable, it should be introduced in respect of everyone born after January 1st, **2010**.

As part of SIPTU’s pension proposals for Budget **2005**, the following measures were suggested as a possible way of addressing the long-term pensions challenges, with proposals to phase-in the measures over 16-18 years so as to minimise the start-up costs:-

“Set up a Pension Account for everyone born after 1st January 2005;
“Raise the Child Benefit rates to €150 / €185 per month and add 10% for pensions. For every child born after January 1st, 2005, add 10% of the basic Child Benefit rate (i.e. an additional €15 per month in 2005) and put this into their Child Pension Account (CPA).
“Facilitate additional contributions to CPAs – encourage parents, grandparents and other ‘sponsors’ to add (limited) amounts, tax free, to these CPAs (e.g. a maximum of 3-4 times the state contribution).
“For pre-2005 children, set up the Pension Accounts as they come off Child Benefit (usually between the ages of 16 and 18) – the state to put in a lump sum ‘start-up bonus’ (e.g. 6 months CB). This would mean a €900 ‘pension start-up bonus’ for 16-18-year-olds in 2005, again with a facility for extra amounts to be added.
“This would mean that after 16-18 years, every young person below the age of 32-36 would have an established pension fund to supplement their Old Age Pension and to which further contributions can be made, by employers and by themselves.
“
(SIPTU, September 2004)

Clearly, these 2004 figures would need to be updated: Child Benefit is now €166 per month for each of the first two children and €203 for the third and subsequent child(ren). An extra 10% for CPAs would therefore mean an additional €16.60 or €20.30 per month, in 2008 terms. (These amounts would have to be standardised to ensure that all children born in the same year started with the same amount, e.g. €20 per month per child.) The amounts which parents, grandparents, etc. could contribute, tax-free, to these ‘piggy-bank pensions’ would also require careful consideration; as would the phasing-in arrangements and the mechanism for subsequently transforming these funds into occupational or personal pension schemes, or PRSAs, to which employers would also contribute at a later stage.

However, the virtues of starting ‘the savings habit’ at such an early stage should not be under-estimated; and there are also a number of other possible attractions associated with the idea of CPAs. For example: **partial encashment** of the fund could be allowed (say 25% at age 25 and a further 25% at age 50) without doing major damage to the eventual pension; and **greater flexibility around retirement ages** would also be possible, in the future, if a pension fund had been accumulating for 55 or 65 years - or more - rather than 40, 35 or even fewer years as at present.

As regards the issue raised in Ch. 14 of the Green Paper, of **raising retirement ages** and/or enabling people to postpone retirement and remain in employment, I would see the introduction of CPAs as an important mechanism for easing the pressure on future generations of older workers to continue working for longer than they actually wish or are capable of doing. People should not be pressurised into postponing retirement for purely financial reasons, i.e. because their pensions are inadequate or it will 'cost too much' to provide pensions for them when needed. Such a system is likely to increase inequality in retirement and to impact most adversely on those who are already disadvantaged.

However, I am fully in favour of providing **real choices**: of encouraging employers to retain older workers – if the workers wish to be retained; of encouraging workers to work beyond Normal Retirement Age – if they wish to do so; and perhaps redefining NRA and 'retirement' itself. But these must be provided as real choices, **real ways of improving peoples' quality of life**, rather than as ways of cutting pension costs at the expense of older peoples' dignity and liberty.

8. OTHER ISSUES

A few other issues require brief mention:

(i) Later Retirement

This has been referred to at the end of section 7 above. If seen as a way of providing workers with free and real choices, I would favour greater flexibility and the ability to remain in employment, as long as this is **on a voluntary basis**. If seen merely as a way of reducing pension costs – by increasing pressure on older workers to remain in employment – then I have major reservations. In my view, a better way of reducing pension costs later in life, is to start making pension contributions at a much earlier stage in life (i.e. through CPAs) and to ensure that the contributions are adequate throughout one's life, especially one's working life (e.g. through supplementary pensions, whether voluntary or mandatory). This cannot be done for the current generation of pensioners, or for people due to retire soon, but it can and should be done for future generations.

(ii) Annuities

The main reforms needed in relation to annuities would seem to be as follows:

1. DC holders should have **greater flexibility** in relation to the timing of their annuity purchases. They should not be compelled to buy at their exact moment of retirement.
2. Individuals approaching retirement (and, indeed, before that time) should receive **better information** about their entitlements, the comparative costs of annuities, the choices they have (and haven't), etc.
3. The **state should become a provider** of annuities, in certain circumstances. E.g. where a company with a pension fund collapses, or transfers its engagements, the state should take over the assets of the fund and ensure that the appropriate pension payments, or annuities, are made thereafter.

(iii) The Funding Standard

I would urge considerable caution in relation to further amendments or relaxation of the Minimum Funding Standard, despite current market volatility and the consequent pressures on DB schemes. To date, there has been heavy reliance on the Pensions Board to assess serious under-funding situations and to read warning signs correctly, on a case-by-case basis. This approach has been successful to date, but if it is to continue, it may be necessary to increase the resources of the Board, in order to minimise the danger of delays with such assessments (e.g. to appoint temporary staff, and/or create a panel of experts to be drawn upon at short notice).

(iv) Growth of DC

Trade unions have been working for many years to try to ensure that the growth of DC schemes has not been accompanied by the growth of insecurity, inequity and inadequacy of pensions provision. The worst fears of pensions practitioners have been confirmed by recent surveys indicating serious ‘under-pensioning’ of members of DC schemes and PRSAs. More effective publicisation of this problem and more widespread emphasis on the need for higher contribution levels (e.g. the 15% taken as being minimally adequate in the 2006 Pensions Board Report on Mandatory Pensions) would be helpful; but probably, the only fully effective solution is to **require** a minimum contribution level (15%, updated to take account of 2008 realities?) so as to **ensure** better outcomes.

(v) Integration

While consistently seeking increases in the social welfare pension, trade unions have long been faced with the dilemma that many lower-paid workers who are in DB schemes, both in the public and private sector, view this as counter-productive. This is because it can have the effect of decreasing their ‘pensionable pay’ and thus the portion of their total pension which derives from their occupational scheme, as distinct from their social welfare pension. (And the consequent savings in contributions, by both employers and employees, are not always seen as being available to improve the benefits deriving from the scheme.)
One possible approach to resolving this problem, at least in the private sector, may be via better trustee training and greater clarity when preparing and explaining pension fund accounts. Better explanation of the ‘savings’ accruing to the contributors to integrated schemes whenever the social welfare pension increases; better identification of the beneficiaries of such savings; and better-informed discussion (between actuaries, trustees, pension fund advisors and administrators, employers and employees) of possible alternative uses of such ‘savings’, could all contribute to progress in this area.

However, in the public sector, where unfunded schemes predominate, and governance and accounting procedures are very different, alternative mechanisms for discussion and progression of the integration dilemma would have to be devised; and in my view, work on this issue should commence as soon as possible.

(vi) Discrimination against same-sex/unmarried couples

Trade unions such as SIPTU have for many years sought the removal of all forms of discrimination against unmarried couples (whether same-sex or opposite sex) based on their marital status and/or sexual orientation. This includes discrimination in several areas of tax, social welfare, inheritance and pensions law and practice.

Many private and occupational pensions schemes have already remedied such discrimination in their rules and it is time for the state to do likewise, both in relation to the social welfare pension system and the civil and public service pension schemes. If civil partnership legislation is introduced, this may improve the position for some unmarried couples (i.e. those same-sex couples who then choose to enter formal contracts) but it will not ensure equal treatment for the remainder of unmarried couples, whether same-sex or opposite sex.

9. COSTS

There is no point in avoiding 'the elephant in the room' – the issue of greatly-increased costs, if adequate pensions are to be provided for all who need them now and in the future. However, it is difficult for the lay person to calculate these precisely. Nor, for that matter, is it easy to calculate the precise social and human costs of **not** ensuring that older people have adequate incomes in retirement - and can also, with encouragement and support from the state, maintain their pre-retirement living standards, at least to a certain, socially-acceptable level. But, clearly, these costs are also very high, due to such factors as higher health and social services expenditure; lower output by older workers and hence lower GNP; less voluntary and social work by older people; lower purchasing power by older people, resulting in less tax revenue from a growing portion of the population. (The 'silver economy' will be of increasing significance, to the economy as a whole, in future years.) If it were possible to compute all these 'future costs' and weigh them against the more measurable current costs, the picture would look very different and more complex than simplistic snapshots of current-year tax and welfare expenditures would indicate.
Each of the reforms proposed will involve additional expenditure in the immediate short-term and the primary question now is whether this can be faced, fairly and squarely, and accepted as being **both socially and economically necessary**. If it can, then the second issue of exactly what the costs are, and how these should be shared, must be confronted.

I can only give a broad view on the likely costs arising from each of the above proposals and how they could/should be met:

(i) Social Welfare Pensions

1. The cost of removing all the various '**coverage**' anomalies and making the system fully inclusive, should, in my view, be calculated and met from the **Social Insurance Fund** (SIF) and, if necessary, in the context of Budget 2009 (i.e. as a once-off Exchequer contribution), bearing in mind that recent Exchequer contributions to the SIF have been very low and that large amounts, regarded as 'surplus', were removed from the SIF some years ago; therefore the question of raising employer or employee PRSI should not arise in this context.

2. The additional cost of ensuring **adequacy**, i.e. raising the level of the social welfare pension to the recommended amounts in the coming years, should be estimated and then allocated to the Social Insurance Fund (in the case of the contributory pension), to general Exchequer funds (the non-contributory pension) and to the National Pensions Reserve Fund (NPRF - see also section (iii) below).

   If necessary, the Exchequer contribution to the NPRF should be raised from its current level of 1% of GNP to a more appropriate level; as should the Exchequer contribution to the SIF. Increases in both employers' and employees' PRSI may also be necessary at some stage; and/or further increases in the income ceiling for employees' PRSI. The actuarial assessments of the SIF, started in the 1990s, should be carried out on a more frequent and regular basis than heretofore, so as to ensure that ongoing contributions are adequate and that drawdowns from the NPRF, after 2025, will also be sufficient.

(ii) Public Service Pensions

These are an essential element of public service remuneration. It is vital that the integrity of the public service pension system be maintained and if possible improved, particularly for lower-paid public servants. Actuarial assessments of the cost of public service pensions must be carried out regularly and there must also be regular checks to ensure that the portion of the NPRF allocated to public service pensions is clarified and is likely to be adequate to the task for which it was intended.

(iii) The National Pensions Reserve Fund

This Fund was set up in April 2000 following separate recommendations from two separate bodies - the NPPI and the PSPC. Strictly speaking, there should have been two separate funds as they were intended for quite different purposes, but initially they were rolled into one fund and it was said that roughly one-third of it was for public service pensions and two-thirds for social welfare pensions. Over the years, this distinction has become blurred; many people now believe it's entirely for social welfare pensions, others believe it is all for public service pensions; and this is most unhelpful in relation to costing both social insurance and public service pensions.

Apart from this confusion, which is not of course the fault of the NPRF or its staff, or the Commissioners who oversee its operation, the Fund has performed well in the face of global uncertainty and is the only Irish fund to have signed up to the UN's Principles and Guidelines on Socially Responsible Investment. It would seem to be the best available vehicle for increased state involvement in pensions in the future, e.g. in relation to annuities and the investment of mandatory pension contributions.

(iv) Equalising the Tax Incentive

Giving lower-paid workers (who pay tax at 20% or less) a higher level of tax relief or SSIA-style subsidy towards pension contributions, would of course be 'costly' if take-up were high. If successful in incentivising a further 20% of the workforce to start or increase pension contributions, this could raise the present cost of tax relief on workers' contributions by up to one-third, i.e. from €540m. to about €720m.

However, if **un**successful, and if only an extra 10% of workers responded to such an incentive, the experiment would only cost an additional one-sixth (€90m. per annum) or €630 per annum in all. There would also, of course, be additional 'costs', i.e. tax foregone, in relation to investment income and any increases in employers' pension contributions. (The Green Paper contains somewhat different figures to these, but the basis of those calculations is not explained and is not clear to me.)

(v) Mandatory Pensions

The Pensions Board estimated in 2006 that the cost of introducing a mandatory pensions system of the kind it recommended would, as a percentage of GNP, raise the current Exchequer cost of pensions from 2.4% (in 2006) to 7% in 2026 and to 7.8% in 2056.
It found it difficult to model the exact costs because the effect of the new system on existing schemes was hard to predict. (And it would be even harder to predict if existing schemes had first been boosted by an improved tax incentive.) Again, there would be various ways of meeting the cost: it could be through extra injections to the NPRF, additions to PRSI, or existing taxes, or new taxes/levies/charges; or combinations of these; and it could be done on a funded and/or PAYG basis.

(vi) Child Pension Accounts (CPAs)

The cost of introducing CPAs in the manner suggested – i.e. phasing them in over 16-18 years – would be easier to calculate. The state contribution would be an extra 10% of about 2/17 of the annual cost of Child Benefit (assuming roughly the same number of children in each age–group: 0-1 and 16-18), but these figures could be done more precisely by the relevant government Departments, by reference to the actual, known numbers. There would also be a certain amount of tax foregone if parents, etc. were allowed to add to the CPAs on a tax-free basis, depending on the limits imposed. The question of whether to allow the investment income to build up tax-free (as in existing funded schemes), would also have to be addressed.

10. SUMMARY AND CONCLUSIONS

In putting forward the above proposals for the development of a better pension system for present and future generations in Ireland, I am aware of the substantial costs involved and the potential difficulties of not only meeting those costs and sharing them fairly, but also of ensuring the effectiveness and proper targetting of such high expenditures.

Nevertheless, I believe it is vital to seize the present opportunity for debate, consultation and clarification of ideas, if this vision for the future is to be realised in the not-too-distant future. Early action to ensure greater investment in pensions for all - for existing pensioners, people who will be retiring soon, and people who are still many years from retirement - must be seen as a major national priority.

Submission 313

When I applied for a pension almost 10 years ago I declared my bank shares together with the income from them. My query is regarding the way shares are assessed for income when no PRSI has been paid some free, some at €2.00 per week 10.5%, some €4.00 per week 21%, shares at best yield about 4%. So far this year [Company Name] is down 50% and [Company Name] about 30%.

My other half paid 9 years PRSI and though he would get 9/10 of the pension (that was the rumour at the time) but only gets half while other farmers opted for early retirement and were able to draw the pension (early retirement) and pay the other years or two for the full pension.

Recently I read where the pension ombudsman allowed a person to pay the extra and get the full pension.

When people get a normal pension only the dividend counts as income.

Submission 314

I wish to forward my views for consideration with the Pensions Policy Unit on the following issues:

1. Contributions:

There is too wide a base used for average contributions to decide on qualifying for a pension (Contributory) i.e: missed years, time in other states etc. These periods are included in arriving at an average contribution per year from first year of employment until pension year. If it is accepted that a person would be lucky to have any or part-time employment in the 50's 60's or 70's and 80's this system is unfair

2. Occupational Pensions

From my personal experience of having 22 years contributions made with an employer of Semi-State status from 1965 to 1987 when I was forced to accept redundancy and had to accept a refund of my contributions minus a stoppage of 10% I found this most unfair, especially so when there were special arrangements between this semi-state company and the Dept. of Labour to allow workers in the company go on retirement pension if over the age of 50 years (and in poor health?) I was 46 at that time so did not qualify for this arrangement where the company and the Dept. of Labour needed work-force reducement. This company (since folded) has a Pension Fund which probably is more substantial in Capital and requirements to pay pensions is still existing (alive) contributors and their spouses. There needs to be an enquiry and examination into these types of company schemes. A now retired Taoiseach was Minister for Labour in 1987. I would expect that with 22 years service and contributions to this pension scheme I have a moral right to some form of recognition from this scheme after all we have politicians receiving pensions after 5 years service although in some cases being still in gainful employment

3. Means Testing

The Dept. of Social and Family Affairs use a formula to arrive at income from investments which is most unfair. They refuse to accept actual income and use a 'trickster' formula which must be from 'outer space' at the top end of weekly means assessed, if for example a couple had €40,000 saved and these is a formula that say every €1296 earns €5.08 per week, which equates to €160.12 per year, so €40,000 would equate to €8,327 per year which equals to 20.8% P.A. rate, Hard to accept when An Post pay 0.5% to 1.5% per annum. It's hard to accept that the Department say there is a 20% interest rate out there presently when the maximum rate would be more around 3.5% to 4%.

In wishing the Pensions Policy Unit every success in their endeavours I now sign off, although I could have made more observations but 3 submissions on the issues I refer to really stand out strongly and there needs to be something done to rectify these anomalies.

Submission 317

We wish to have recorded our submissions on the Pensions Green Paper. I did attend your seminar in the Gresham Hotel on 28 Feb 2008 last but some of my points were overlooked in the final summary of our section room/Group 4.

We feel it is very very unfair that a person must retire at 65 years of age and that they can't continue to work and get the State Pension (Contributory) until they are 66 years of age. They can only get State Pension (Transition) for this one year but can only have earning up to €38 a week in order to get it. We feel this must be changed without delay so that a person can get the State Pension (Contributory) at 65 years of age and still be allowed to work as they can from 66 years onwards. After all they have paid their PRSI contributions to cover this all their life time, in most cases 40 years contributions have been paid into the Exchequer by then, or even more.

We believe the Government must get rid of this old age State Pension (Transition) payment and bring forward the State Pension (Contributory) to 65 years of age.

Very few people realise that for that one year from 65 to 66 years of age if a person works even part-time and earns over a ridiculous and unrealistic figure of €38 a week, they won't get the State Pension (Transition) of €223.30 a week. But once they reach 66 years of age and onwards a person can work with no restrictions on earnings, part-time or full employment, and they will get their State Pension (Contributory) of €223 a week which they are entitled to and have paid towards with PRSI contributions all their lifetime.

When a person has to finish work at 65 years of age, they will find it nearly impossible to find work at 66 years of age if the job they did work at is gone. They are by then out of the workforce for one year, be out of the routine of getting up and going out to work, get into a rut and maybe lose confidence and get depressed. Feel his life is finished, feel worthless. It causes such big psychological problems for most people who want to work because work was their life and they were workers. We feel it is soul destroying especially for a man who wants to work and keep busy.

It's so very unfair that a person who worked all their lifetime possibly – in excess of 40 years – paid all their taxes and PRSI contributions and can't get the State pension (Contributory) until they are 66 years of age but have to finish work at 65 years of age. We believe that the retirement age should be left open ended with no fixed date put on it. Once a person has good health and can do their job and their employer is happy with them and their work and they want to work, then why should they have to finish at 65 years of age. Just look at the wealth of experience a company is losing, not to talk about what the employee is losing both health wise and financially. We believe people should be allowed to ease into retirement gradually, by shorter days and weeks over a few years, if the type of work/employment allows it to be done this way.

What are retired people expected to live on? There is such a drop in wages – by at least 50% to 70% in most cases in their weekly income except for the lucky ones that have had a good professional paying job and now enjoy a good pension plan from their company. The ordinary working person is expected to live on €223 a week pension. We feel this needs to be increased to at least €500 plus per week.

We feel the whole Social Welfare system is so very unfair and needs to be changed. There is no incentive for people to work hard and save for their retirement when you have people that can work in the black economy and pay no tax or PRSI and yet get at 66 years of age a non-contributory pension of €212 a week. This is about €11 less per week than the person that paid into the Exchequer all their working life. Let those people be means tested. It's not fair.

We hope our views on the whole Pension system will be considered and by the next Budget in December we will see changes made that will be of benefit to all Irish citizens by being more fairly and justly worked out and passed into law.

Submission 320

We would like to express our view on the pension system.

Our pension is based on my husband's stamps from 1953 to 1960 for which my husband gets €167.50 and I get €150.00 as a dependent. My husband worked part time from 1950 to 1960 when the Government included the pre 1953 stamps as we expected to get a full pension. We applied for same and were told it was separate which seems unfair. We hoped his stamps would be added on. He also paid self employed stamps from 1988 to 1995 which we got nothing from.

My husband is now 78 years and I am 77. I find it have to live on such a small amount as all out savings are nearly gone.

Submission 322

I am a 77 year old man. For the past number of years I have been in receipt of just half the contributory pension. This is despite the fact that I made eight PRSI contributions. At my age I feel I'm entitled to the full contributory pension.

In addition my wife is only receiving a minute portion of her pension every week.

Between us this total weekly amount is not enough to survive on.

We feel that after working so hard throughout our lives and paying all our due taxes the Irish pensions system has now left us in an extremely vulnerable position in our old age.