IPA Pensions Forum

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A Chara

I enclose herewith a summary submission from the Pensions Forum of the Institute of Public Administration in relation to the Green Paper on Pensions, specifically as it relates to public service pensions.

This was considered by the Forum at its seminar held on 22 May 2008.

Mise le meas

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IPA Pensions Forum - Submission on Green Paper on Pensions

The Pensions Forum of the Institute of Public Administration was established in 2006. It provides –

- a co-ordinated approach to keeping pensions administrators in touch with new developments in public service pensions
- an opportunity for informed discussion of pertinent pensions issues and interaction with other public service pensions administrators through bi-annual seminars
- access through a dedicated web page to background pensions material and other supporting documentation
- assistance with the roll-out of public service pension reforms.

At its seminar on 22 May 2008, the Edward de Bono Thinking Hats concept was used to assist the Forum in considering the Green Paper on Pensions, specifically as it relates to public service pensions.

Three topics were chosen and a summary of the points emerging from the Forum's discussions on these is set out below.

In the light of the 31 May 2008 deadline for submissions, this summary is set out in bullet point format only. It represents various views on the topics chosen and is being submitted so as to assist the Department and other interested parties in their deliberations on the relevant issues.

A brief explanation of the Edward de Bono Thinking Hats is set out below.

The Red Hat is concerned with feelings, emotions and intuition.

The White Hat is concerned directly with data and information, and addresses the questions: "What do we know? What do we need to know? Where can we get this information?"?

The Yellow Hat represents the logical, positive aspects of thinking, and looks for benefit and value

The Black Hat highlights the points of caution, existing and potential downsides and concerns

The Green Hat challenges the status quo, and searches for creative alternatives and opportunities.

The Blue Hat manages the thinking process and is concerned with process control to encourage the best thinking from all participants

Topic No. 1: Doing Away with the Defined Benefit Model

Red Hat

- Bad Idea
- Can't forecast what future benefits will be
- Good for administration (reduced cost to State)
- Risk for members

White Hat

- How much is scheme costing?
- What are the implications of handing over management/administration to outside body?

Yellow Hat

- Administration gone
- Risk transferred to employee
- Easier to understand (for members)

Black Hat

- Market volatility
- Negative value to members
- Uncertainty

Green Hat

- Hybrid DB and DC
- Move away from pension provision to other benefits
- Gross up salary – employees can invest in what they want
- Higher pension may be realised from outside company pension

Topic No. 2: Breaking the Link with Pay for Pension Increase purposes

Red Hat

- Don't do it
- Don't care either way
- Should Department (Finance?) do it

White Hat

- What cost reductions accrue?
- What are the alternatives?

Yellow Hat

- Cost reduction
- Politically seen to reduce public sector wage costs
- Breaking the link can be done

Black Hat

- Union reaction
- Legal action

Green Hat

- Change pay structure
- Move towards national pension
- Increase PRSI
- Increase pension contributions
- Move from DB to DC

Blue Hat

- How do you break the link?
- What do you replace it with?
- What is the minimum the unions will accept?
- Is CPI a viable alternative?

Item No. 3:   Shared Services for Administration of Pensions

Red Hat
Wonderful idea!!

White Hat

- Number of agencies?
- Number of people?
- Number of schemes?
- Current cost of administration
- Potential savings/time/cost
- Variation between schemes
- Age profiles/demographics

Yellow Hat

- Expertise built up/centre for excellence
- One stop shop
- Economies of scale (reduction in administration costs)
- Potential savings
- Transfers of service easier

Black Hat

- No local expertise/personnel – lack of personal touch
- Duplication possible
- Potential for error
- Confusion created (different schemes)
- Would need to be carefully managed

Green Hat

- IT solution – magical software!
- Shared support, IT etc
- One scheme
- Regional offices
- Address duplications/errors with IT system (shared)
- Individuals responsible for different schemes