

# Private and Occupational Pensions - Key Questions for the Seminar

- Do we need to comprehensively change the current pension system?
- If so, which of the approaches – changes to the current system of voluntary provision, soft-mandatory or mandatory – seems best?
- Or should the State concentrate on providing a certain level of State Pension and let individuals and employers organise their own supplementary arrangements?
- How can the extra costs associated with these approaches best be financed?
- Some pension products allow people to set up an Approved Retirement Fund (ARF) upon retirement. (This allows people to continue to invest their retirement savings, rather than having to purchase an annuity.) Should this be allowed for all types of pensions?
- What other issues relating to supplementary pensions should be addressed?
- Should measures be put in place to encourage people to retire later and defer their pension? What can the Government, employers and employees do?
- Should the Government set a higher pension age (for social welfare, occupational pensions or both?)

## Private and Occupational Pensions

### 1. Introduction

The purpose of this workshop is to discuss issues of relevance mainly to private and occupational pensions. In addition, the question of longer working and raising retirement age could be considered.

The objective of this workshop is to discuss these issues and feed these views back to the plenary. In particular, the workshop should identify three or four priority issues which it would like the plenary group to consider.

The length of the workshop will be approximately 1 hour and 15 minutes and the aim is to devote the first hour to general discussion and the final 15 minutes to identifying and agreeing the key priorities and issues to be reported back to the closing plenary session.

While not all issues raised in the workshop can be reported back to the plenary, please be assured that the full discussion will be reflected in an overall report of the consultation process, which will be prepared by the Department of Social Protection to inform the development of future pensions policy.

### 2. Pension Models

Outlined below are the main features of the private/occupational pension models that are considered in the Green Paper:

#### a. **Enhancement in respect of voluntary pension provision**

The first model examines how current incentives (through tax relief) might be changed to encourage people to invest more in pension schemes.

- One way of doing this is through matching Government contributions – e.g. for every €1 a person puts into a pension scheme, the Exchequer also puts in €1.
- Another element of this approach is that tax relief should be granted at the higher rate for all contributors to occupational pension schemes as a way of encouraging people on lower incomes to take-up pensions.

- Others have put forward the argument that tax relief at the higher rate should be reduced to the standard rate.
- b. **Soft- mandatory pensions**  
Under this model, employees are automatically enrolled into a pension scheme when they started work. They could then “opt out” of the scheme after a certain period if they so wished. It is intended that this would overcome people’s “inertia” in joining pension schemes. The model examined in the Green Paper suggests that employees, employers and the Exchequer would each contribute towards the pension fund. In addition, contributors could have limited access to their fund before or at retirement.
- c. **Mandatory pensions**  
Under this approach, it would be mandatory for all employees and self-employed people to join a (defined contribution) pension scheme, with no opt-out clause. Under the model examined in the Green Paper, the mandatory scheme design was accompanied by an increase in the State Pension.