Green Paper Consultation Responses

Regulation; Charges; Scheme rules

Submission 5

PRSAs and AVCs

The cap on commission on PRSAs at 5 % is excessive. This cap should be reduced to 2% Max.

The 5% instead of becoming the max. is rapidly becoming the norm and can have significant effect on the value of the Fund.

AVCs - there appears to be no cap on the commission charged on AVCs, in particular those in the public sector.

25 % commission is not uncommon. It's unfair that the employees who avail of AVCs in the Public Sector should be penalised by excessive charges. A cap similar to those on PRSAs should be introduced.

Claiming Relief for PRSI - Claiming PRSI relief on AVCs/PRSAs is overly complicated; PRSI relief should be paid at the same time as Tax relief, rather than making 2 separate claims.

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 19

If there is a pensions crisis, it will get worse if people are expected to hand over their fund for a few years annuity.

Every contributor to a pension fund should have equal benefit from tax relief regardless of their income. The present system favours richer people. The maximum pensionable earnings should be €100,000 rising at the C.P.I., not the present €250,000 which is 6 or 7 times the average wage in the country.

It is not reasonable to expect people to contribute to a pension for years only to hand it over to an insurance company for an annuity, presently costing about €20,000 per €1,000 of income for the rest of your life at 65.This means you will have to live 20 years to get your own money back, not counting income from the fund which is often more than the payout in early years. Administration costs less than 0.25% of the monies in these funds; declared income is usually linked to the bond rate but the insurance co. usually invests it in a balanced fund that averages higher income over time.

A better solution, or at least a fairer one, would be to allow the owner of the fund to invest it him or herself and be restricted to withdrawing 6% of the original sum, rising by the CPI or 4% (whichever is the lowest). A financial institution of the person's choice could administer this fund or An Post backed by the National Treasury Management Agency with a charge of 0.25% of the fund or €250 max.

The usual charges of 1% (plus up to 5% of each contribution) of a fund (€1,000/ €100,000 in a fund) seem extraordinarily generous especially when one is losing up to 20% per annum, but are to some extent acceptable while a person is contributing.

The fund should last about 15 to 16 years by which time the owner would be 81 yrs of age. The money left when a person dies before it runs out should be divided equally between the estate of the person and the NTMA to pay support for people who live longer than the money lasts.

It is very galling to look at what is going on in the so-called fund management industry. Massive bonuses paid out to people for nothing produced, they all average about the same as an exchange traded fund. It is no wonder people are reluctant to give them more money.

I act as a trustee for a pension fund at work and a few of the members are contributing to an AVC but they would rather be able to choose between a fund run by an insurance company or a Post Office or deposit type fund where you are paid an interest rate rather than paying people to take your money!

For the past 20 years, anyone would have been better off to forego the tax relief and invest their half of the money directly in good quality shares or property for the simple reason that they RETAIN CONTROL OF THEIR OWN MONEY. Blue chips in Ireland have also done much better than any fund manager, as has property.

The reason the SSIA scheme did so well was not just the short term, but the most important reason is that the owner of the money retains ownership of it.

A post office pension savings account, POPSA, should be set up with people restricted from withdrawing money in the same way as a PRSA, but the taxpayer should contribute at a rate that is an average between high and low rates of tax, at present that would be €30 for every €70 paid in by the saver.

Submission 22

Public Sector Pensions:

Public Sector pensions need to change from DB to DC in order to have a sustainable pension arrangement. This needs to be applicable for all new public sector appointments. For existing public sector pension liabilities government needs to consider available funds for public sectors funds and project cash inflow and outflow for the same over next 50 years. They need to provide budgetary allocation for any gaps during each year's budget to make sure that these gaps are addressed.

Private Sector Pension:

This pension should be a mix of Universal Pension and Discretionary Pension.

Universal Pension:

Universal Pension is a minimum mandatory pension for anyone over the retirement age. This pension funding should be part of current PRSI arrangement as well as mandatory employer and employee contribution which should be introduced in the future.

This pension should allow anyone above retirement age to provide for their day to day living expenses.

Discretionary Pension:

This is an additional facility given to self employed and employees to save for their pension. This pension should have following features:

Tax Benefits

This pension contribution should get 50% tax rebate irrespective of level of tax rate applicable. It should be allowed to grow tax free during accumulation period and should be taxed only when received by employee during their retirement year. Govt should consider following EEE model (exempt, exempt, exempt) for this pension arrangement in place of current EET model (exempt, exempt, taxed).

Lock in Period

This pension fund is having a lock in period of 10 years initially. After 10 years a subscriber should be allowed to use this fund for specific purposes e.g. repaying mortgage which are an additional avenue for them to plan for their retirement.

Investments/Choice/Admistration

This fund should be completely portable from one pension fund service provider to another.

It should be managed like a central account by govt agency with subscriber having choice to select his investment funds and switch between investments funds at specific intervals say once or twice every year.

This pension fund should not be any way tied to employer and should remain in force irrespective of change in employment.

Immigrants:

Any non Irish citizen working in Ireland should be allowed to withdraw his pension fund at end of his stay in Ireland. If the same person comes back to work in Ireland then he will need to re transfer his pension funds back into Ireland to ensure his pension liabilities are met by the state.

In case withdrawal is not permitted immediately on his departure, he should be allowed to withdraw at end of specified period e.g. 2 years from his departure from the state.

Pension Age:

Employee should be allowed to retire at current pension age of 65.

However he or she can continue to work in different places after that age without losing his pension benefits.

Annuities:

Annuities should be allowed, however employee or beneficiary should have complete control over his funds post retirement. It is best to assume that a person knows best options available to him to get good returns on his investment.

Regulation:

- Current pension regulation is inadequate and it favours pension service providers as compared to person funding his own pension.
- Fund management charges are still higher compared to many other investment funds
- There are limited fund choices available
- Pension fund providers do not find it lucrative enough to educate about pension and get business due to various reasons.
- All pension funds should be regulated using same regulations. We have some model regulators like SEBI in India which regulates Mutual Fund and IRDA which regulates Insurance schemes including pension schemes. They have a defined cap on annual expenses, entry and exit loads and these charges needs to be defined upfront. There is a scope to increase transparency in this area to a large extent.

Submission 47

Extracts from Oireachtas pensions debates 2002 - 2007

This submission is very large. It may be downloaded below in pdf format.

Download Extracts from Oireachtas pensions debates 2002-2007

Submission 75

I would like to make the following comments on the development of Pension legislation from the perspective of a former administrator of a DB pension scheme in a manufacturing industry.

1. In a previous occupation, I was always struck by the impacts of the last raft of legislation which were enacted in Ireland which included:

- A dramatic increase in administration (and administration costs in compliance) which was seized upon by the administration industry to ramp up fees associated with same. This industry has little or no competition since the merger of IPT and Mercers;
- Little or no meaningful additional protection from the above for the members as it does not address the ability of employers to "walk away" from DB schemes and by partially policing the area has, to a large extent, caused the stampede from DB to DC schemes. The schemes of arrangement to bridge any deficits showing up on valuations are of no value if not enforceable.

2. I was a trustee to a UK DB scheme and was struck by the several significant differences of basic protection of the members & deferred members there that did not exist in Ireland such as in a winding up or transfer of ownership. Why do these not exist here?

Recommendations:

- If a year's service has been "clocked" up in a Company this should never be at risk from a change in the employer's loyalty to the scheme. At present, schemes can be wound up and what assets are present are allocated first to the parasites who administer the wind up, Actuaries, Administrators, etc, and then to the active pensioners and what's left goes to the actives and deferreds with the Company walking away from any responsibility to fund the deficit. This is particularly attractive in schemes of arrangement and takeovers where the new owner does not have a value for the goodwill of the old employees. As I understand, under UK legislation, this is not possible in that there is a requirement to underwrite the deficit from the proceeds. If it was possible to legislate thus there, why not so here? Holding companies should be prevented from selling off subsidiaries with pension deficits without a binding commitment to funding such deficits and purchasing companies prevented from winding up schemes. It is not possible under Company Law to treat any group of other creditors such in a winding up or generally.
- A cost benefit from a member's perspective should be undertaken before any new regulations which have cost implications are enacted. This point refers to my earlier observation that in the past much of what was brought in added greatly to the

administration of a scheme but did not protect the members. It also struck me that many of the persons involved in the Pension Board had a vested interest in drumming up work for their firms.

- Can anything be done to reduce administration costs by proscribing what is allowable by way of charges or by promoting real competition in the industry.
- There is scope within large plcs to hive off assets within schemes that are fully funded into top hat sub-schemes for the top executives in situations where the surpluses could be more equitably used to augment the benefits of the members for whose benefit the contributions were made. This should be prevented.

These are a few general points but very significant for those to whom they apply.

Submission 107

I started work when I was 19 years of age and I joined a contributory pension scheme when I was 25. I am now approaching retirement and the inadequacies of my pension scheme are becoming apparent. I wish to make two suggestions that I believe would greatly improve the situation for pension holders.

1. **Ownership of the fund.**
   I recommend that the pension holder should be the legal owner of their individual pension fund for its entire existence. The pension fund should be structured like a bank account where the funds deposited are held in the name of the pension holder and cannot be withdrawn by any other entity.
   In my case, if the fund is in surplus, my employer can take money from the fund without my permission. The determination of a "surplus" is a matter of opinion and this effectively means that my employer controls my pension fund.

   Secondly, should I die, even one day after retiring, the pension bond will become the property of the bond holder (insurance or pension company). Therefore after paying into a pension for a lifetime, my estate will not receive anything from my pension fund. I want legal ownership of the money in my pension fund and for this money to become a part of my estate, after my death, similar to a bank account.

   I recommend that individual pensions be held in an account, similar to the recent SSIA accounts, thus giving people confidence that the funds will always be owned by them or their heirs.

2. **Pension fund fees and charges.**

   I still have the original AVC (additional voluntary contributions) documentation that I received when I started my pension. The paper has turned yellow and the format appears so dull, in comparison to the glossy brochures produced today, but the content is revealing.

   The projections for the growth in the value of the AVC fund were approximately ten times what the actual growth turned out to be. I realise that pension companies do

not have control over the global economy, but the pension company charges very high fees for managing these funds. I am charged a large fee when I make a contribution, I am charged a fee if I change funds and I am charged an exorbitant annual fee as a percentage of my entire fund. I have calculated that I would have more in my AVC fund now, had I deposited the AVC funds in a interest bearing deposit account and I did not have to pay any fees.
There is an obvious conflict of interest here, the pension company is trying to maximise their profits by maximising the fees paid by the pension holders. The interests of the pension holders are not their primary concern.
I believe that pension fund holders should be allowed to invest their pension in any type of investment e.g. shares, property, deposit etc. but the pension fund account should be held in an account guaranteed by the government and free of charges.

I recommend that individual pension accounts are fully guaranteed, or even held by the government and that fees cannot be charged on pension accounts. This guarantee along with the existing tax relief will make pensions a much more attractive proposition.

Submission 156

I would like to comment on rules within pension schemes that only allow spouses to accrue any benefits outstanding if the pension holder dies before or close to pension age. This is part of my pension scheme at work. I do not have a spouse and I would like these benefits to go to my disabled sibling. It should be part of the remit of the proposed Pension Act to rectify this inequality and continued lack of control and access by the contributor to large amounts of money given to pension schemes.

Submission 163

I am a widow of twelve years. My late husband worked for a semi-state organization for 25 years before he died. Initially (in 1971) he was enrolled in what was then called "The Widows and Orphans Scheme". That was non-contributory. About 1976, this scheme was supplemented by a contributory plan, into which he paid a significant part of his salary. I recall it as significant, as it became a burden when he was seconded to an international organization in the States. During these three years, he had to pay not only into the pension scheme of the organization to which he was seconded, but also pay a lump sum to the Irish semi-state body to keep his status within that pension scheme.

Within days of his death, I was told by the Irish social worker attached to the organization for which he worked that, if it should happen that I should either remarry or co-habit, the portion of my husband's pension (half of his salary) automatically paid to me would be withdrawn. I was deeply shocked, not only at the harshness of the provision but by its multiple injustices.

First of all, we had contributed heavily to this pension. What right had the State then to set such completely unreasonable provisions?

Secondly, part of the provision is unenforceable. How exactly did the State intend to establish whether I co-habited or not? Did this provision hold only for heterosexual couples? What if I decided to co-habit with a woman? In short, does the State now intend to police my sexual life??

Thirdly, the provision is patently (& cruelly) unjust. I am a widow, trying to raise two boys. We cannot live a reasonable life without my late husband's pension. Is it then the State's intention, if I try to keep to the provisions of this pension, to deprive me of the honourable state of marriage and my boys of the chance to have another father-like figure in their lives? That has been its effect so far.

I would therefore request that this provision be struck out retrospectively. It is unjust, unfair, and possibly not even legally enforceable. From my own experience, it has also caused a great deal of pain among older people now co-habiting secretly -- unable to marry -- and terrified that the pensions which are their main means of support would be arbitrarily withdrawn if their relationships became known. Several would, in fact, like to marry, but cannot do so. It is a shameful situation and one that should be put right immediately in any new legislation on pension rights.

Submission 164

I wish to make a submission to your recent press release titled 'Pensions - have your say'

I am 77 years old , I have a pension from [company], I have a pro- rata Social Welfare pension for my wife and I work part time as a tour guide in Dublin city. I also have rental income. As a result I pay 41% tax on this income.

Some time ago, I investigated the possibility of investing in a pension plan but was informed by pension providers and Revenue that I am legally barred from doing so as I am over 75 years old. I contacted my local Fianna Fail and Fine Gael politicians giving precise details of my findings, requesting them to have the Finance Act amended to raise the age limit to at least 85. This was before the last general elections.

Eventually, I received two exactly the same letters from these politicians quoting the regulations. Neither offered to have the law amended, or any other assistance.

Since 1948, when I started in employment, I have paid all my taxes and P.R.S.I. Many politicians are concerned that there may be a shortfall in funding future pensions as people are living much longer. They claim that raising retirement age to well over 65 would help to ease the shortage. I sincerely hope you can offer some solution or advice in catering for my needs.

Submission 170

I am making this submission in a private capacity in relation to the crippling charges imposed on various union members across the country (TUI, INTO, INO, ASTI etc.) through the AVC schemes brokered by intermediaries such as [companies] etc. and managed by fund managers such as [companies] etc. The typical charges for these union-endorsed schemes are as follows:

- 95 % allocation rate (i.e. only €95 out of every €100 contributed is invested)
- 1 per cent (minimum) annual management charge

It is interesting to probe the financial absurdity of the situation that these union members find themselves in, a little further:

Teachers (primary and secondary), lecturers, nurses etc. all over this country are members of unions. The members pay a subscription to its union to act in the best interest of its members. Through some tendering process, these unions then award the AVC business of all its members to financial intermediaries (like [companies] etc.) who, between the intermediary and the fund manager, typically take 5 % of all regular and once-off contributions from the member, on top of a 1% annual management charge.

In my view, these charges are exceptionally punitive and impose an enormous drag on the performance of the investment funds in which the members' monies are invested. These grossly uncompetitive charges are also unnecessary in today's marketplace. Why? Because these same union members can now access the same investment funds by taking out a **standalone PRSA AVC** privately through any number of discount brokers who will set up the scheme with a fund manager on a **nil commission** basis. The typical charges for these nil-commission-based schemes are as follows:

- **100 %** allocation rate (i.e. the **full amount** is invested)
- 1 per cent (maximum) annual management charge

The discount broker gets a finder's fee from the life office based on volume and consistency of business pushed through. This is paid for from the profits of the life office.

In electing to take out a standalone PRSA AVC, however, so as to avail of the lower charging structure, union members typically have to set up a direct debit and pay from **net** salary. This is because Employers are not obliged to facilitate a Deduction at Source facility for pension contributions if there is already a union/employer-endorsed AVC scheme already in place.

If the contributor is forced to pay from net salary, he/she must then claim tax relief afterwards by arranging to increase tax credits with Revenue and organising PRSI relief through the Dept. of Social Welfare. This is both cumbersome and time consuming.

Unions and Employers now need to recognize that the landscape for Pensions provision has changed radically over the last number of years. Discount brokers operating on a nil commission basis have now entered the low cost PRSA AVC marketplace.
They can offer union members the same policy as they would get elsewhere - except at a much higher level of discount. All of the schemes offered by these brokers are administered and managed by the insurance companies themselves.

Large unions across the country are responsible for awarding large captive markets like the TUI, INTO, ASTI and INO AVC Schemes etc. to various intermediaries like [companies] etc. In doing so, they should be ensuring that the broker/intermediary does its utmost to use this buying power to drive down charges so that people *within* the scheme would be getting a better deal than those *outside* it. Instead, the opposite is the case – it is truly quite astonishing.

To truly demonstrate its commitment to its members/staff, unions/employers now need to offer *choice* – an AVC scheme brokered by an intermediary that offers advice, or an AVC scheme brokered by an intermediary that operates on an execution-only basis. Both schemes should allow contributions to be deducted from gross salary.

I thank you sincerely for taking the time to read this submission and for offering members of the public an opportunity to express their views.

Submission 188

I am a participant in an employer's pension scheme. The scheme has matured but I find that I am being controlled by the Broker who managed the scheme.

The Fund Manager would not take instructions from me and referred me back to the broker who in turn wanted to manage the fund going forward instead of accepting my instruction to transfer the value to an existing ARF that I hold.

The resulting delay meant that I got caught in the downward spiral of values that took place in the past year which leaves me with a reduced fund value.

I recognise that people need expert advice when pensions mature but there should be an arrangement that the existing broker should not be able to manage the fund after it has matured thus avoiding any conflict between sound financial advice and their seeking to maximise their involvement in the future fund.

Submission 189

I recently left work due to ill-health and, as I was too young (under 50), I was not entitled to a pension, having 23 years service. I now have a deferred pension in a defined benefit scheme.

I have been unable to gain employment since my departure. As my wife is working, I am not entitled to any benefits. My query is, as I have contributed to my pension scheme over 23 years, why is there not a facility to continue contributing using my wife's (partner's) income to do so thus increasing my benefits when I reach 60 or 65? I am also not receiving an annual account of my pension status as it is a deferred pension. I think this needs to be addressed in legislation. I believe there should be a mechanism to contribute whereby one has left the employment and wishes to do so to enable one to meet the needs of one when elderly.

Alternatively, in the event I gain employment that I can continue to subscribe to that scheme until retirement as other existing schemes would be of a lesser value. I think it would be beneficial that one can continue to subscribe to a pension scheme if one ceases employment early and that one should be allowed to pay into the best possible scheme available if one has a choice of a variety of schemes.

I would ask that this be considered in discussions on the Green Paper on Pensions.

Submission 192

Last year, I made arrangements with the company I work for to take Mondays off to spend with my child under the parental leave entitlement. Much to my disgust, I was informed that I would have to reduce my pension payments as my salary for the year would decrease.

I think this penalty on parents who are trying to juggle work / life balance is extremely unfair - I would like to see exceptions made in cases where there is no change in the work contract.

Submission 194

I have a pension fund organised by the [professional body], managed by an assurance company. I was extremely disappointed with the recent performance of the particular fund. As I am eligible to retire in 2009, I was particularly concerned that nobody communicated with me to best plan this imminent milestone. I was told that this was entirely up to me to initiate.

I have now consulted the brochure which was the basis of my decision to join this scheme and it is quite clear that I am being misled.

I received a proposal which was assuming returns of 6% p.a., when I queried the validity of such a rate when the annualised loss was nearer 18% I was told that this is what they were allowed to do. I hope they do achieve that this year, I however, consider bit highly unlikely and feel that a much more realistic approach should be taken, and that the planned return should be quoted year by year so that we can judge performance and take meaningful decisions accordingly.

I trust by giving you this example you will see how perilous the private sector is. I am having to consider working for a further 5 years minimum and still have this great uncertainty. The SSIA was a spectacular success, I believe that a similar scheme should be introduced for pensions and that providers have a mandatory duty to lock in gains within say 2-3 years of retirement.

Submission 200

Point 1:

I currently job-share, working 3 days one week and 2 days the next week. On retirement, after working 20 years, my pension will be calculated on 10 years (i.e. half).

On the other hand, a person working 4 hours x 5 days a week qualifies for a full-pension.

I consider this very unfair!

Point 2:

A person paying tax at the lower level, 20%, will get 20% tax relief on contributions paid into a pension fund or AVCs.

If the person pays tax at the higher 40%, they will get 40% tax relief on their pension contributions.

Surely the person on a lower wage, paying at 20%, is more likely to be in greater need of a pension on retirement. There should be more incentives for this sector to contribute to their pension.

Submission 214

The current system of private pension provision has failed under every relevant criterion. Millions of euros of public and private money have been spent on promoting and advertising private pensions. Billions of tax-revenue has been forgone in subsidizing them, yet take-up is poor. For those who have invested, the outcome in terms of providing a decent retirement income has more often than not been disappointing.

If private pensions were perceived as good value, more people would buy them. However, it is plain to see that in spite of all the promotion and advertising, most people believe private pensions are bad value. Over the last decade the average return on Irish pension funds has failed to beat even inflation. The private pensions industry has delivered rotten value both to individual policy-holders and to the tax-payer.

The industry will point to exceptional factors, such as two market downturns during the last ten years as the reason for its underperformance. However, there is no guarantee (or expectation) that the next ten years will be any better. In any case, it would be expected that the funds would earn at least enough to pay for the generous charges and fees the fund-managers award themselves for managing our pension-funds (irrespective of whether they increase or lose our money). They don't. The only thing which makes these fees and charges sustainable is the fact that they are disguised by the tax-subsidy on the income invested in these funds. It would be hard to avoid the conclusion that all this forgone tax-money has done little to further the social-end (decent pension-provision) for which it was intended, and has gone largely to sustain and subsidize these fees and charges. It has been a bad use of public resources.

And what are we paying these fees for anyway? The sum total of investments IS the market. Factoring out the overall rise and fall of the market (which the fund-managers are at pains to tell us are beyond their control anyway) investment in the market is a 'zero-sum-game'. For every fund that beats the market, another will be a commensurate loser. Given that it is impossible to predict net winners or losers over any given time-period, what are we paying for?

We shouldn't really be surprised. There is a precedent – the endowment-mortgage scandal. Private pensions are exactly the same instruments as endowment-mortgages in every salient aspect. The only difference is that one is supposed to discharge the loan on your home; the other to buy an annuity. It is nowadays accepted that pushing an endowment mortgage on the average borrower would constitute miss-selling. Why then should it be considered prudent to fund our retirements with products which are considered too dodgy to finance our homes?

The private pensions industry has had its chance. It hasn't produced the goods in spite of billions of euros in tax-subsidies. Neither will it. All its proposals are merely permutations of the schemes which have served the financial services industry so well and the investing public so badly.

Finally, there is no avoiding the fact that because of the other pressures on family-income, investing in pension provision will be a low priority for many people – particularly the young. If universal pension provision is the desired end, some form of compulsion will be necessary. However, two decades of banking-scandals which has led to a low level of public-trust in the financial-services sector, and the notorious bad-value of private pension products, make it unacceptable to force people into the type of schemes operated by the financial services industry.

My Proposal:

My proposal is a universal, compulsory, and portable pension-scheme managed by an agency akin to the NTMA. This agency (Let's call it the National Pensions Management Agency or 'NPMA') would manage the national pension fund.

The scheme would apply to all employees, and the self-employed. Within a comprehensive system, the rationale for separate pension systems for public and private employees would no longer exist, and the new system would apply to all persons entering public employment once the scheme becomes operational.

1. The basic state pension would be the entitlement of every retired person upon reaching the designated retirement-age.

2. All pension income, including the basic state pension would be taxable as income. However, the tax-threshold for retired persons would be set significantly above the level of the basic state pension.

3. All persons would be assigned a "Personal Pension Account" (PPA) in the same manner as they are assigned a PPS No. These accounts would remain the private personal property of the account-holder. **These pensions would be separate and additional to the basic state pension.**

4. A small statutorily fixed percentage of all income above a set threshold would be payable into the PPA in the same manner as income-tax is payable to the Revenue.

5. In addition, income-earners would be allowed to invest up to a combined total of 15% of their gross income in their PPA. This additional contribution or investment could be provided by the earner and/or employer. Employer contributions could be a matter for individual or collective negotiation and agreement between employee and employer. Employer and employee contributions in respect of permanent and tenured public employees could be fixed by law.

6. All money invested, whether by employee or employer, would be exempt from tax on the part of the contributor.

7. Self-employed persons could still opt to invest income (other than the statutorily fixed percentage) in private pension-schemes. The maximum 15% of income qualifying for tax-relief would apply.

8. The PPAs would be managed in gross by the NPMA. The NPMA would be responsible for devising a suitable investment-strategy subject to criteria set by law. (A very widely-spread and conservative portfolio would probably be the result, with a portion of the fund kept in government-bonds and cash in proportion to the number of PPA-holders nearing retirement). The proportion of any individual account notionally assigned to equities, bonds, and cash would vary according to the age of the PPA holder. As a result, gains in the funds transferred into the PPAs as income would be according to a published formula relating to the age of the PPA-holder.

9. The administration of the scheme would be financed by a levy on investment income earned on each account (As distinct from a levy on contributions paid into the accounts). This means that in times of poor or negative investment returns subvention might have to come from the exchequer. Alternatively, the levy could be increased in times of better market-conditions.

10. Each PPA-holder would be able to inspect (on-line, or at government offices) his or her PPA. Each account-holder would be furnished with a full PPA statement on an annual basis, or on demand. However, until retirement the PPA would remain "virtual" insofar as it could not be drawn down.

11. The capital sum invested in PPAs would be guaranteed by the government. This amount would be shown on the account statement, as would the current value, and the accumulated administration charges. Accounts would be automatically updated at the end of each month.

12. PPA-holders would be able to take their pension at any time after the age of 55. The NPMA would produce and publish on a monthly basis a table or index showing the actuarially calculated reduction in benefits applying to persons retiring before the age of 65 (and the increase for those delaying retirement after 65). The PPA holder would not be allowed take his or her pension below the age of 65 unless the PPA was capable of funding a pension equivalent to the basic state pension.

13. The NPMA would produce and publish on a monthly basis a table showing the retirement lump-sum and retirement salary purchasable from the NPMA corresponding to the balance held in the PPA on retirement. (The lump-sum component would be the elastic element, contracting in times of lower investment returns)

14. Upon the death of the PPA-holder before retirement, the PPA would be assigned to the designated dependents of the deceased PPA holder in the normal manner.

15. An independent board of overseers would be established to deal with the NPMA on behalf of the PPA-holders and to deal with queries and complaints.

Submission 218

I attended a seminar on pensions in Sligo on 5th March '08. I spoke to some representatives in relation to my own personal situation regarding the way my future pension will be calculated.

I was employed as a Night Telephonist for 25 yrs when as a result of restructuring the Exchange was compulsory closed. My salary for those 25 yrs was made up of Basic Salary + Pensionable allowances which roughly equated to 1/3 of basic pay. My salary after the closure was made up by Basic Pay + Mark Time payment. The Mark Time payment equated to the average weekly pensionable allowances for the previous year. The Mark Time payment was pensionable.

However, the big problem with the Mark Time payment was that it was a decreasing figure. The way it worked was, each time a wage increase was awarded, the figure that the Basic would increase by the Mark Time figure would decrease by the same amount. In other words my gross pensionable pay remained the same (about 6 yrs) until my Basic pay equalled my original Gross Pay.

As the rules of the Pension Scheme of which I am a member stand, only Pensionable Allowances earned in the three years prior to the date of retirement are counted for pension purposes. The bottom line therefore for me is that I will not receive any pension entitlement for my 25 years of unsocial hours even though pension contributions were set aside for me during those 25 years.

A good example of the negative impact this has had on my future pension is illustrated by the following: In 1998, when the exchange was compulsorily closed I was offered a voluntary leaving package. Due to the fact I was only 47 years old and had four young children to cater for, I had to turn it down. In late 2007 I was again offered a retirement package and to my amazement I found that my pension at aged 60 had only marginally increased over the nine years.

If you take another example of a person who was employed in one of the Exchanges that remained open following the restructuring in 1998 – 1999, if that person were to avail of a voluntary leaving deal his or her pension would be based on Basic Pay + Pensionable allowances even though they would have only worked nine years of unsocial hours compared to my twenty five years.

I believe that there is an anomaly and an inequality in the situation I find myself. Based on the examples given I wish to make the following submission –

"That any person who was in receipt of Pensionable Allowances for which contributions were being set aside for them for the years they worked unsocial hours and who through no fault of their own loose those allowances that their future pension should be reflected by those contributions."

Submission 220

I have some very simple complaints/comments to make on our current legislation

I worked for a company 1984-2002. During that time I was a member of their Defined Benefit scheme & I also contributed the maximum to the AVC scheme. Please note that for all practical purposes these are independent unrelated schemes & that I would be a full beneficiary of the DB scheme whether or not I ever chose to contribute to the AVC element of the company Pension Plan.

In February 2002, I moved & started working for another company, where I am a member of their Defined Contribution scheme. I am setting up a self administered PRSA where I can control the investment strategy, within the Revenue rules. I wish leave my first company DB pension as is, & move my first company AVC monies to my current company where I can have more control over the investment strategy. However, I find that I cannot separate the AVC element from the DB element of the first company pension and am not allowed to move it to my PRSA at my current company. The AVC element at the first company was totally of my choosing & movement of same has no financial impact on the first company DB scheme. The DB scheme would not have been impacted had I chosen NOT to have an AVC element.

Why am I prohibited from moving this? This is my money, the location of which does not impact the first company scheme in any way, yet I am told that "under Revenue rules" they are tied. There is no logical or financial basis for this & whatever revenue rules control this should be abolished forthwith.

The No. 2 complaint I have is indexation - this is currently a paltry 1% indexation offered on my, and many other, pensions. See table below, based on a very modest 4% difference between the indexation & average inflation (1% and 5% respectively). If I retire at 62 (retirement age of first company DB scheme) & live to the age of the average Irish male, my income will have dropped by 75% (excl allowance for Bertie's famous state pension). This rises to an incredible 121% should I unfortunately live to 80!!!! (see attached for calcs)

Base	**Pension indexation**	**Year**	**Inflation**	**Year**	**Diff=real %age loss in income**	**age**
	1%	0	**5%**	0		62
100	101.0	1	105.0	1	4.0	63
100	102.0	2	110.3	2	8.2	64
100	103.0	3	115.8	3	12.7	65
100	104.1	4	121.6	4	17.5	66
100	105.1	5	127.6	5	22.5	67
100	106.2	6	134.0	6	27.9	68
100	107.2	7	140.7	7	33.5	69
100	108.3	8	147.7	8	39.5	70
100	109.4	9	155.1	9	45.8	71
100	110.5	10	162.9	10	52.4	72
100	111.6	11	171.0	11	59.5	73
100	112.7	12	179.6	12	66.9	74

100	**113.8**	**13**	**188.6**	**13**	**74.8**	**75***
100	114.9	14	198.0	14	83.0	76
100	116.1	15	207.9	15	91.8	77
100	117.3	16	218.3	16	101.0	78
100	118.4	17	229.2	17	110.8	79
100	119.6	18	240.7	18	121.0	80

***** Male life expectancy in Ireland

No 3 complaint relates to the fact that my wife & I are treated as an "economic unit" by the state. We run a home, raise children, contribute to the running of the country etc. However, although I contribute enough cash to fund our joint retirement pension, if I should be unfortunate enough to die a year or two after I retire, her income drops to 50%. Why???? Most of her bills stay the same…mortgage, (we may still have one), car ins, car tax, car running expenses, house ins, house maintenance, heating, grass cutting, TV licence, ... who wins? .... the insurance company, of course!!. The cost for one half of a couple to live is not 50% of the cost for two .... probably closer to 75-80% in reality.......this is immoral & should be illegal. WE have paid into this all our lives ... why should the annuity provider get such a windfall based on the untimely death of one of us?. Hopefully, changing to a PRSA will prevent this for my wife & I but what about all the others caught in this insurance company trap?.

I look fwd to hearing your response to my concerns

Submission 221

I am writing to submit a complaint re the extortionate costs that primary teachers have to pay in relation to their AVCs. It appears that we are being severely penalised.

Surely on the grounds of what is morally right, this is a major injustice to us, the consumer.

I await your speedy response on this important matter.

Submission 226

Two things in particular concern me re pension proposals.

Given that it is very foolish for all not to make pension provisions, pension providers have a captive consumer. This consumer needs protection from the following which is quite common.

For mathematical simplicity say I have a pension fund of €100,000.
The provider managing this fund imposes an annual charge of say 1.5% **of the total fund.**

Consider a year in which the fund has grown by 3%. Total Value €103,000.
Management charge @ 1.5% €1545 which is **over 50% of the growth!**

Consider a year in which the fund falls by 3%. Total value € 97,000.
Management charge @ 1.5% €1455 **which is only €90 less than before**.

1. Why should the provider be rewarded for losing money?

2. With only €90 of a difference there is little incentive for the provider to manage more efficiently.

3. The link between management charge and total fund should be broken.

4. If the charge on Standard PRSAs can be prescribed why not the same here?

AVCs
These are broadly a good idea and were made even better when Charlie McGreevy removed the obligation to convert to annuities.
I converted to an ARF and intended to leave it there as a fund for my wife whose income would drop considerably in the event of my death. Unfortunately, in what was a retrograde step, Brian Cowen chooses to attack the fund by taxing me as if I had withdrawn 3% of the fund annually even if I had not thus forcing me to do so.

Finally, Trade Unions should of course be proactive in encouraging members to make pension provisions but with due regard to the fact that, AVCs for example, may be a very good idea in general but not necessarily for their own members! See following letter which I wrote in 2007 and to which I got no adequate response.

A Chara,

I note that all three teachers unions continue to plug the idea of AVCs for teachers but without ever giving *all* the details. Correct me if I am wrong but I believe the following is the situation *in full*.

Under Irish Tax Law the maximum tax free lump sum available on retirement, *irrespective of source* is 1.5 times final salary. This could make AVCs quite attractive for others *but not for teachers!* To illustrate this point consider the following case.

A person enters teaching at the age of 22 and retires at 62 after 40 years. He/she has been a member of the Superannuation Scheme which is now compulsory. (Even if it were optional it would be most unwise not to be a member). For the sake of mathematical simplicity assume a final salary of € 60,000. Under the terms of the teachers Superannuation scheme there would be an entitlement to a tax free lump sum calculated as 3/80 of final salary for each year of service which, for 40 years, would amount to 120/80 or 1.5 times final salary *which is the maximum tax free lump sum allowable under tax law!*

Had this teacher been contributing to AVCs yes they would have received tax relief at their marginal rate on these contributions but if on retirement they converted to an ARF

(Approved Retirement Fund) which is the norm the maximum amount of money they could withdraw, tax free from this fund would be *zero! This because they would already have availed of the maximum 1.5 times final salary under the Superannuation scheme.*

Of course they could withdraw money from the ARF but *they would be hit for tax at their marginal rate thus wiping out the tax benefit they got when they contributed to the AVCs in the first place.*

Of course the above teacher might decide to retire after 35 years. In that case their tax free lump sum under the Superannuation scheme would be 3/80 multiplied by 35 which amounts to 105/80 of final salary. This would mean that they could take the additional 15/80 of final salary, tax free from their ARF. Assuming a final salary of €60,000 (which is being rather generous after 35 as opposed to 40 years) they could take € 11,250 tax free from the ARF a saving of € 4612.50 at 41%. Not a lot after 35 years.

So should teachers contribute to AVCs? Not my point. My point is that teacher unions, as a matter of duty, should tell their members the full facts, as illustrated in this letter, *at the outset* so as to enable them to make a fully informed decision as to whether to contribute to AVCs or not!

Submission 231

Pensions

My aim is to set forward some very simple points for you to consider because I feel too many intellectuals are driving this industry and the old tried and tested methods. These are now outdated and the next big world stock market crash will ruin so many pension funds and governments.

Issues

- Jan 17th 08 - €4bn wiped off pension funds, same amount as in all of 07.
- Fund managers are rewarded for out performing the market, even if they make a loss in a falling market but outperform. This needs to stop.
- Charges are way too high on an annual basis, and as financial institutions need long term liquidity, but in return they are not paying for it by lowering fees.
- The public don't understand enough about pensions and no one is teaching them one to one.
- Brokers just look to sell for commission, are too young to understand and don't care.
- The public hasn't grasped the problems of retirement in this era compared to the past 50 years.
- Actuaries use look back models to forecast 6% p.a. growth in equities, which is why this method is all flawed and will cause so much poverty in the world, not just Ireland.

Actions

- Pensions need to become green and environmentally friendly.
- Investment needs to be in real assets (green projects) generating income and growth.
- Equity holdings should be reduced to 25% of entire portfolio.
- A new era of structured products should be developed specifically for this market and the average man with €500 to put into a pension.
- AVC's need to be explained to every person over the age of 13 and done while at secondary school.
- An annual pension calculation needs to be produced to show people where they stand for retirement.
- The entire system has a number of current flaws that were fine for a market 20 – 30yrs ago but now the DB schemes are gone for all new employees.
- You need to consider the UK ISA system which has some positive merits.

Thank you for taking the time to read my thoughts and ideas. I am very happy to take the time to expand on them and discuss in more detail if you can see the vision I am putting forward to help change this very important industry.

Submission 234

As a middle aged PAYE worker, I have watched the recent debate on pensions with interest. One of the issues raised was how to encourage / ensure that people contribute to their own pensions throughout their working life. I have been in a DC pension scheme and only recently began to make AVC's.

The main reason that ordinary workers do not pay into pension schemes is that these schemes are seen as a very handy way for fund managers to make a lot of money. They incur high charges and do not perform well. The perception is also there that the return is little better than bank interest and without the tax break they would be a dead loss ALA Eircom shares.

If there was a pension fund approved by the state, or supervised or run by the National Treasury board or some such body, then perhaps it would be far easier to get workers to contribute. It would be seen to be a way of avoiding all the pitfalls of selecting a pension fund from the shark infested waters that make up the financial world, which is a mystery to most of us.

Many people feel that selecting a pension investment is a lucky dip and by the time that one realises is it a good one or not, many years contributions have been made. This is not an attractive choice for ordinary workers.

Submission 234

As a middle aged PAYE worker, I have watched the recent debate on pensions with interest. One of the issues raised was how to encourage / ensure that people contribute to their own pensions throughout their working life. I have been in a DC pension scheme and only recently began to make AVC's.

The main reason that ordinary workers do not pay into pension schemes is that these schemes are seen as a very handy way for fund managers to make a lot of money. They incur high charges and do not perform well. The perception is also there that the return is little better than bank interest and without the tax break they would be a dead loss ALA Eircom shares.

If there was a pension fund approved by the state, or supervised or run by the National Treasury board or some such body, then perhaps it would be far easier to get workers to contribute. It would be seen to be a way of avoiding all the pitfalls of selecting a pension fund from the shark infested waters that make up the financial world, which is a mystery to most of us.

Many people feel that selecting a pension investment is a lucky dip and by the time that one realises is it a good one or not, many years contributions have been made. This is not an attractive choice for ordinary workers.

Submission 249

I would like to make the following comment if I may please.

I am one of the many people who have worked all my life and did not until recent years have the opportunity to save for a pension (I will be retiring in less than 5 years time). Recently a pension I had paid into for 10 years was wound up, the trustees decided to invest with [Company Name] on my behalf the sum which had accrued to me, in the first year the financial adviser assigned to me lost over €2,000 from the original amount of €18,000.

The point I would like to make here is that even though this person lost me the above amount MANAGEMENT FEES WERE STILL DEDUCTED FROM MY ACCOUNT. Now I can understand management fees being deducted when a profit has been made but there has been little or no incentive for these money managers to step up to the mark as they are going to get paid no matter what.

It is for this reason that I would not be putting any more of my hard earned cash into lump sum pension funds. Furthermore, I think that on reaching retirement age all AVC savings should be paid and regardless of what the recipient decides to do with it, the amount drawn at any one time should not be subject to income tax. After all a person does not save for retirement in order to blow it on something frivolous, there will be times as in my case when I have very good reason to draw down a little extra and not have to pay income tax on it.

My generation is the one that built up this Country to what it is today, we had to work for low wages and pay high taxes so I think when people retire after a life's work they should not be required to pay income tax.

Submission 239

This submission highlights four issues concerning private and occupational pensions.

1. The need for private/occupational pension provision

This arises from the demographics as set out in the Green Paper. That deals mainly with the population as whole. It is also worth translating the broad demographics into implications at individual and family level.

Working life begins later as years in full-time education increase. Despite higher life expectancy, there has not been any general extension at the other end. Thus the ratio of post-work lifespan to working lifespan is increasing. Say 24 years post-age 65, compared to a working or life of about for a pension contributing life of about 45 years i.e. **pensions need to provide for a duration over half their working life**. I see this as the major challenge.

Post-work income can arise from the State, from family or from personal provisions. Changes in family life mean **the average 30-year old may have his/her own family to support, parents approaching retirement age and grandparents still living**. So it is unreasonable to expect the working family to offer much personal support to its elders.

This throws responsibility back to the State which again translates to workers supporting a higher number of dependants. Although the older dependants will have votes, as set out in the Green Paper, ability and willingness to provide has to be limited. Individuals' confidence in a generous State pension should likewise be limited.

Therefore, personal/occupational provisions are important.

2. The need for flexibility

Given the rate at which jobs appear and disappear and how people move to better themselves, inside Ireland and beyond, (beyond adding another layer of complexity), the traditional concept (for the lucky) of a pension paid after a lifetime job is no longer realistic. It is therefore desirable that people moving from job to job retain cumulative entitlements and do not lose when they transfer jobs as many do at present.

Flexibility should also extend to actual retirement age and timing of drawdown of benefits, so that people can enhance their income if they defer taking benefits and do not fall into traps such as continuing to pay contributions while benefits are capped after a fixed age or a fixed number of years of service.

3. The inadequate participation to date

I believe that the low participation rates in private/occupational pensions are influenced by two system weaknesses:

1. The need has not been adequately communicated in ways people understand, such as the points I have set out above longevity and the unlikelihood of family support.
2. Product weaknesses

Mostly, when you go to buy a product, it is clear what you get and it comes with some form of guarantee. Pensions, whether DB or DC, are exceptions. They rely to varying extents on investment performance, annuity rates on retirement day and survival of the supplier over a long-term - say 70+ years plus for someone joining at 20. That is all a bit daunting.

If people were promised reliably that their contribution of €100/week now [at age 25], increasing annually would give a lifetime indexed income from age 65 of [say] €160/week in real terms, or double that assuming a modest rate of inflation, it might mean more to them. [The arithmetic is indicative only].

Some pension arrangements, such as PRSA, have been very narrowly defined to exclude benefits which have come to be taken for granted in most occupational schemes (illness, spouse/partner survival pensions). This needs to be reviewed.

4. Elements of a solution

1. Communication of the need and that products that meet people's exist and are affordable (including tax reliefs or/ direct support from the State).
2. Suitable investments: products which can be relied on to produce what they promise and which do not attract excessive charges
3. Availability of suitable reliable products may need more participation by the State, partly or wholly, directly or indirectly - for instance, thorough issue of index-linked bonds by the NTMA, permitting individuals and/or providers to participate in investments managed by the NPRF, a pension protection scheme which covers the risks of scheme shortfalls, some provision to share in the "risk" of increased longevity.

Submission 255

I have worked for nearly 20 years (in a voluntary capacity) in the provision of social housing for the elderly, day care facilities for the elderly and I see the plight of people who have had none or little pension provision (most of the clients I have experienced are returned emigrants who worked in low paying jobs in the UK or US or who wasted any money they saved.) They returned to Ireland as poor and with no home to return to.

In my own life, I have always had a personal pension and lately a PRSA. No employer, despite my loyalty and trust, has ever given or offered an employer contribution to my pension. I have worked in the private sector for nearly 25 years. I am 45 years of age and I take a keen interest in current affairs and the gaps in the social structure in the country.

I believe that the retirement age should not be moved from 65 years of age. Doing this will penalise people in the low paying jobs, or people who never had proper employment. The high earners and public sector will not be affected. We should allow people over 65 years to continue in any job if they wish and let them work tax- and PRSI-free from the age of 65 providing they frontload the tax/PRSI foregone by the State in to their final pension fund which should ultimately benefit the pensioner and reduce dependence on the state.

There should be a minimum state pension for all persons over 65 as is at present , a statutory pension contribution scheme for all employees like construction industry pension scheme where employees and employers contribute to it. Employers and employees would contribute. A minimum amount (%) of gross pay tax-free like the PRSA would operate for any yearly earnings.

A beefed-up Pensions Board to control and administer the scheme and control the employer and employee contributions linked to the Revenue Commissioners.

The Pensions Board to maintain a stricter control on the pension providers on costs, management charges and returns on investment equal to estimated return, i.e. make them more accountable by ensuring the best return to the pension account owner.

Therefore, all working persons would have a pension fund to top up the minimum state pension and ultimately reduce our dependence on the state.

There is a case as well where the PRSI system could be revamped as part of any change to the PRSA / new statutory contribution scheme to encourage voluntary contributions and a new state scheme where all employees and/or employers would pay a (%) of income to a full health coverage covering hospital, GP and medicine costs. The minimum contribution would cover a basic health cover and enhanced cover would require a larger contribution from the employee allowing persons to choose the level of cover. The VHI, Vivas and Quinn could be employed to handle this scheme. If the health service is accountable and transparent, people will be willing to pay more taxes for a proper service. The link to pension is important in that a universal contribution scheme to healthcare would mean people of my age group would be assessed for health problems at a younger age for free, avoid a greater cost at a stage later in life at a greater cost to the taxpayer, and clogging up the health system and live longer to be able to enjoy the fruits of their pension scheme.

Submission 256

Clarity and simplicity in the naming of disclosure documents

I have a lot of experience of dealing with day to day issues people encounter with pension matters.

One key area for scheme members are is disclosure of information. Currently the references to disclosure documents are lengthy and legalistic, i.e. Article 14 refers to Information to be disclosed on termination of relevant employment. I think that the pensions system could be improved by providing in legislation for a standard naming of documents such as these. Within [employer] we called this document a 'Leaving Service Options Letter' – a far clearer and simpler term. If all of the industry were required to issue this document with that title I believe it would serve to add clarity to the operation of the system.

The same applies to other disclosure documents, i.e. Article 11 'Basic scheme information'could be required to be called 'Scheme explanatory booklet' or similar; Article 13 'Information to be made available to individuals – to a member or prospective member in relevant employment' could be called 'Annual Member Benefit Statement' and so on.

If the Disclosure Regulations are amended to require trustees to issue these documents with clear simple headings I believe it will lessen the confusion that members have about their disclosure entitlements. It would also facilitate ease of reference to these documents in booklets explaining pension rights.

Submission 259

Can it be proposed that in addition to members of occupational pension funds (corporate trust) being supplied with copies of Annual Report and Accounts on request and also Actuarial Reports that the trustees be obliged to call a meeting of members to present these accounts and/or actuarial reports.

Currently at the moment there is no obligation for trustees to have a general meeting of members or any other forum whereby members can question the board. This is a weakness in the current system. It is proposed that this will not happen unless trustees are obliged to do so by law or other mandatory instrument.

Submission 270

Because of my different 'careers' I have had exposure to a great many pension environments in Ireland, Public Sector, Director, Self-Employed and as a member of the [company name] defined benefit scheme and have also had considerable interaction with AVCs in relation to the those various private sector pension environments.

My wife has also contributed to staff schemes, as a Director and into a personal pension plan.

Our combined exposure has involved interaction with [various financial companies] and some private wealth advisers.

With my background, including a very heavy involvement with legislation and with the income tax systems I would regard myself as more competent than the average person in understanding the rules, legislation and practises. I also have the advantage of public sector training on the maintenance of records of discussions, correspondence etc.

Additionally, my financial position means that when any problem arises I do not feel constrained to take what is on the table but can be prepared to accept lengthy delays while disputes are resolved.

My experience, including assisting my wife, suggests that the present schemes are unduly complex both for the public and for the expert advisers. The reasons for this conclusion are:

1. I have prevented more than 6 serious losses, one about €20,000, others less significant with the smallest about €1,500 that would have arisen if I did not have the competences summarised above.
2. In one case, two sets of experts insisted that I could not ARF a reasonably considerable sum. I forced them to agree with my reading of the legislation only after identifying for them a tax official who was willing to confirm what I had told them. The tax official readily agreed with my interpretation and appeared surprised that firms with apparently excellent credentials would misunderstand the rules. Their incorrect interpretation in addition to disadvantaging me would have operated, statistically, in favour of the pensions industry players.
3. In other cases, amounts agreed in eMails or in letters, or in telephone conversations to be transferred into pensions to another fund were later reduced without notification and there were attempts to brazen the position out until I demonstrated that I had evidence and the knowledge to force an investigation. Full restorations were made
4. In another case, an adviser broker attempted to claim that it was impossible to add to an existing plan and misled my wife into paying into a new scheme. When properly tackled, the contribution was refunded in full.
5. Other problems encountered included the pension provider having no record of what proportion of contributions were AVC as opposed to standards contributions, no records of the underpinning earnings etc - issues that affected ARF options, tax free lump sum entitlements etc. Simply because, I had maintained records and also had an accountant over the years in question, I was able to satisfy requirements that I anticipate a great many self-employed sole-traders would not be able to resolve.
6. Yet other cases, again where I was able to extract compensation incurred when funds transferred between insurance companies where held as 'cash' for several months missing a significant increase (about 10%) in the valuation of the units because of the delay and delays in releasing a large lump sum (€70,000) for over 2 months after an ARF was liquidated (and taxed) until legal action was threatened.
7. Efforts to combine various small separate plans are very difficult and unless managed with great care and diligence, abatements of up to 20% of fund values can occur in ways that would not be immediately transparent to the uninitiated.
8. The bias seems to be for each player to attempt to set up miniscule pensions with all the overheads of monthly payslips etc rather than facilitate consolidation into one fund. The consequences include unnecessary administrative overheads that dilute the value of pensions savings and considerable additional paperwork for the income tax/PAYE system - and this is imposed by the industry (and tolerated by the State) despite the vast amount of tax expenditures that go each year into the pensions industry, an industry that consistently underperforms as an investment vehicle in addition to imposing layers of charges and other overheads. It is a grave scandal and is preventing the necessary degree of take-up of private pensions that is vital if 15-30 years from now the State is not to face many social problems in face of growing life expectations, more mobile/active retirees with more demands for

purchasing power and an escalating public health bill that will accompany the demographic changes.

In summary, our experiences over almost 10 years has been fraught with potentially costly episodes involving a variety of the big names, all of which were eventually resolved fairly but only because I had the knowledge, the records and financial independence to challenge the errors etc. I have not calculated the total amount that we could have lost but it is definitely in excess of €30,000. Based on these experiences, I am convinced that vast sums of retirement provision are being lost by middle income contributors, especially those least able to detect or challenge errors and perhaps worse.

Some suggestions:

1. Assuming that my wife and I are not very atypical in that we have had to enter into a disparate collection of schemes as our status changed over the last 14 years, there is likely to be an increasing incidence of people with similar issues, i.e. multiple small pension pots, there needs to be some form of central clearing agency to ensure that funds are merged in the fairest way, consistent with the underlying policies of stimulating private pension provision and adequate incomes in retirement.
2. Alternatively, small funds, e.g. under for example €15,000 should be eligible for ARF, or something similar since pensions paid on such small amounts are inefficient in every sense, except as a generator of profitable transactions for insurance companies.
3. Some relaxation of the Revenue Rules about having a guaranteed income may also be appropriate. To take the most absurd position the present system could induce: my wife could have ARFed her small pension funds if we had asked a solicitor to draw up a phoney separation agreement and asked the PMG to pay her half of my CS pension. Put another way the present rules militate against people whose marriages remain intact. There is a potential Constitutional Case in this in that it could be argued that the rules may be incompatible with Article 41, 3, 1 insofar as they may represent an inducement to separate at a time when many marriages come under special pressures due to the radical changes in lifestyle implicit in retiring.
4. Some codification or simplification of rules seem to be essential because the experts, in the typical institutions I have had experience with, are frequently either unclear, or exploit the position in ways that typical members of the public, especially those most in need of private pension provision cannot realistically be expected to detect or challenge - the State has defined the rules and the environment and cannot morally, and probably cannot legally, say caveat emptor, or "you should have shopped around more craftily 20 years ago or made sure your deceased husband did so".
5. Arrangements to integrate self-employed, Director, personal (employee) and public sector schemes need to be developed – that will be the growing position of many contributors to pension provision and the system should anticipate not belatedly react to the problems.
6. As regards maintenance of records - given the fees charged, there should be a clear and unambiguous requirement on the recipients of pension contributions that would

allow them clearly identify the nature of the contributions when eventually the contributor dies or retires - it is unrealistic to suppose that an elderly widow could reconstruct her husbands income statements etc, 20 or more years afterwards.

7. The rules about tax free lump sums need to be more easily understood by contributors, not everybody can receive 25% tax free but this is not always evident from the standard literature. Some simpler easier to understand system is essential if there is not to be a growing amount of growling as increasing numbers begin to take their pensions and other benefits from defined contribution schemes.

Submission 272

Introduction

Formulating an ideal pensions system is commonly viewed as next to impossible by the various bodies, interest groups and representative organisations because of the fundamental differences in opinions between them as to what constitutes such a system. As a result our pensions legislative environment and by extension the resulting pension systems are inordinately complicated and complex as different elements of different arguments have attempted to be accommodated – but with one eye firmly on ensuring that the existing regime is not in any way impacted by each change as it is being made. Added to this is the fundamentally changed macro regulatory environment that exists globally and impacts directly (and in a costly manner) on employers coupled with the sea change in access to information which means that members and potential members want and demand significantly better outcomes from any pension arrangement.

We have an opportunity to look at what makes an ideal pension system today and what will the Irish people need from their pension system in the future. I hope that the policy makers have enough confidence to adopt the best approach rather than commit the sins of history by once again tinkering at the edges of the system.

What would be the ideal system?

As mentioned, there are differing views on this but I would suggest the following would be accepted by most parties:

1. Equal and open access for all
2. A guaranteed level of income for all
3. Full transferability between jobs and employment status
4. Some encouragement for those that wish to provide higher benefits
5. A spreading of the costs and risks between employer/employee/government
6. A Simple System for everyone

In order to achieve this I would suggest the following be implemented

Revised and simplified State Backed Contributory Pension scheme

A significant reform of the Social welfare pensions system separating Contributory Pensions completely from the rest of the Social Insurance system. A mandatory Contributory Pension contribution to be made by employers and employees (and the self employed) to this state system (this would replace the existing contributory pension). Contributions will be set (as present) on a % of gross income basis. This new state contributory pension system will operate on a funded DB basis. There would be no ability to "cash out" or transfer out benefits from it. It will provide every contributing member with a defined benefit pension plan from age 70 (with no early retirement option). The benefit will be fixed equivalent to 2/3rd of the GAIE (or some similar measure). Benefits to accrue on a simple 30ths basis – i.e. if you have contributed for 30 years then you get 30/30 X 2/3rd of GAIE when you reach age 70. Consideration should be given to providing some simple way of providing a relevant benefit on death. This could be phased in over a period of time in the interest of fairness.

Why this is important in the ideal model

The above system provides a **universal guaranteed minimum pension in retirement for all** based on a very simple calculation. The benefit is at a level that most benefits the lower paid and the contribution basis means that the higher paid contribute more to the scheme than those lower paid. The system is **fully portable between jobs and employment status** as it is provided by the state. It is effectively a **State guaranteed** mandatory Defined Benefit scheme – historically the Unions have always pushed for a DB environment whilst the Employers have resisted this due to the burden it places on them. **This approach provides every Employee with a defined benefit scheme without placing an excessive burden on Employers.** Also as it is **using the existing PRSI infrastructure** and broad model, it can be implemented without an excessive burden on the state.

Finally it meets the need for **simplicity** – everyone should know how many years or partial years' contributions they have made and therefore will know exactly what benefit that they will get at age 70. I haven't formulated the exact contributions to be made by each party but I would expect a splitting of the cost across employers/employees and the state.

I would suggest it move from the current PAYG system to a **funded scheme** basis with the funds managed for the State by NTMA. Legislation can be introduced if there is a need to exempt this scheme from some of the rules that apply to private sector DB schemes.

I would suggest that this be implemented for all workers – private and public sector. This would mean that the quite high cost of this new measure would be somewhat ameliorated by the removal of the public sector pension for the impacted employees. A spin off of this approach would be to significantly simplify the current benchmarking process.

Single Simplified DC arrangement for all private pensions

I propose that **all existing DC arrangements** (personal, executive, AVC, Retirement Bond) should be **converted into PRSAs** and all new arrangements be set up from outset as PRSAs. There should be a **reduction** in the maximum **charges** allowed under a **Standard PRSA** to make them more attractive and cost effective for members.

There is no reason to suggest that any existing DC arrangement could not and should not be converted to a PRSA. Protections can be put in place to ensure that the conversion is done on a zero charge basis (legislation already exists covering transfers into and out of PRSAs which has the same effect). It should also be a feature of this change that the pension arrangement post conversion should have an ongoing charging structure no higher than that which obtained immediately pre-conversion. This can be verified by the PRSA actuary. This coupled with the zero charge in or out on transfer will mean that there is no risk of mis-selling.

This could be implemented on reasonably short notice – perhaps 12 months to allow providers to adjust their PRSA charging structures. I would suggest that a further 12/18 month period could be allowed to enable existing DC pension providers amend their systems to comply with any additional requirements that would arise on the conversion of this business to PRSA. That said, as this only applies to DC pensions there shouldn't be many particularly onerous issues – in addition the majority of the providers in the market are already PRSA providers and therefore will already have the necessary systems and processes in place.

Some changes might be considered to the PRSA regime – most importantly the facility to access partial benefits – this would allow people move to reduced hours without suffering too significant a loss in earnings by using a combination of reduced salary and part of the pension fund.

Why this is important in the ideal model

In an environment where the above mentioned State operated DB scheme was in place there would (arguably) be only a limited demand for private DB or other similar schemes. As above system provides the lower paid (i.e. those earning up to the GAIE) would have a guaranteed income of 2/3rd of that GAIE they would have little need for further pension income in retirement.

The higher paid, on the other hand would generally require additional income in Retirement. The amount needed increasing for people as their income increases further away from the GAIE. These people should be encouraged to look after that need for themselves – through private pension plans. I would suggest that every study in this area has clearly indicated that a simplified and flexible private pension model will succeed where the current raft of complicated models has hitherto failed.

This simplified model approach again builds on the existing infrastructure – there is already a PRSA model in place in terms of product/provider/regulations/regulator - no reinvention required. By removing the raft of other pension types and multitude of products within these types you are left with a very simple and transparent system which can be easily understood by all.

Although a recent report by the Pensions Board found that the Trust Model was appropriate for pensions I would respectfully suggest that this is only true for DB arrangements (where it is important to separate the Employers own assets from the Employers DB pension scheme assets). In a DC environment, the assets are held in individual member accounts. The contract model in a DC environment provides **ownership**, **security** and **control** to the person that actually needs it – the plan holder

This model meets the requirement from members and Unions for **simplicity**. It meets the industry requirement for there to be a substantial element of **private provision** rather than a move to 100% state provision. It is **voluntary** which should mean there is no reason for existing plans not to be maintained.

Revise the Tax Relief system

I would suggest that a simplified credit system (similar to the SSIA) be implemented whereby a contribution made by a member generates a direct additional contribution from the state. I would suggest that this be **standardised so as to remove the additional tax benefit currently being bestowed on higher rate tax payer**. This approach should go some way to assisting the general public to appreciate more readily the contribution that the State is making to their plans. The level of State additional contribution will depend on the overall costs of the above changes but should be set so as to be sufficient to generate a positive overall after tax position on retirement for members.

As contributions will now come from after tax monies, and given that all benefits will be subject to at least some level of taxation in retirement, and in the context of the existing maximum allowable retirement fund, there would be no requirement for the current maximum contribution. In terms of the post retirement regime I would suggest that the imputed distribution regime from ARFs should only commence at age 70.

From the employer side I would suggest that employer contributions remain fully deductible against company profits. As corporate tax is just 12.5% this is not a major cost and it can be positioned as a compensation for employers having to pay a mandatory contribution to the new State Contributory pension mentioned above. The benefit of this approach being that companies remain incentivised to pay into members pension plans.

What this would mean when implemented

If the above “ideal” was implemented everyone would benefit as follows:

1. Up to 2/3rd GAIE payable from age 70 following completion of 30 years employment
2. This would be paid by the state through the existing SW system and would have been provided on a pre-funded DB basis with contributions from Employers, and Employees collected through the existing tax system
3. It will have been ring-fenced completely from the Social Insurance fund and the Non-contributory pension arrangements
4. Additional pension benefits would come from a very simple PRSA account providing a tax free lump sum of 25% of fund and either a taxable ARF or a taxable annuity. The PRSA could be accessed on a full or partial basis from age 60
5. The maximum PRSA fund would be the current €5M Standard Fund Threshold (as indexed)

6. The PRSA would be completely voluntary but any contributions from members would attract an additional contribution from the State
7. Any Employer contributions to PRSAs would be offsetable against corporate tax

This model meets the oft-stated requirements of Unions, Employers & industry bodies. It also arguably meets a number of the wider societal needs in that the higher paid help subsidise the lower paid and the benefits are structured so as to dis-proportionately benefit lower paid members of society.

The biggest benefit though is that it provides a system which meets the criteria regularly put forward as crucial to the success of a pensions regime :

1. It's simple
2. It's universal
3. It's transparent
4. It's regulated
5. It has guarantees - State backed
6. It's fully portable
7. It's very flexible
8. It can be implemented onto the existing infrastructure
9. It protects existing arrangements without having to retain existing inefficiencies
10. It spreads the costs between all the relevant stakeholders
11. It delivers a reasonable income in retirement for all

Submission 273

I welcome the Green Paper on Pensions and recognise the complexity of choices facing policy makers in this area. I applaud the developments in trying to address the uncertainties of employment tenure in the private sector over the last decade, particularly the introduction of PRSAs and ARFs.

I urge you to consider your deliberations on this review in the light of the following principles:

- Pensions should be easier to understand to encourage coverage,
- Pension rules should be certain and not subject to change over time, so as to encourage confidence in long-term saving,
- Pension options should be widened to allow for more choice and flexibility,
- The cost of guarantees and protections should be recognised,
- Any direct State involvement should be financially sustainable, and
- Any changes should promote the EU competitive agenda in Europe and the competitiveness of the Irish economy

Ireland competes globally for talent and is finding it difficult when the marginal rate of income tax on earnings here in Ireland is 49.5%, including employer's PRSI and the levies.

Pension schemes can go some way to mitigate this loss of competitiveness by offering a useful tax deferral on a part of those earnings. The ARF option should be widened in employer-sponsored DC schemes and I fully support the IAPF submission in this regard.

I wish to confine the remaining part of my submission to the questions posed in Chapter 11 of the Paper on annuities and related issues:

1. Do annuities offer value for money?

Annuity pricing is based on bond yields and conservative mortality/longevity risk and must offer a return on capital for life companies, now facing increased capital adequacy requirements under Solvency II. In addition, the annuitant faces a counterparty risk on the Life Company over the 20/30 year term of the annuity.

It is generally recognised that the regulated annuity market is uncompetitive, distorted by Revenue rules and by the small number of annuity providers. Over recent years, lower bond yields, the recognition of longevity risks and the increasing solvency requirements in Life Companies have combined to make annuities bad value for money. This is likely to worsen as Solvency II comes into effect, due by the end of this decade. Less well known but perhaps more important is the concentration of default risks inherent in annuities, which cannot be in the interest of public policy.

As you know, the increased cost of annuities is a problem for companies in the private sector who sponsor DB schemes. The attention of trustees and pension regulators is drawn to their pension liabilities now reported either under FRS17 or IAS19 on their balance sheets. As a result, many DB schemes are reducing benefits or converting into DC schemes, where the employee takes the investment risk rather than the employer. It is worth noting that pension liabilities for DB schemes are valued using an AA-rated corporate discount rate, while the largest annuity provider in Ireland is only A-rated. This means that the increased costs of buying an annuity, arising from the increased counterparty default risk and the profitability requirements of life offices, are only addressed at later points i.e. on takeovers, vesting of pension benefits, etc.

The increased cost of annuities is also a problem for DC schemes where trustees and members are trying to grapple with planned projected benefits. These costs are built into many pension calculators, including that of the Pension's Board and are hidden from view. It is incomprehensible to many who use these calculators to see what it costs to provide pension benefits. This does not help addressing your concern about pension coverage and the apathy you are trying to counter.

ARFs offer other alternatives, which should improve as "value-for-money" propositions as competition increases. They may give rise to mis-selling risks, but this is counter-balanced by the Consumer Credit Code and Minimum Competency Requirements of the Financial Regulator.

2. Should DC holders continue to be compelled to buy an annuity at the precise moment of retirement or should they be allowed some flexibility in timing? Should PRSA and other

personal fund holders continue to be allowed to avoid annuitisation and to continue to hold their retirement funds until death?

It is not in the State's interest to funnel all pension savings into annuities, because of concentrated counterparty risks.

The major downside with annuities is that there is a counterparty default risk on the life office underwriting the annuity contract. Life companies are under the prudential regulation of the Financial Regulator, but this does not mean that the Financial Regulator underwrites the credit-worthiness of any entity it supervises. Its stated policy is to the contrary.

Pensioners in receipt of annuities are therefore expected to take this default risk over 20, 30 or 40 years. By contrast, pensioners in receipt of Government pension carry little or no credit risk as they have an AAA-rated annuity.

So what would happen if there was a default by a life company? Would pensioners have any recourse to corporate sponsors or trustees? What political pressure would be brought to bear on the Government of the day to make good the losses?

Let's take a hypothetical example. The largest life company offering Revenue-approved annuities in this market is [life company name]. It is now a listed company with a primary responsibility to its shareholders while juggling its conflict of interests with policy-holders. [Life company] is currently rated "A" by S&P and Moody's, which means that there is an estimated probability of 0.04% that it will default in 1 year, 1.5% probability in 10 years, 4.4% probability in 20 years and so on, using rating agencies' historical default statistics, which are published annually. Note that the ratio is proportionately higher as the term increases. So in reality, annuitants probably face a 10% - 20% default probability in 30+ years, when they are most vulnerable.

If a default occurs, it is unlikely that there would be any recourse to corporate sponsors or trustees. It is worth bearing in mind that annuitants are locked in for the remainder of their lives. There is nothing they can do to reduce this risk. So the Government of the day will be caught between rescuing it, like it did for AIB/ICI collapse in the mid-80s, or doing nothing, like what the UK Government did with Equitable Life more recently.

Since an [Life company name] default in Ireland would have a proportionately greater impact in Ireland than Equitable Life collapse had in the UK, there would be huge political pressure for a rescue, even if the pain of it had to be spread by higher taxation. This would diminish the financial circumstances for all, including pensioners in receipt of Government pensions.

3. Should the State be more involved in the annuity market and, if so, in what way? Is it appropriate that the State takes on the additional risk involved in the form of a State Annuity Fund?

This question arises from a recommendation from The Pensions Board as to how the Funding Standard might address shortfalls particularly where pension schemes were being wound up. A State Annuity Fund (SAF) has the advantages and disadvantages as shown in 11.38 and 11.39.

In addition, it is likely to create more discrimination particularly if the proposals in 11.35 and 11.36 were actioned on their own. It would be difficult to see how it could work for DC schemes.

Furthermore, a SAF would presumably have embedded inflation and longevity risks, and expose the State to future costs, which may be unsustainable over the longer term. On the one hand, it could incentivize the State to aggressively curb State-induced inflationary pressures and create a disincentive to improve medical care.

I understand the Pensions Board concern about the Funding Standard, but when this is set against the broad picture of a globalised economy, their thinking is flawed. In a competitive economy, there will always be corporate failures leading to wind-ups of pension schemes and shortfalls. Trying to replicate a guaranteed public sector pension promise in the private sector for DB schemes is crazy. State involvement creates a culture of dependency and mediocrity, instead of an innovating, risk-taking, competitive and thriving economy.

4. What measures could be introduced to assist individuals to recognise annuity terms that they may find satisfactory? For example:

- **Are there steps which could be taken to better inform customers in relation to the comparative cost of annuities?**
- **Should providers be obliged to inform a prospective purchaser that their annuity can be bought from a different provider?**
- **Should measures be introduced to encourage people to look at alternatives to fixed single life annuities?**

The newly introduced trustee training obligations should address these questions in part. A www.itsyourmoney.ie equivalent website could show survey results, presumably from the Pension Board website.

However, the fact that the underwriters must protect the Revenue Commissioner's interest severely limits competition for this market.

5. How can the market for annuities be encouraged to diversify and become more competitive? Can measures be taken to encourage new entrants to enter the market?

The development of Variable Annuities (VA) with Guaranteed Minimum X Benefits, which have been a success in the US and Japan, should be encouraged by opening these up to both CD and DB schemes. Life Companies here have offered unit-trust linked annuities without great success, because of the lack of guarantees. VAs with such features can re-dress the balance and give Life Offices a competitive edge against ARFs offered by banks and others.

Ironically, such products have been manufactured in Ireland [company names] and are marketed into the UK, but are not offered here. In addition, [company name], based in Dublin underwrites GMXB features of VAs being underwritten by US Life Companies. So the expertise is already here in Ireland but is untapped because of the existing regulatory environment, which makes no provision for their use in Ireland.

6. In what ways can employers and trade unions be more proactive? Can more information be provided about annuities and the options available when employees are coming up to the point of retirement?

See answer to question 4 above

Submission 275

I am about to retire after almost 45 years service. My date of birth is [date]. I had 40 years service at age 58 in November 2003. Superannuation contributions have continued to be deducted from my salary since then. I understand from enquiries made that I will get no benefit from contributions made beyond 40 years. Neither will the contributions be refunded. In my case these "extra" contributions amount to almost a full SSIA. I fail to see the equity or fairness in making deductions and giving nothing in return. This scenario might have been accepted and tolerated for a long time but I feel the situation is no longer tenable and should be examined in detail. In my view contributions beyond 40 years should be recognised on a pro rata basis. A review of this "40 year lockdown" is long overdue.

The unfairness of the present system is best illustrated by an example:

- Officers A and B are the same Grade and both have reached max salary
- Officer A retires aged 60 with 40 years service
- Officer B retires aged 64 with 44 years service
- Both Officers get the same pension benefits but Officer B has contributed more

Is this fair and equitable?

Perhaps you will give my submission some favourable consideration in the examination of pensions now taking place.

Submission 278

I have been working in the area of pensions for the last 26 years and I would like to make a submission to the consultation process on the Green Paper on Pensions. I am making this submission as an individual, and taking my experience over the last 26 years into account.

One of the big issues facing workers today is job mobility, and I believe that the relative inflexibility of our current pensions is a strong barrier to workers making adequate pension provision for themselves.

The pension changes following the NPPI went some way towards allowing greater flexibility, but I believe that for example Personal Retirement Savings Accounts are not at all as flexible as they would need to be in order to encourage more people to make adequate provision.

Specifically I would like to make the following recommendations:

1. Allow PRSA/Personal Pensions operate as free-standing AVC's in all circumstances. This would considerably streamline the pension system.
2. Completely break the link between maximum occupational pension scheme benefits and PRSA/Personal pension/AVC's.
3. Do not limit the size of the fund generated by PRSA/Personal Pensions/AVC's, simply limit the tax relief granted on contributions in line with the current reliefs.
4. Allow a partial withdrawal of funds from the PRSA/Personal Pension/AVC at certain points in life (effectively as an advance on the current tax-free lump sum at retirement).
5. Allow the development of a Personal Retirement Bond that would accept transfers from any and several occupational pension schemes.

I understand that the above suggestions would effectively increase the current lifetime cap on an individual's pension fund. However I believe that this effective increase in the cap would benefit a relatively small number of people, whereas I believe that the above suggestions would considerably reduce the administration, bureaucracy, and complications associated with individual pension provision and would considerably enhance the attractiveness of pensions for workers.

Submission 287

1. The Irish state should provide an independent advice service on pensions similar to MABS. I was advised by a 'reputable' Irish pensions firm to move 17 years of an occupational pension to a buy-out bond and now I believe that my bond will deliver 50% of what my occupational pension would have delivered on my retirement.
2. The charges by the pension industry are excessive. Why is it that if I invest 20k per year via a managed fund at the Bank of Ireland I will be charged 0.75% pa for management but if I invest the same amount into an AVC, I can be charged 7.50% pa for management?
3. Self-employed people are often ripped-off by 'pension management companies' set up by their accountants.
4. The setup and ongoing charges for AVCs are exorbitant.

n conclusion, I would like to say that I believe that the PRSI system should be used to deliver pension. It should be a cheaper system to operate and people would have a sense that they would not be ripped-off. Employees should be able to pay more into PRSI and get the corresponding pro-rata pension. Our Government would benefit as they would have more money to invest in Ireland. Overall, I find the pensions industry to be run by unethical people and would like alternative methods of funding my pension.

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 294

I make this submission in good faith in reply to your Green Paper on Pensions, as:

1. An Elected Member of Meath County Council, and
2. An Elected Member of Trim County council, and as
3. Chairman of the Tara Mines Disabled Workers & Pensions Association, and
4. As a PAYE taxpayer and now as a pensioner.

The following are my submissions:

With SW OAP pensions increasing at a rate above inflation in order to meet the Government's commitment to have the OAP at €300 during the lifetime of this Government, and the majority of occupational pension schemes deducting one and a half times the OAP from basic salary. With wage increases linked to cost of living/inflation, this means the worker's pension is actually reducing each year in real terms. To compensate for this, I am suggesting for a test period of say 10 years, the deduction of one and a half times the OAP, be fixed at say the 2007 SW OAP rate.

It becomes even more ridiculous and unfair in some of the State companies where the deduction is twice the SW OAP from basic pay. This deduction leaves thousands of lowly paid workers with a pittance at 65. To give some increase in pension, this deduction is changed/reduced to maximum of one and a half times OAP and as I have explained in (1) the deduction fixed at the 2007 SW OAP rate.

The present retirement age of 65 years for workers should be increased to 70 years of age.

The present retirement age for Gardaí is too early and needs to be increased as many Gardaí consider them fit enough to take up private work when they retire. The taxpayers could be better served by increasing the retirement age and/or the total years of service within the Garda Siochána by say 5 years and the change reviewed in say 10 years.

The Terms of Reference / powers of the Pensions Ombudsman be revisited and in particular the rules for the election of Trustees.

The Terms of Reference / powers of the Pensions Board be revisited and in particular the rules of the Pensions Act for election of Trustees.

I believe the fines/penalties against companies/pensions brokers and trustees for misdemeanours and breach of the Pensions Act/s are not a deterrent. I believe the penalty should be jail as the companies can write off any fine against profits and trustees have insurance against any fines or claims against them for breach of duty fully covered!

Legislation to ensure income continuance plans are fully integrated with pension schemes, i.e. where income continuance provides 5% escalation of pension payments, the accompanying employer's pension scheme provides a pension at 65 which fully accounts for this 5%.

The pension scheme rules should provide funds to be made available for any member/s to go to the High Court when a worker or group believe their pension scheme is not being administered as per the rules, or maladministration, or not being run in the best interest of members.

The present structure of Boards of Trustees is unbalanced. Despite there being the same number of company representatives as the numbers representing the workers. With the employer having the right to elect the Chairman, and the Chairman having a casting vote or second vote, this then hands the power of veto to the employer, making the employer the dictator and the workers' representatives' power to change really worthless.

Many companies employ workers who do not belong to any trade union. Since it is the union nominees who become workers' representatives on Board of Trustees, the non-union workers have no representation.

Teachers who took career breaks in the 1960s and 1970s, and may have withdrawn their pension contributions, should be allowed to repay pension contributions without having to again take up a career in teaching (which may not be possible due to age). This would allow them get credit for their years of teaching service and add to their final pension, etc.

With the switch from Defined Benefit to Defined Contribution pension schemes, even less workers will be prepared to join private pension schemes for the reasons as outlined above as well as the uncertain time for workers!

I am prepared to go before the Joint Oireachtas Committee on Pensions to discuss the issues outlined by me in good faith. The same applies to any meeting with any Minister or Member of Government or group of civil servants as I believe that pensions provisions are an important part of remuneration and it's essential that the incentives are put in place to protect workers' rights.

Councillor Philip Cantwell

Submission 295

I wish to make the following points-

1. People should be able to make Additional Voluntary Contributions to their State pension. This would guarantee a specific defined benefit and would eliminate the administration and commission fees charged by private pension companies. It would also give the State substantial income on an ongoing basis as basically an interest free loan.
2. All organisations that receive State funding as their sole or substantial source of funding should have their employees in the Public Service Pensions scheme

Specifically in the Education Sector where 3rd level Colleges receive Capitation fees and tuition fees, all such Colleges should have a State Pensions Scheme.
3. Where those Colleges have Dept of Education staff, or staff from a public body ,on secondment , those Colleges have to pay the Dept of Education , or the public body, employer's pensions contributions for those teachers and staff but the Colleges themselves may only have private and or PRSA types schemes for their own staff. Indeed, whereas the State sector employees remain on defined benefit schemes even whilst on secondment, it

may be the case that employees of some Colleges of Education are on defined contribution private PRSA type schemes

4. I would like a review of all pension schemes in operation in the 5 Colleges of Education in order to establish equity and equality.

Submission 307

I am writing to express the concerns of the members of the (company name has been removed) pensioners association particularly with regard to the present situation we now find ourselves in.

The group is made up of ex employees now retired, receiving pensions or with deferred pensions.

Our main concerns are with regard to the following areas.

1. Security of our pensions i.e. at present our pension fund could be sold on to a purchasing company with no guarantee that our present pension entitlements would be maintained into the future.
2. Legal protection is non existent.
3. Continuation by company of the benefits enjoyed when the company was operating in Ireland.

As pensioners we feel that companies or employers should be legally responsible for ensuring the continued provision of pensions for pensioners on the sale or disposal of the businesses or the company.

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 319

Introduction: I am a qualified Accountant and a qualified Company Secretary and I have worked for companies, where part of my work dealt with pensions. In addition, I have worked as a general insurance broker for over 40 years.

When considering the Green Paper on Pensions, it is necessary to define the real meaning of the word 'PENSION'. When citizens reach age 66 years of age, they do not want money, but they want adequate amounts of food, fuel, services and all that is necessary to live a comfortable life each year until they die. This requirement results in only one conclusion as to what the word 'PENSION' really means. 'PENSION' can only mean an inflation proof sum of money to purchase, each year, what is necessary for a comfortable life. Consequently, it is impossible for the overwhelming majority of citizens to provide for the future cost of living and, therefore, citizens are unable to provide a pension for themselves. For example, when I was working as Company Secretary in the late 1960' s, an employee with a fairly good job retired with a fixed pension of two thirds of his final salary, which pension was equivalent to the salary that a qualified tradesman was earning at that time. However, within 20 years, this pension was much less than the State Pension. Inflation had eaten it away. Therefore, 'PENSION' in terms of the Green Paper on Pensions, can only mean the State Pension, which must be paid out of the State Income, in the year in which it is paid out, as this is the only inflation proof pension that can be provided to the overwhelming majority of citizens.

The only option that meets the requirement of providing a comfortable retirement for all citizens is **Reform B: Universal Pensions.**

It will be realised, that the current policy of the Government in saving in a fund for future pensions is pointless, as nobody knows how much will be required to provide a comfortable pension in 20 or 30 years time. It would be better for the Government to pay off National Debts, and then save in a General Fund during good times, and use some of these Savings during times of recession to carry out worthwhile projects to give employment.

The main thrust of the Green Paper on Pensions was '**HOW TO FINANCE A COMFORTABLE RETIREMENT FOR ALL CITIZENS IN FUTURE YEARS**'. This is not as difficult as it appears, but it requires a radical approach by all citizens of the State. Every citizen will have to forget their own sectional interest in favour of the interest of society as a whole.

If the State is to act in a fair and equitable manner, certain injustices must be dealt with in the near future. The main injustice, is the injustice suffered by those women who had to give up their jobs, in past times, because they were forced to retire or pressure was put on many others to retire on the grounds that they were bad mothers if they did not retire and devote their full time to looking after their husband and children. In fact, the aim should be to give every citizen, who has lived their life in the Republic of Ireland, even if they have been unemployed, due to bad luck or mental of physical disability, an adequate pension at 66 years of age.

FUNDING: General remarks. Most citizens have not the means to save for old age when they commence work, as their income is too small and they certainly will not be thinking of old age when they are young and old age is a long way off. Most citizens will want to buy a car and many other items so as to meet members of the opposite sex. Many will form relationships or get married and the means to save substantial amounts of money will not occur until late in life for most citizens. The State has commenced a PRSA pension system and the low take-up shows the lack of means of many citizens. Even this PRSA pension system has turned out to be an act of deception by the State, as charges by the financial service providers eats up a large part of money paid in and inappropriate investments by financial service providers means that the holders of PRSA pension funds will be lucky if the value of the money they save and invest will still buy the same amounts of goods and services in their old age as it did when they invested it.

However, it certainly will not assist in their old age. It appears that the purpose of the PRSA scheme was to enrich financial service providers. In fact in the Budget 2006, the Minister for Finance attacked these funds, by decreeing that he was going to raid these funds on an annual basis, mostly small funds, so there is no chance of most citizens of these funds having a comfortable retirement from them. In the same Budget 2006 the Minister for Finance increased the tax avoidance for the benefit of rich citizens by allowing a further 10% tax relief on up to €254,000 at the top rate of 41 %, allowing such rich persons to save an additional of over €1 0,000 in tax each year. The Budget also allowed the Minister to increase this tax avoidance scheme for the rich in future years by Ministerial Order. 40 years ago, the main saving by the majority of citizens was in deposit accounts. About 30 years ago, the financial institutions introduced funds as an alternative to deposit accounts. These funds were managed for the benefit of the citizens investing in them. The financial institutions made an annual charge of half of one percent for managing the fund and the funds were managed in a prudent manner. However, during the past 30 years, the attitude of most financial institutions has changed. Nowadays, most financial institutions act to transfer as much of the money invested in the funds into their own pockets and the money in invested in the most imprudent manner possible, in most cases. The Financial Regulator adds to the woes of the small investor by issuing propaganda, to the effect that it is regulating financial institutions and that citizens will obtain competent advice from financial institutions and also that the Financial Regulator imposes marvellous training standards on financial institutions. These claims by the Financial Regulator are rubbish. Proper investment advice is a matter of common-sense and prudence. What has been happening is that financial institutions think up more and more schemes to transfer investors money to themselves. For example, I constantly get literature from financial institutions, usually selling the latest financial flavour of the month. Most of these investments are in geared funds. This means that if a citizen gives a financial institution €10,000 to invest, the financial institution will borrow many times the €10,000 to invest. This means that the financial institutions obtains inflated management fees on many times the amount actually invested. But when the financial flavour of the month investment bubble bursts, the investor of the €10,000, suffers, not only the loss on the €10,000 invested, but also the loss on the borrowed money and the loss of the interest payment on the borrowed money. I write this hard hitting paragraph, as I am disgusted with the greed of financial institutions and I want some proper regulation, in the interests of the public good.

The main point I am making, with some force, is that PRSA pension schemes are of no value for pension provision and any mandatory pension scheme imposed on the Public would also have no value, as they are and will be used to exploit the public, as is happening at present. The present world-wide crisis in financial affairs shows that most financial institutions are incompetent in running their own affairs, and therefore are not competent to advise citizens on investment. At present most financial institutions are making strenuous efforts to repair their balance sheets. Ireland suffered the huge ISTC collapse and a great number of citizens lost their pensions and life savings in this.

FUNDING: Self-employed sector. At present, self-employed citizens are allowed tax relief, at the highest rate they pay on up to 40% of €254,000 of earned income, depending on their age, a maximum yearly saving to such citizens of over €40,000. If this tax avoidance allowance was abolished, the State would receive billions of euros more each year in tax, which would finance higher and adequate State Pensions for all. Furthermore, If the State wanted to encourage citizens to save money, which citizens could use to further improve retirement, it could introduce a more equitable incentive, such as allowing every citizen tax relief on €50,000 savings or other reasonable amount, during that citizen's lifetime. Even if this encouragement to save was brought in, additional tax of billions of euros would be paid to the State each year. I realise that the saving of billions of euros will be obtained mainly from the top 30% of self-employed, as they are the main beneficiaries of this tax avoidance allowance. However it is a scandal that millionaires and in some cases billionaires should have this tax avoidance allowance, when the State is debating whether it can pay adequate State pensions in the future.

Most self-employed persons have small to medium incomes. I would also point out, in the interest of equity, that lower earning self-employed are discriminated against in tax. Under the PAYE system a person with an income of €20,000 would have deduction of just over €1,000, whereas a self-employed with the same taxable income would have €2,800 in deductions. This should be remedied.

FUNDING: Company directors and company sector. Company directors are also allowed to claim tax relief on large sums of money each year, which can amount to more than 100% of their salaries. After the 2006 Budget, a prominent businessman announced that he was making a contribution of €6,000,000 to his pension fund. Companies obtain tax allowance on amounts they pay into pensions for employees regardless of the amount of pensions purchased. If these tax avoidance schemes were abolished, then many billions of euros would be paid in tax to the State. Of course, as stated before, citizens could be allowed tax relief on reasonable amount of saving during their lifetime. An advantage to all employees of companies would be that they would receive inflation proof pensions and much larger inflation proof pensions when they retired. It must not be forgotten that many directors of companies and employees of such companies, even though they will be entitled to the State Pension, do not need such pension as they will retire multimillionaires or, in a very small number of cases, billionaires. If the tax avoidance allowances were abolished, the State would receive billions of euros more each year in tax, which would finance higher and adequate State pensions. In the 2006 Budget, a restriction of five million euros was placed on individual pensions, but the Minster can increase this amount by Ministerial order from time to time.
As a result some company have increased the salaries of directors to compensate for the restriction. However, tax has to be paid on this increase.

FUNDING: Civil service sector. Civil servants, including TD's have inflation proofed pensions, whereas most citizens do not. This leads to civil servants wishing to retain such an advantage, inadvertently, at the expense of the general public, and the Green Paper on Pensions is now putting forward the idea that the present inadequate State pensions might not even be payable in the future. If such pension rights were abolished for newly engaged civil servants, and replaced by higher general State pensions, lower paid civil servants might not be worse off, but there would be screams from higher civil servants, some of which receive a number of pensions amounting to hundreds of euros a year. However, many of these higher civil servants will retire multimillionaires as they can save, even after tax, sufficient to become multimillionaires, from salaries and bonuses of€300,000 and much more.

CONCLUSION: As I have shown the only equitable answer to the Pensions problem is to abolish all the tax avoidance measures which has resulted in inflation proof pensions for a minority of citizens and inequitable inflation proof pensions at that, and replacing these with adequate inflation proof pensions for all citizens, so that all citizens can have a comfortable retirement until the day they die. In addition, limited incentives could be put in place to encourage savings, as in the SSAI accounts. Implement Reform B: Universal Pensions in the Green Paper on Pensions in an equitable manner.

In carrying out reform, the State could also reform the tax system to reduce the burden of tax on medium income earners. For example, there could be more than two tax rates. They could be 20%, 30%, 40% and 50%, these rates to include all the add-ons, such as the health levy and PRSI. At present self-employed taxpayers pay a top rate of 41 %, plus 2% health Levy, plus, pension levy/PRSI of 3%, making a real top rate of 46%.

Submission 324

I attended the seminar in Sligo on Thursday 5th March and I spoke to some of your representatives in relation to my own personal situation regarding the way my future pension will be calculated and pointed out what I believe is an inequality that can arise for some staff.

Briefly I am an employee of [Company Name]. Since 1973 I was employed in a night job for 25 years. When as a result of restructuring this part of the company closed in 1998 (due to modernisation in the industry – circumstances outside my control).

My salary for those 25 years was made up of basic salary + pensionable allowances which roughly equated to 1/3 of basic pay. My salary after closure was made up by basic pay + mark time payment. The mark time payment equated to the average weekly pensionable allowances for the previous year and it was pensionable. However the big problem with the mark time payment was that it was a decreasing figure. The way it worked was each time a wage increase was awarded, the figure that the basic salary would increase by, the mark time would decrease by the same amount. In other words my gross pensionable pay remained the same until my basic equalled my original gross pay.

The rules of the Pension Scheme of which I am a member dictate that only pensionable allowances earned in the three years prior to the date of retirement are counted for pension purposes. The bottom line for me is that I will not receive any pension entitlement for my 25 years of unsociable hours (i.e. working up to 4 nights a week, Saturdays and Sundays etc.) even though pension contributions were set aside for me during those 25 years.

An example of the negative impact this has had on my pension is illustrated by the following –

In 1998 when this part of the company was compulsory closed, I was offered a voluntary leaving deal. Due to the fact that I was only 47 years old and had four young children to cater for I had to turn it down. This year 2008 I am 57 years old and I like other staff have been offered a voluntary leaving deal. Despite working 10 years more and wage/pension increases since then my pension at age 60 is likely to be less or similar to what was offered in 1998. The 25 years of unsociable hours I had worked between 1973 and 1998 will not count for pension purposes.

If you take another example of a staff member who joined in 2003 and was employed in one of the positions that remained opened, he or she on availing of 1998 voluntary leaving would be entitled to basic pay + pensionable allowances despite only having 5 years service.

I believe that there is an anomaly and an inequality in the situation I find myself. Based on the examples given I wish to make the following Green Paper submission.

That any person who was in receipt of pensionable allowances for which contributions were being set aside for them for the years they worked unsociable hours and who through no fault of their own lost those allowances, that their future pension should be reflected by those contributions.