Green Paper Consultation Responses

Simplicity; Information; Education

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 20

OLDER ADULT EDUCATION/TRAINING and the PENSION ISSUE

1. **Introduction**
   This note is written in response to the Green Paper on Pensions. It argues that adult education/training and, in particular, older adult education can play a key role in addressing the issues raised in the green paper. It argues also that pensions and demographic issues alter fundamentally the economic arguments for state investment in older adult education in favour of such investment. It claims that older adult education is challenging and difficult requiring a strong sustained new national policy and investment if it is to contribute its strong potential to national pension provision

2. **Available Options**
   The Green Paper - Chapter 3 - outlines the available options for safeguarding the pension system into the future. Three of the five options raise serious issues in relation to older (40+) adult education/training. They are:

   - Raising the retirement age
   - Increasing the share of the population at work
   - Improving productivity and competitiveness.

Older adult education has a major potential for increasing the participation, persistence and productivity of older workers. As with young people, acquiring qualifications or gaining credit in the NFQ confer a self-confidence, competence and work motivation on older people. For example women who have withdrawn from the work-force for important family reasons may later be motivated and helped to return to employment by acquiring new or up-dated qualifications. Increasing the employment rate of 55-64 year olds from its present 53% can be addressed by providing relevant upskilling and educational opportunities at a variety of levels to adults over 40.

3. **Economics**

   The pensions issue, demographic change and the objective of greater and more productive workforce participation by older people have changed the economics of state investment in older adult education. In the past, in simple terms, it could be argued by economists that the large young age cohorts deserved priority educational investment because of the long "pay-back" time for that investment. Now Chapter 2 of the Green paper tells us that older workers are projected to form a more significant part of the work-force. Their productivity – related to their experience and qualifications – is a key economic issue.

   In the past the "front loading" of education i.e. education of young people prior to employment was the dominant state investment. With longer working lives, changing employment and technology and global competition a new educational model with the upgrading and upskilling of adults as a routine element is needed. Pension considerations focus this on older (40+) adults, that is those giving long term consideration to retirement plans.

   Comparatively small state investments in older adult education that results in increased workforce participation, persistence and productivity confer, in the pensions context, a major return for that investment.

   Chapter 14 of the Green Paper raises the issue of intergenerational equity. That less was invested in the education of older people is illustrated by the proportions of persons aged 45-49 and 25-29 with low qualifications.

	Highest Qualification by Age Group 45-49	**Highest Qualification by Age Group 25-29**
Primary or less	11.4%	3.5%
Lower Secondary	27.4%	12.4%

4.

   Source: Census 2006, Vol.10

   Those aged 45-49 with low qualifications may be those for whom an educational intervention by the state will change their future workforce participation and productivity. The pensions issue means that the social and intergenerational equity gained by investment in older adult skills coincides with hard economic objectives.

Discussion of pensions always alludes to the obligations of individuals, employers and the state to invest in pension funds. Such discussion should now include the need for individuals, employers and the state to also invest in older adult skills.

5. **Market Failure**
Individuals, employers and the state benefit from investment in education /training. It is widely recognized however that for many categories of persons and employments there is market failure in relation to the provision and up-take of upskilling opportunities. The National Development Plan (NDP) recognizes this (p.192) and envisages a public role in providing encouragement and guidance for adult training and in providing that training in cases of market failure such as 'for low and unskilled people and those working in the SME sector'. Older people form a particular target group for the NDP. To the 'social good' arguments in favour of state investment are now added arguments derived from the pensions and demographic issues of the Green Paper. The NDP support for state investment is strengthened.

Education for older adults will simply not occur in formats, levels and disciplines to match many of their needs without a new significant state investment in a national programme.

6. **Future Skills Reports**
The NDP states as an objective the implementation of the National Skills Strategy. The Expert Group for Future Skills Needs (EGFSN) in its 2007 report Tomorrow's Skills: Towards a National Skills Strategy addresses future skills to the year 2020. It includes major proposals in relation to adult upskilling. It recommends that 70,000 adults upskill from levels 1 and 2 to level 3 and that 260,000 upskill to levels 4 and 5. Additionally it recommends that 170,000 upskill to levels 6-10 including 140,000 to levels 6 and 7.

The education of older adults in a pensions strategy context is therefore fully compatible with future skill needs proposals. Indeed, pension considerations strengthen the Tomorrow's Skills recommendation that the 150m.euro annual cost of upgrading 270,000 to level 4/5 be funded by the state (at least for older adults).

The Enterprise Strategy Group's 2004 report Ahead of the Curve included the One Step Up proposal. Pension considerations now support its recommendation that (older) adults upgrade themselves at least to the next level in the NFQ to increase their participation and productivity in the workforce.

The Tomorrow's Skills Report emphasises basic and generic skills. Basic skills include literacy, numeracy and using technology at a variety of levels. Generic skills include people related skills, problem solving and organizational skills. Enhancing such skills in older adults confers self-confidence and competencies of value to a range of employers.

7. **Challenges**
Enhancing the qualifications of adults in the National Framework Of Qualifications is

challenging and particularly so in relation to older adults without high qualifications. Older adults have work and family responsibilities. They may not regard themselves as potential learners and may have distant ambiguous school memories! They will not have heard of the NFQ with its focus of individual learners and its ambition to promote relevance, access and progression. They are not helped by bland declarations in favour of life-long-learning that neglect to outline the practical means of access, delivery, assessment and resourcing of such learning.

The pensions issue suggests the economic value of a new sustained national initiative to address the enhancement of older adult qualifications. New education formats need to be proposed and promoted to address adult access and need. Education providers such as the VECs need to prepare and provide new formats of education at a variety of levels in the NFQ. If, as the Green Paper informs us, the workforce of the future needs to contain many more older adults then formats of learning matching their needs must become routinely available. Early morning classes for those at work, morning courses for mothers planning to return to work, day release courses, Friday/Saturday morning courses, modular courses are amongst the formats that must be explored. Expecting older adults to conform to traditional academic formats such as the 22-24 week teaching year of HE is unreasonable.

The NDP lays an emphasis on Adult Guidance offering 'information, advice and guidance on an individual and group basis to assist people to make the best choice of learning'. A special importance, in the pension context, should be attached to such advice for older adults or those planning to return to the workforce.

Adult education is not helped by inadequate information on its outcomes and effects. Annual reporting should give full information on qualifications and credit achieved in the NFQ. Follow-up studies should review the outcomes for those enhancing their qualifications. Participation statistics alone, where available, are largely meaningless in relation to outcome and effect.

8. **Incentives**

The Tomorrow's Skills report of the EGFSN discusses a range of options available for the resourcing of the upskilling of adults (pp. 104-106). The education/upskilling of many older adults will simply not occur unless strong incentives are provided both for learners and for providers. The pensions issue justifies strong incentivisation by the state.

Incentives vary between those provided to learners, employers and providers. Learners can be incentivised by tax credits (if they pay tax), by employer support, by fee exemptions, by learning vouchers, etc. A motivating incentive can be a benefit payable to a learner on achieving a qualification or credit in the NFQ. Employers or employer organisations can be incentivised to enable and facilitate employee learning. (The British are moving to oblige employers to facilitate the acquisition of qualifications to level 2 – British system). Employers are less likely to upskill low skilled and older workers. SMEs are less likely to upskill workers. VECs should be resourced to initiate new nationally available adult programmes in a variety of formats and at a variety of levels using NCCA, FETAC and other validation. City VECs should be enabled to establish Adult Education Centres located near public transport hubs.

The Tomorrow's Skills report has suggested that the state fund the upskilling of adults to levels 4 and 5 of the NFQ. (The British have a similar idea with state support up to level 2 – British system).

9. **Conclusion**

   Older adult education and upskilling has a major role to play in addressing the issues raised by the Green Paper on Pensions. Such education can result in increased participation in more productive work by older adults who will form a growing part of our workforce. Pension considerations, changing demographics and global competition all have changed the economics of investing in older adult upskilling in favour of such investment.

   Chapter 14 of the Green Paper poses the question: Should measures be put in place to encourage late retirement? The answer is yes and one of these measures is older adult education. Obliging employers to facilitate older worker education can change the mindsets of employers and workers towards remaining longer in employment.

   Nationally available education programmes and formats matching the needs of adults will not occur unless strongly driven by a state initiative. Pension considerations justify such an initiative. Economic reality coincides with the aim of social and intergenerational equity.

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Submission 28

I am an individual with an interest in finance. I have a few suggestions for overhauling the pension system in Ireland.

I believe the largest issue facing government in relation to private sector pensions is encouraging private sector employees to save towards their pensions. This is simple to achieve, we just need to align the pension system more directly with individuals' financial objectives/milestones.

Assuming people can be convinced of their need to save for the future there are several obstacles facing individuals who want to start saving for their retirement;

1. understanding the benefits to their pocket by using a pension vehicle;
2. fear of poor return/loss of money with a pension due to past experiences with complicated financial products;
3. fear the company that are operating their pension fund will go bust, and they lose their pension;
4. fear of needing the money after they lock it into their pension fund;
5. fear they will not be allowed access their fund till 70 or 80 due to future changes in the law.

1 & 2 can be answered through education & making the system simpler e.g. SSIA style the govt will match any contribution you make to a pension fund.

3 can be answered through government guarantee law & education about the guarantees & laws.

4 can be answered by allowing people access to the fund whenever they need it; after all it is their money. The tax relief/govt contributions would be reclaimed if part of the fund is withdrawn before retirement age.

5 should be changed by law, allowing anyone to access their fund on a retired basic from the age of 50.

My main two points are simper SSIA style matching on contributions, and allow access to the fund at any stage.

As informed individuals we know that the ideal is that people start saving from as soon as they enter paid employment, and allow the power of compounding interest rates work for them. I think the main reason a rational person, who understands the current pensions system is unwilling to start saving into a current pension vehicle is due to the fear of not having access to the funds for 30 or 40 years, and possible needing that extra money for a car, house, year off, crèche fees, going back to college etc., This fear is real as young people have several financial milestones and a lifetime of unknowns ahead of them which may require every extra penny, e.g. saving for a house, getting mortgage under control, having children, taking a year out. Against this backdrop you can see why people would rather save the money outside of a current pension vehicle, and only start the pension late in life, when their major financial milestones have been reached.

As an aside, we should push for a common (single market) EU pension system, this would give our citizens better value for money, and also allow our financial services industry to grow into a new European wide market.

Submission 32

In regarding the Green Paper on Pensions it is wonderful to see that the Government is taking the matter of pensions seriously. People are living longer and they want to enjoy the quality of life they had into old age.

I take great interest in pensions and the rights of people so much so I don't want what happened to me to happen to other fellow workers.

I started work in [workplace name] in September 1975 on a casual basis; because my children were small, working at night suited my family and me.

Over the years, staff started talking to HR, going up to head office to see if we could join the pension, but a lot of the management thought men stay working and women, through family commitments, leave. But for some reason or other this didn't happen in [workplace name]. The men left for better jobs or got promoted to better positions which were pensionable. The women got tired asking to join the pension even though they were told there was something in place there for casual workers. Now just because you were called casual did not mean you worked shorter hours. Some weeks you worked 18 hours, other weeks you worked 60 hours. To the women it didn't matter because the money we were earning was put to good use – particularly for our children's education going to college or in pursuing their chosen careers. And hopefully, their service would not be abused the way ours was, thirty odd years a casual with no pension. Some of the women who started the pursuit of pensions either got tired of being fobbed off or got too old to care. The company never encouraged us or invited us to join nor did the union take up our plight.

As my children were getting older, I started to do various courses and started to think about myself. I had given the best years of my working life to [workplace name], where the love and friendship we shared had no measure. One day I took it upon myself to enquire about this pension thing again only to be told sorry you're too old.

I was 53 years old at the time and I offered to buy back the years required to bring me back into benefit but to no avail. I would have stood on an orange box for people to listen; unfortunately there are a lot of deaf people out there. You can do a stint of five years in Government and get a pension, but that's the joys of being casual.

I started to write to the various Government bodies and different Ministers but didn't really get anywhere.

I wanted to make sure that the people who have input into the Green Paper learn from my experience, particularly part-time workers.

Submission 38

A Chara,

I was interested to again note recently the ongoing articles in the financial press in relation to the need for over 900,000 people with no pensions to begin to address this issue and some of the areas identified to solve the problem.

I have studied a copy of the recent Green Paper and the issues identified within this to try and solve the problem.

As a qualified accountant with over 30 years experience working in indigenous and multinational companies as well as the public sector, I would like to offer some suggestions towards helping to address this issue into the future:

1. **Education**
   As pension cover represents only part of any individual of family financial decision, it is now self evident that Family Finances needs to be made a compulsory subject from second level education onwards. This would help everyone to understand the major financial decisions of life (banking, savings, mortgages, insurance, pensions etc.) and also how to get the best value for money in these transactions.

   It would also make them aware that they should start saving at an early age and finances affect all family members for life. Both MABS and the Citizens Information Centres have shown that this need is constant and it should also continue to be offered free to all adults. People need to be educated to understand the need for short, medium and long term financial management and how they can achieve this.

2. **Information**
   Whilst the Pensions Board and Financial Regulator offer very good information via their websites, it is unlikely that many people who need pension information will take the time and effort to check this out and although I note that the Irish language is included, this is of limited value to our increasing number of non-national employees.

   Pension information should be provided as part of the normal pay slip routine to each person employed in the State in a simple standard format that will not change by employer. This should be provided at least once per tax year and include a statement of benefits at retirement at current monetary levels, with the onus on the employer to manage this. Where AVCs have been paid and an employee moves to another employment an annual statement of the accumulated position should be provided automatically.

   To me there is also a major need to help people understand the jargon used by financial providers (and Government!) and help them make informed decisions. As a qualified accountant I am familiar with the terms AVC, PRSA, defined benefit and defined contribution but I suggest that these and other terms are not widely understood. We have also added terms like 'sub prime' recently which may not seem relevant but is now being used to explain poorly performing pension funds and what people can expect to get from them!

   Part of the pension planning process also includes knowing what level of state pension entitlement exists and from personal experience there is a crying need for this information to be co-ordinated between the records in Dublin and the Pensions Office in Sligo, as well as allowing an online enquiry facility.

3. **Access**
   The PRSA has been introduced to allow greater access to pension cover but because of its limited take up and the complexity and cost of the products being sold it has been a poor contributor to the overall solution. Many of the target market do not have 'financial advisors' and have been fearful of stock market investments that have proven to be volatile to say the least.

   Again for regular savers and workers perhaps the Credit Unions and Post Offices would offer a better outlet to provide fixed rate (perhaps Government guaranteed?) returns on pension products while also including standard tax allowances at source where possible. Both of these bodies especially the Credit Unions have the credibility to offer advice to people who wish to save regularly in a simple and efficient manner.

   For the younger generation it should now be possible to purchase a pension as easily as it should be to top up a mobile phone or buy a Lottery ticket, once the base product has been established. The larger financial institutions have used the tax allowances and complexity of the products to mask very high charges to customers, and sometimes products that are providing poor or limited returns, and which they are reluctant to release back on maturity.

4. **Other Comments**
   Although the higher tax payer and the financial institutions have seen the benefit of the tax allowances on pension contributions perhaps it is now time to create a greater incentive for the standard rate tax payer e.g. after 5 years add say 10% to the fund and after 10 add 20% via tax allowances or SSIA type bonuses? The other alternative here is giving a 20% top up on entry for the government to guarantee an inflation linked growth to ensure a secured investment performance on maturity.

   Although the National and Euro Lottery have become a part of our way of life it is interesting to see that similar lotteries have been in the US for a long number of years but with prize funds being paid out over a winner's life in some cases. Whilst this might affect the income for the National Lottery it might help people realize that long term income can be worth more than a lump sum which at times can be hard to manage for extended families. If the people who opt to buy the weekly (or even daily Lotto ticket!) see the word 'pension' it might help them realise that there are better ways of investing their cash.

Submission 39

Submission on Pensions

The big problem about pensions is nobody understands fully the rewards of pensions. The only ones to get a guarantee are the sales person, banks and managers of pensions. The last person is the payee. He has no input to the way his money is invested; he cannot easily change the type of investment he wants. He is controlled by Government when he stops and draws his pension. He can't look at the stock market when he is (say) 62-63 years old and stocks are high and withdraw or close at that time. At this time when stocks are down one quarter and you reach 65 you are really losing heavily, you have no control over your returns. So the banks, sales people, managers don't lose, it is the pensioner that always loses.

We are never informed of the fees (which are too high) the managers get, Governments take etc. We should get a choice of managing our pensions ourselves like buying stock, houses, land, government stock to be kept for a certain timeframe and we appoint a manager ourselves who we can change easily.

PRSA pensions are very badly explained, again somebody putting €10 or €20 per week has no idea what he is getting. We are being conned. We pay PRSI while working. Somebody who never worked will get almost the same pension at 66 years as somebody who worked for 50 years. If you pay into a pension for 40 years, when you die your pension dies with you not like self-employed whose surplus goes to their estate (very unfair).

Pensions should have a figure to be drawn at 65-66 years in any form decided by the pensioner and should apply to company as well as private pensions.

Again we are at the mercy of banks, Governments as to the percentage charges that are levied. Something like an SSIA should be available, tax free investments, post office tax free and others and Governments could not change the product.

Gordon Brown destroyed pensions in England by taking huge sums levied out of pensions. When the Minister for Finance cannot be trusted it is not very encouraging to invest in pensions. It could happen in Ireland in the next 40 years. Pensioners are at the mercy of too many. I would not join a pension if I was starting again as I will be taxed. No medical card, I will lose too many entitlements when I retire - Doctor €50 plus chemist €75 plus hospital. The pension will put me in the wrong bracket so I will be no better off.

My wife is paying to a pension. She has no idea what she will get. I would say [company name] salesman or manager will take the lot of what she has paid in. She is out of work next year at 57 and she won't be able to contribute and get tax relief so by 65 managers will have it all gone. She should be able to close it off when she is out of work as it is a private pension. Again she has no control.

We have a Pensions Board set up by Government, they are only there for companies and the big boys.
Why is this Green Paper not sent to every home or house? It is not advertised on TV/Radio like elections or referendums. Why is it kept to one ad in papers? I asked my union and they have no knowledge of this Green Paper. Some joke.

Employers could issue the Green Paper. It seems to me as if this is again controlled by banks, insurers and Government and let as little of workers know as possible (sure the less we know the better).

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 102

Chaper 9 Issues Regarding Defined Benefit and Defined Contribution Pension Schemes

The Growth of DC
For the same funding rates, there is no difference between Defined Contribution and Defined Benefit schemes. Employers are opting out of DB schemes simply because they can save 6% in salary costs less any tax benefits. A typical DB scheme with a combined contribution of 20% of salary will produce 8 units of final salary with a 0% real rate of return assumption. A DC scheme will produce the same. This equates to 16 years of inflation proofed pension at half pay.

The employer does not take the risk in DB schemes anymore and has not done so for some considerable time. All the advantages of DB schemes have been with the employer – the employer controls the trustees, the actuary usually assumes that he is employed by the employer, assumptions regarding real rates of return and the treatment of surplus and deficit are determined by the employer,, the scheme can be used to fund redundancies. An employer can easily create a deficit (change e.g. real rate of return assumptions, longevity assumptions) in a DB scheme and coerce the employees into increased contributions and therefore, de facto, create a hybrid scheme, but has still maintained the right to control the scheme, to appoint the trustee chairperson. Pressures will continue to mount on employers in the future to reduce pension costs, to eliminate DB pension schemes and to outsource pension provision. Perhaps the ultimate outsource location is the State.

Even within the same organisation there may now be a number of pension provision arrangements to confuse and perhaps demotivate employees.

1. A DB scheme
2. A DC scheme
3. A coordinated DB scheme.
4. A hybrid coordinated scheme

This is not good.

Retirement benefits in DC schemes are relatively low because of lower contribution rates. This particularly affects PAYE employees. Self employed can afford to invest more, get better advice, take advantage of tax concessions and make additional provisions for retirement.

DC schemes are particularly demotivating for young employees when they see that e.g. the first few years contributions are eroded by the cost of managing funds. Typically, at the end of the first few years contributions they have less money saved than they started with. This is unacceptable. One would have to say to young PAYE people starting out that they should under no circumstances consider making DC pension provision, that any surplus money would be far better used in providing for housing and educational requirements of their families and for improving their present standard of living. I think that young people have got the message that DC pension providers are to be avoided and are acting accordingly.

Guarantees

The fact that there are no guarantees with DC schemes has not prevented the most august of pensions bodies producing glossy literature indicating that there are guarantees.

Even with DB schemes the pension promise is often more honoured in the breach than the observance.

Questions for Consideration

1. I can see an integrated scheme working but I think that it needs to be different to the present integration schemes, if I understand them correctly, and needs to be fully thought out. State involvement in old age is of consolation to a lot of people and it takes the lottery element out of surviving into old age. The state is always there and can be relied on. One reaches the age of 66 – one gets a bus pass, irrespective, use it or not as you like. The same should apply to SW pensions – reach a certain age, to be determined, and automatically become entitled to an SW pension – irrespective. I am in favour of an integrated scheme though with checks and balances and contribution rates and affects on DB schemes to be fully thought out. The strategy should be to ensure that people see a benefit for all their taxes e.g. PRSI.

2. It is a waste of time trying to convince young people that there is something good in DC pension schemes when in fact there is nothing good in them as presently constituted. And we have not even mentioned that, having saved for 40 years, an annuity has to be bought, the value of which is a lottery and depends on the relationship between equity prices and gilt yields. Not to mention income withdrawal plans. Better to have SSIA type schemes. At least these were understandable.

3. This is a huge question – there are so many common mode sources of potential catastrophe and insecurity surrounding pensions and funds. Members of pension funds have to be encouraged, and given the wherewithal, to take a hands on approach to their funds. Members of pension schemes should hold annual conferences to compare performance of funds, to compare strategies, to discuss pension promises, surplus/deficits, rate of return assumptions, valuation methods. I could go on. Basically, get the employer, actuaries, trustees, fund managers, pension scheme manager, out of their ivory towers and get them to communicate with the members of the fund. The present funding certificate is more or less useless as a security instrument. As a first step, the actuary and trustees and fund managers should be changed at regular intervals.

4. Risk is not a word that should be used in this context. On examination of the history of a number of funds it is shown that where returns have been achieved that have led to a surplus, this surplus has been deemed to belong to the employer or has been used by the employer for his own purposes. For numerous reasons it is not to the members advantage that risks be taken. On the contrary, I would reward fund

managers for steady repeatable returns and query high once off returns. It must be remembered that the investment purpose is to provide the same standard of living for pensioners as the enjoyed in employment, it is not a beauty contest for fund managers.

5. As I stated above, ensure more information is made available to members, regular intercourse between various funds, including the open interchange of actuarial valuations between the various pension scheme members. There appears to be a policy, I do not know who it is determined by, of limiting access to actuarial valuations. If information on every pension scheme fund was made available to every other fund this would stimulate a huge increase in interest and provide better performance. The question is wrong in assuming that there is cost and risk involved in guarantees. The level of benefits will affect the cost, but not the risk. The pension provider should not make pension promises that cannot be fulfilled nor should he make assumptions that have in the past been proved to be unachievable. Nor, having decided on a funding rate for the pension promises and an investment strategy, based on a 40 year period, the pension provider should not then go on an e.g. capital appreciation investment strategy in equities when the fund is mature. So, if risk is mentioned in the context of pension plans, it is not a pension plan- maybe it is a recovery strategy.

6. No, I wouldn't. Not in the present circumstances. There are so many easy things that can be done now, at little cost and much potential benefit, that it is a bit premature to start going down this path.

Chapter 10 - The Funding Standard

Past Service Deficits

It is not correct to say that before 2000 very few schemes failed the funding standard. In fact a number of the largest funded schemes had very significant deficits and had insufficient funds to meet liabilities. This fact was masked by the accounting and actuarial practice of assuming that returns in the future will exceed those of the past. For instance, a fund that has accumulated a past service deficit based on a real rate of return of say 3.5% (extraordinarily high in itself) would simply assume an even higher real rate of return of 4.5% for the future and hey presto the books are balanced.

Equity Markets

The progress of equity markets is a canard hauled out at convenient times to excuse poor performance in managing funds. One only has to look at the pie charts in glossy annual reports, that otherwise contain very little information, to see that pension funds that are mature (that have been in existence for over forty years and that have a pensioner/workforce ratio of > 50%) have extraordinary large amounts of money invested in equity markets. Trustees must ensure that funds are managed and invested in bonds and equities as is consistent with their maturity. If mature funds are in deficit then the question must be asked why is this so and action should be taken to remedy the deficit.

Funding of Past Service Deficits and Hybrid Schemes

The green paper makes no reference to a new type of pension scheme that has arisen over the past 20 years or so – the **hybrid** pension scheme. This type of pension scheme has arisen due to the fact that employers have refused to take responsibility for past service deficits (even though the employer traditionally controlled all aspects of the scheme and by definition the responsibility for funding a defined benefit scheme falls on the employer in return for certain rights) and have insisted on increased contributions from employees to offset the deficit. I suggest that the implications of hybrid schemes – schemes that are not defined benefit and not defined contribution but fall somewhere in between and are not subject to any particular body of law or tradition - be included in the pensions debate.

Views on the Standard
In order to assess the merit of the standard one would have to look first at

- The rules governing a particular pension scheme
- The benefits promised by the pension scheme
- Contribution rates to the pension scheme
- The tradition of the pension scheme
- The actuarial history of the pension scheme
- The body of law governing the pension scheme

There are conflicts here. For instance, the promised benefits may not include a link to inflation or pay rises – the promised benefit may only be a proportion (e.g. two thirds) of final salary. But contribution rates may be based on rises after retirement and tradition may be that pensions are linked to wage increases in the workplace or inflation. This gets further complicate by the actuarial history of the scheme – have real rates of return been achieved in practice, how have surpluses and deficits been dealt with. Finally, and very importantly, an archaic set of Victorian Trust law, that is full of contradictions, governs defined benefit pension schemes. This more or less stated that the employer owns the scheme and that he can do more or less what he likes with it so long as the promised benefits of the members are not jeopardized. But there might be a large gap between promised benefits and traditional benefits that could be subject to exploitation.

As it stands at the moment, the funding standard is a useless piece of paper that is of no relevance to contributors to defined benefit pension funds. It is of benefit to those who withdraw from the fund and whose contributions, together with those of the employer, are retained until pensionable age. In the past employees who e.g. were made redundant suffered losses in getting only their own contributions back at a low rate of interest.
A deficit funding proposal had been prepared, and implemented based on a 29 year funding period, for one scheme that was in deficit for many years. Three years later it was decided that the deficit had been cleared and the employer need not continue with the 29 year contributions. Five years later it was decided that the fund was in deficit again. What is the point of a funding certificate if long term proposals are to be overridden in such a short space of time?

Questions for consideration

1. See above for difficulties. The funding certificate is a piece of paper signed by an actuary. It offers no guarantees to contributing members of the fund nor pensioners.

Each member, at each 3 yearly valuation, should be supplied with the actuarial valuation document and an invitation to a day long seminar to examine the state of the fund and the performance of the trustees and actuary and investment advisors. The funding certificate **must** be based on meeting the total expectations (which are different to pensions as promised under the rules e.g. wage linkage, inflation linkage, increases in pension after retirement).

2. Long term expected returns differ from fund to fund – 1% over inflation to 4.5% over inflation. Why this should be so is not clear, particularly as the actuary does not appear to differ very much from fund to fund. As pension schemes mature the long term should become more and more insignificant and as it is all defined benefit pension funds in Ireland are mature. In fact, as explained above, the long term consideration has been used to the detriment of schemes in hiding current deficits. So the answer is a resounding **No**.

3. We have seen in the past, particularly in the UK, where companies have been taken over for the value of their defined benefit pension fund. (Gold under the floorboards the particular stratagem was referred to as). The present funding standard reduces members and pensioners entitlements and will contribute to such actions in the future.There are huge sums of money floating around in pension funds without sufficient regulation or control. There should be an extremely strong funding standard (unlike the existing one) that guarantees entitlements to deferred pensioners, present contributors, and pensioners.

4. The present funding standard is useless.

5. The current standard does not guarantee entitlements as stated above. One of the problems with defined benefit pension schemes is that the literature surrounding them is very rosy with terms such as "guarantees standards of living throughout retirement"; " a wage linked pension which is far better than an inflation linked pension". Such statements have been produced in formal reports on pension schemes by pension scheme trustees and actuaries. But they are not incorporated in funding certificates. Where such formal reports are issued by trustees and actuary they should be incorporated in the pension promise and accounted for in the funding certificate and actuarial valuations.

6. A proper meaningful funding certificate should be established for every scheme.

Submission 104

One of the priorities for me as a single mum would be that contributions I have made over the years would benefit my child. If I died then my spouse if I had one would be entitled to half my pension. I am not married but my only child is entitled only to a third. The Green Paper is a substantial document but I cannot find any information regarding pensions after the death of the contributor. I feel that the pension should pass to the estate of the contributor and then passed to the nearest relative.

I would like to see a Pension packet organised by a trustworthy organisation such as a Credit Union with a fixed fee each year for managing funds. I work in the Civil Service. I have joined an AVC but I haven't heard of anyone within my organisation or outside who are completely happy with the way his or her pensions are being managed. The Pension Fund Administrator should be obliged under law to issue an Annual Statement which shows the contributions made, administration fees occurred and the total amount of your pension at that time.

Submission 117

I am a member of a defined contribution scheme in my current employment, while having some deferred pension benefits from two previous employments.
My first point is that the rules and regulations surrounding pensions are unnecessarily complicated. It is clear how much I can contribute to my DC in terms of salary foregone plus there is an overall cap on how big anyone's 'pension pot' can be (including a value for earlier DB pensions). That's all very straightforward.
But there is also a further test regarding the amount of pension you are entitled to take on retirement which is dependant on final salary, or a related average. I really don't see the point of this for a DC scheme member. I have no idea what my final salary will be at retirement age. It could certainly be less than I earn currently. In this day and age I'm sure there are plenty like me. So I could conceivably end up overfunded despite having satisfied all the restrictions on contributions. This makes no sense. For a DC scheme member, if you're allowed to put the money in you should be allowed to take it out, and that should be the end of it.

My second point concerns the requirement for a DC member to buy an annuity at retirement. A simple back of an envelope calculation will show you that someone who buys an annuity at age 65 and lives as long as one would expect to on average, won't even get their money back under the annuity despite the fact that an investment return should also be earned over the period. This is institutionalised theft in my view and worse it is facilitated by government regulation. As far as I am concerned the money I have put into my pension scheme is my money and I should be allowed to deal with it as I wish. I have saved this money over the years and when I die I would like my children to benefit from anything that remains rather than some insurance company. I have no doubt that this government forced purchase of an uneconomic investment will find itself challenged in the courts in due course.

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 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 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 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 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 280

I would be obliged if you would consider the following ideas in your review of the Pension System. This would only apply in situations where there was no existing occupational pension scheme meeting the requirements listed below.

1. Make Occupational Pensions compulsory from age 21 both for the P.A.Y.E sector and also the Self-employed. Set a minimum rate of 5% for the employee.
2. Ensure that the Employer, especially in the case of PRSA schemes, contributes a reasonable minimum, possibly setting the employers a target of a minimum 5% of the employee's pensionable pay to be reached within 5 years of implementing the scheme. I wonder how many employers currently make any significant contribution to existing compulsory PRSA schemes.
3. Standardise tax relief @ 25% along the lines of the Govt Special Savings Scheme which was a great success and understood by everyone. This tax relief would be given in the form of a 25% addition to the employee (employer?) pension contribution by the Govt at the end of each year. Allow employers the normal annual tax relief on their contributions.
4. Educate the Employers, the Unions and the public in the scheme and point out to the public the similarity of this scheme to the Govt Special Savings Scheme and how beneficial it would be to get an occupational pension to supplement the State pension at retirement age. Point out that a tax-free lump-sum could be available at retirement age or a pension paid to a partner in the event of death before normal retirement age.
5. Involve the Credit Unions in the implementation and operation of the scheme.
6. Issue annual statements to all individual contributors detailing all contributions by both the employee and the employer and show at the bottom the Govt 25% addition to both the employee and employer contribution for that year.

In any event, it would seem that there is currently a lack of advice being given to pensionable employees on their retirement options at both normal retirement age and also in early retirement situations. Many employees are quite ignorant of the tax benefits currently available (AVC's for example). I think that both the Pension Trustees, the Employers and the Unions could easily give appropriate advice, particularly as an employee approaches retirement age.

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.

In 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.