Green Paper Consultation Responses

Tax and PRSI relief; SSIA-type incentives; Revenue rules

Submission 5

PRSAs and AVCs

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

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

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

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

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

Submission 8

A very quick note in relation to the green paper on pensions:

- Mandatory Pensions: Workers already have to contribute to PRSI, which IS a mandatory pension. Forcing workers to contribute to another mandatory pension will be seen as yet another government stealth tax.
- Tax Breaks: The richest benefit most
- Public Service Pensions: Pensions in the Public Service are overly generous given the world we live in today, although I am currently in such a scheme, albeit for a very short period of time, I do personally believe that the workers who create wealth in this country, i.e. PAYE workers, are being taken for a ride. The only reason behind this fortuitous arrangement is public service votes and not productivity. Why should low paid workers be forced to pick up the tab for expensive public service pensions, while not having a pension of their own?

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 13

I think the most effective improvement going forward is to make additional contributions to individuals pension policies the same way it was done with SSIAs. Most people do not understand the tax relief system properly and do not appreciate it in its present form. Whereas if an additional contribution was given, they could see it and appreciate its effect immediately.

Submission 16

I wish to propose an SSIA type system which people can use, on an individual basis, to save towards or top up their pension provision. This type of system would not involve charges and would be less complicated and more equitable than PRSAs where tax relief is greater for those paying income tax at the higher rate. Safeguards can be introduced to ensure that this is not being used just for general saving purposes e.g. the fund is not accessible until the individual reaches pensionable age. If people understand what they are doing and how much they are saving towards their pension, they are much more likely to appreciate its importance. People in general do not understand the whole subject of pensions, the language of which is usually incomprehensible, and do not trust the pension industry which has a vested interest in mandatory pension provision.

Submission 18

The government is anxious that people save/invest to provide for a pension at retirement. To encourage this tax relief is given on contributions to pension plans. However, tax relief is only given on an individuals 'relevant earning'. This means that separated wives whose source of income is maintenance from an ex- husband cannot claim tax relief on any pension contributions made as maintenance is not considered 'relevant earnings' so the cost to them of providing for a pension is far greater that rest of the population. The Revenue Commissioners of course considers maintenance taxable income and PAYE, PRSI and a Health Levy are all payable on maintenance received. This situation discriminates against a vulnerable section of society. A fairer way forward would be that either tax relief (subject to a cap) be given to anyone who makes pension contributions out of income no

matter what the source of that income is or that the government initiates an SSIA type pension saving plan.

Submission 21

I would like to make a submission on the issue of pensions which is an important issue due to the nature of the age profile of the population in this country at present. I am a 29 year old professional working in the private sector. I feel that I am on the thin end of the wedge as far as pensions are concerned. The current system of pensions for people who work in the private sector is that you take out a pension with a financial institution or finance company. This is under the guidance of professionals in this sector and how well they invest this money in shares, stocks etc. We are all aware of the "values may fall as well as rise" slogan which rightly features on commercials and advertisements for such companies.

This is the kernel of my argument. The money invested in these pension funds may not reflect the value of money invested. i.e. 1000 euro invested may yield 800 euro return or 1800 euro depending on the investment portfolios chosen by those working for the respective investment company.

I believe the introduction of a SSIA style Pension fund would be very beneficial for people who find them selves in my position. I feel this would be a good development as people who took out SSIAs were all generally happy with them and there was definitely a feel good factor in the introduction of these as a mechanism of encouraging saving. The introduction of these in a pension setting (even if the yield were not as high as the previous SSIA scheme) would bring people who invested in SSIAs back due to the good experience they had, and also those who did not invest in SSIAs would take these out as they felt they missed the boat the last time such a scheme was introduced.

I feel these are important especially to people such as myself who work in the private sector. Employees in the public sector have a significantly better pension package due to the government introducing facilities to look after them upon retirement. I do not begrudge employees of the public sector such benefits, however I believe there should be some scheme introduced to provide those who work in the private sector with such security when retirement beckons. I recently heard an economic commentator on a well known radio station say that for an employee in the private sector to have the same pension as someone who works in the public sector, they would have to be putting 40% of their income into a pension fund. I feel that as a young person working in the private sector it is hard enough to do something like this while at the same time saving for or paying a mortgage, coping with the cost of living, petrol, car, student loan repayments etc.

Also I feel that greater emphasis should be placed on people working in their twenties to take out a pension, the early you start the better!

Submission 22

Public Sector Pensions:

Public Sector pensions need to change from DB to DC in order to have a sustainable pension arrangement. This needs to be applicable for all new public sector appointments. For existing public sector pension liabilities government needs to consider available funds for

public sectors funds and project cash inflow and outflow for the same over next 50 years. They need to provide budgetary allocation for any gaps during each year's budget to make sure that these gaps are addressed.

Private Sector Pension:

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

Universal Pension:

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

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

Discretionary Pension:

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

Tax Benefits

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

Lock in Period

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

Investments/Choice/Admistration

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

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

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

Immigrants:

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

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

Pension Age:

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

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

Annuities:

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

Regulation:

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

Submission 23

How dare this Government tell us we need to pay into a pension, we need to be FORCED to pay into a pension. If this Government had not squandered all the money made off the backs of PAYE workers and self employed over the last 10 years we would not be in this situation in the first place.

We in the private sector have been let down by this Government for the last number of years and we are all sick of it, and now they have the neck to tell us that they will be garnishing our wages each week for a pensions deduction. Bearing in mind that returns on pensions over the last number of years have been poor, and the stocks and shares are going through the floor, why on earth would anyone with cop on invest in such a poor performing product.

Most private sector employees do not have any company contributions to their pensions so all the money paid over is their own. They do not have large bloated pensions like the

overpaid, underworked public sector, whose pensions are paid for ironically by the private sector.

So it beggars belief that the Government is now asking us, as well as paying out all these other stealth charges levied on workers, to pay for a pension they should have been able to provide if they had been a competent government.

If the Government have any chance of convincing the already put upon private sector to agree to this they better have a damn good incentive package to back it up, we should be allowed to put it into property, high yield deposits, SSIA type products and not just stocks and shares, and the Government should, similar to the public sector, pay something towards the pension of each person who takes it up, maybe by reducing the already huge pensions enjoyed by the public sector.

Handled properly this could work very well, but there needs to be a lot of give from the government and the public sector on this, handled badly and this is a time bomb waiting to go off.

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 30

Chapter 7.53 – Flexible Options, ARF & AMRF

My problem is the retirement options available for a person aged 65, self-employed who had a retirement annuity contract (RAC) with a life assurance company maturing in October 2006.

Options:

The options would appear to be as follows:

1. 25% Tax Free
2. Annuity
3. ARF/AMRF
4. Taxable Payment

Guaranteed Income:

At least a sum of €12,700 (IR£10,000) must be placed either as a state pension or annuity otherwise an amount of €63,500 must be placed in AMRF until the age of 75. My problem is

that this figure of €63,500 is frozen for the next five years in a badly managed and underperforming fund, with hidden annual charges, doubt about capital appreciation and no hope of annual income*.

I find this most restrictive taking into account that a person has a state pension in the sum of €10,653 plus sizeable dividend income and should have an option out of the above restriction

Surely this amount could purchase a bank share showing a dividend yield of at least 4% (including annual increases 10% - 15%) and capital appreciation over a period of at least 20% per annum.

* 25/10/2006 - €63,500 invested. Present valuation €62,960. Loss after one year of €540, no income!

Tax Relief:

Question of tax relief on contributions to pensions and other financial products has been over emphasized and over stated by financial advisors, institutions etc. Surely the investment/contributions should be able to stand on their own 'commercial' feet.

Submission 35

I write to you following your advertisement in the daily newspapers. I would like to bring your attention to the inequity that exists in the pension scheme as it presently is. For all employed persons be they PAYE workers or owner directors and shareholders of companies they are entitled to PRSI deductions for contributions made, but people as sole traders are not. Clearly both persons are entitled to the same amount of entitlements under the old age pensions and PRSI net and as such should be entitled to the same reliefs available.

I had previously written to the Pensions Ombudsman and they agree with my summation. Clearly there are categories of self-employed persons who cannot under law act as limited companies and these are being deliberately excluded from the equation. It seems to me to be logical and a constitutional right that persons are treated the same and with this in mind I have asked for the same reliefs to be available to sole traders as is available to directors from 1st January 2003, when directors became entitled to this relief. The past Minister Seamus Brennan replied to me but his reply was similar to a reply he gave me the previous year, was vague and as expected did not deal with the inequity. As a sole trader and as an employer I make a valued contribution through my PRSI payments at S1 and equally as an employer for all of my employees and that is the same for all persons within the state. However, I do not then see why as I am listed as a professional that I should be excluded from the reliefs available.

Please note that professionals such as barristers, auditors, solicitors can act as limited companies and this clear inequity as agreed with by Mr Kenny must be dealt with and retrospectively dealt with in order for full equity to exist.

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 41

Just a few suggestions as an ordinary citizen.

1. The state is too generous with tax relief on certain pensions which is only benefiting the better off. Tax relief should be restricted to the standard rate.
2. The lower paid especially should be encouraged with an SSIA type scheme. I think this should be taken out of their employers' hands and operated through banking institutions. A lot of workers don't trust their employers with their money and it could also relieve employer from their duties.
3. Improve public servants early retirement scheme. It's not really attractive at the moment. This is a good way of employing energetic young people. It only makes sense. How can people remain as committed as they get older.

Submission 43

I am aware that reform is taking place on future pension provisions. I thought that I'd like to add my tuppence worth!

I am a member of a healthy defined pension fund and I will be entitled to a fully funded pension at 55 years of age. I do not avail of my full tax credit capability in relation to pension subscription on my defined benefit pension subscriptions. I have no desire to over fund my own pension.

My wife is also a member of a pension fund though she ceased paying into the fund since she availed of a redundancy package. This was over five years ago. She has 15 years of payments into a defined benefit scheme. Over the past five years she became a mother and full time care giver. Her current occupation is one of full time care giver to our three young children. While she has been a home carer no pension payments have been made into her scheme. I wish to start to fund the remainder of her pension such that she can be fully funded by her retirement date. If I do so I understand that I will be unable to claim tax relief for her on my salary. To my mind this is an impediment to me funding the pension of one of my family members. I am the sole earner in the family and I think it is wrong that I can gain tax relief on my pension contributions but another member of my family, due to her care giver status, cannot.

I believe that being a sole earner in my family and being unable to claim tax relief for subscriptions to my spouse's pension is something that hinders people from paying for spouse's pension.

Similarly, I think I should be able to commence a pension scheme for each of my three children. I am allowed to give them a tax free donation per year but cannot receive benefit for pension payments. Issues of inheritance between child and parent need to be sorted out in this instance, should the child die before 18 years of age.

I'd ask you to allow tax relief for each of these two situations in your forthcoming pension proposals.

I think you should also allow for lump sum payment into PRSAs to be given tax relief and PRSI relief at source from the moment of payment.

It seems to me that the current tax individualization system greatly discriminates against carers in relation to maternity payments and pensions.

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 68

I have been a member of both a company pension scheme and a private pension plan.

Tax relief is available on both. However PRSI relief is only available on a company pension scheme and not the private pension plan.

This penalises the individual twice as, apart from not getting the PRSI relief, he is also without the benefit of the contribution from his employer (and this contribution can be large without him having to pay tax on this contribution).

Submission 69

Good morning, I would like to offer a suggestion to entice people to set up pensions.

Could the government set up a scheme with the banks similar to SSIA? People really enjoyed seeing their SSIA statements with interest and credits.

The big fear I have with AVC is that I can lose half the value overnight with stock market crisis, etc. A lot of people would sleep a lot easier at night getting tax relief on putting money into a bank deposit account.

My proposal is that I can set up a pension bank account with the following rules;

1. I can pay in anything from 10 to say 1000 euro a month. The restrictions can be altered depending on age profile.

2. I cannot withdraw any funds until age 60/65

3. I receive a statement from the bank showing my balance with interest and perhaps a tax credit from the govt.

4. The money is secure, it is in a deposit account as opposed to stocks and shares. This will allow reasonable projections by the bank assuming say a 4% interest rate.

5. At the age of 60/65 I can only withdraw say a maximum of 10% per year with the balance been given as a monthly income. The conditions could be altered here in exceptional circumstances like a nursing home etc.

6. When the balance exceeds say 1m or 500K no more tax relief on contributions is available.

7. The interest earned could be free from DIRT.

All of this allows for a simple method of saving with no charges, 100% secure and a lot of transparency.

Submission 74

I have met many pension investors, pensioners in receipt of annuities, new starters to Pensions, pension trustees and Pension Product Designers.

I do not profess to know it all, but I would just like to put some personal bullet points, to be considered.

1. All pension funds in the last 20 yrs to retirement should, under pension legislation, automatically have to switch funds staggered to capital secure investments, to avoid potential fund risks near retirement.

2. Property pension investments, must be into a property income providing vehicle.

3. Community investments ... of pension funds, to promote new local community centres, with state/community buyback, could qualify for additional tax relief.

4. Premium holidays be compulsory allowed on pension contributions at times of job loss, ill health, care service, new start up.

5. Tax relief on Pension Premium Insurance Cover be allowed against missed payment cover against redundancy / ill health.

6. Simplified sip trusts be allowed set up, with solicitor legal sign off , self trustees (possibility). Cost is a current deterrent to SIPs. Review current trust costing structures.

7. A+ rating for investment companies for pensions.

Submission 80

I am a 45-year-old work-sharing civil servant. Due to my work-sharing for child-rearing reasons, I am short over 10 years for a full pension. My gross pay per fortnight is €856.59 out of which I pay €155.29 to purchase my shortfall in years. Because I am on the lower rate of tax, I am only allowed 20% relief on this €155.29. If I was on the higher rate of 41%, I would be allowed relief at 41%.

Is this fair or equitable? No, it is not for a number of reasons.

1. I am being discriminated under the tax system for being a low earner. I get less relief than a high earner for purchasing my pension so that I am not a burden on the state in my old age.
2. I am subsidising tax relief for the high earners to the tune of 21%.
3. There is no incentive for low earners such as myself to purchase pensions. Rather, there is a disincentive from a financial point of view.
4. Very often, low earners are better off spending any savings they have or not saving at all as it counts as means at an unrealistic interest rate when applying for a non-contributory pension

What is the solution? The solution is for the State to provide a defined benefit scheme, whereby the state agrees to match each Euro the taxpayer contributes so that the taxpayer could at least be guaranteed a pension of at least half the industrial wage when they retire. If people wish to have higher pension, there could be a tier system based on earnings and the proportion of earnings it cost the individual to purchase their pension. For example, if a lower earner wished to purchase a more enhanced pension they should be encouraged to do so, through enhanced allowances and reliefs because, although it might, from a strictly fiscal point of view, cost the same for all earners to purchase a pension from a percentage of income it is always greater for the low earner, i.e. if a low earner on €500 a week was to pay €100 to a pension scheme, that's 20% of their income, where to a higher earner on €2,000 a week, this is 5% (loose change). Plus they have a greater portion of disposable income left. This all must be factored into any proposed scheme to make it attractive to low earners.

What would be the advantages of this scheme? The advantages are manifold.

1. The current pension scheme could be self financing. If people see a tangible gain from a scheme they will invest, i.e. SSIA scheme.
2. The tax payer has control over their pension and future pension entitlements, something they don't have under the current PRSI scheme.
3. It will provide older people with a higher income that will allow a greater portion of them to purchase private health care and free up the public system.
4. Greater pensions empower older people to employ carers, live in / out nurses aides, cleaners, shoppers etc so that they can live in the community longer rather than take up hospital or nursing home beds. Given the choice with the right supports, most

elderly would stay in their own home and communities thus freeing up hospital and nursing home beds.

5. I submit that you consider my suggestion above or at the very least allow low earners such as myself the same rate of tax relief as higher earners 41%.

Submission 85

In discussion with family and friends here are our findings:
Female 45, no private pension.
Female 44, no private pension.
Female 42, no private pension.
Male, 60, no private pension.

Reasons:

1. The stock market is crashing and all we hear about is the amount being wiped off pension funds. Why would we want to invest in such funds with no guarantee of the final amount?
2. No spare money - we are all on low incomes, earning less than €25,000 each, some less than that, some working within the home with no personal income at all.
3. No flexibility on when the pension (which is just a form of saving) can be accessed.
4. A private pension is taxed when it is drawn down. Why? What is the logic of that? How does it encourage people to save?
5. The pensions section in Sligo now DO NOT do pension projections for people aged 60! Why? How does that encourage people to start a private pension?

Suggestions:

1. An SSIA type account, with flexibility as to when it can be drawn down.
2. Income tax, if deducted at all, is deducted on an ongoing basis, so that people know where they stand financially.
3. Tax relief is deducted like on a mortgage, at source. Many people do not claim their reliefs. Make it easy.
4. Reinstate and ADVERTISE the pension projection service. I know the calculations are hugely complex but it could even be extended to the under 60's to let people know where they stand.

Submission 87

The current state involvement in the provision or support of pensions/ pension contributions is patently inequitable as it treats various categories of citizens differently

without regard to their economic status. Indeed it appears to be in inverse ratio to their economic need.

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

Apart from being inequitable, this arrangement is patently unsustainable.

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

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

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

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

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

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

It would enhance mobility in the public sector.

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

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

Submission 92

First, there is too much talk and debate about it, we need action on this, we need to make this as simple as possible.

Therefore I think we should go down the road of the SSIA's. I contribute €3 the State contributes €1 which can go into a deposit account or an equity account. Under this plan everyone is treated the same, no matter if you earn €20.000 or €50,000. This worked so well for the SSIA's. Under the present system, the people earning more (those paying at the higher rate) are treated better than those earning less. There is no logic or fairness in this. Those on low incomes have less disposable income to save and incentive to save. This must change.

The main thing with pensions is keep it simple and make it fair, treat all people as equals and make things easy to understand and people will respond, the proof is there for all to see.

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 111

RE STATE PENSIONS (CONTRIBUTORY)

I have contributed through PRSI for all my working life to date (1965 to2008).
My wife also has contributions for many years but due to marriage she had to give up work. She did return part time to insurable employment for a number of years but health problems obliged her to give that up.

Having asked for a record of all contributions, it appears that her contributions are of no benefit. This is grossly unjust and should be rectified. She is 61 years old and I am 60.

As I have been self employed (own more than 15% of a small business) since 1992, my contributions have continued to date, but the imminent closure of our business will result in my having to make annual contributions to preserve a State pension for both.
If I predecease her before age 66, will all this be also lost?.

RE PRIVATE FUNDED PENSION.

My own work history in the private sector shows the problems for long term security of pension provision.

1. I was employed in a large company from age 18 to 32. I was a member of a company pension scheme (non contributory) and no benefits were transferrable when I left in 1979.

2. The small company I joined did not have a fund and eventually in 1984 I started to make private contributions to a With Profits fund (on independent advice).

3. My employment was broken by three periods of unemployment and several changes of employer (none with a pension scheme).

4. In 1994, I and a colleague bought out the company we have operated since and have tried to play catch up with pension contributions (both from our company and AVCs).

5. At a time in our lives when mortgages were paid off and family demands diminishing, it is possible to live on a modest salary €48k pa, and direct as much of the available resources into a pension fund. But then we run slap bang into Revenue funding tests.

6. I listened to Minister Cowen in a post budget radio interview (2006) state that he was advised that a reasonable pension fund would now have €1m. I still have not reached this figure and in view of the company closure (forced by competition) I never will.

7. In the mean time, With Profit funds languished for years and a change to full market exposure has wiped tens of thousands from my pension in the last year. This is euphemistically called “negative growth".

8. Much of the media focus is on the extraordinary contributions made by public companies to their director’s pensions, one might think we are rolling in clover. I have no doubt your statistics indicate a very different picture.
9. Our company is in the construction sector and all our employees are fully up to date in the CWPS but of course that fund only has circa 80000 out of an alleged 280000 construction workers. None of our competitors employ anybody, they are all treated as self-employed. Hence, the competitive advantage to them and ultimate problem for the State later.

10. The Revenue funding rules need to be amended to allow a minimum fund built up irrespective of salary and the benefits taken irrespective of final year’s salary. The market turmoil over the last 5 years affecting pension funds make it almost impossible to predict anything and projected values are anyone’s guess. It is “think of a number” stuff , and yet, if they swung the other way, Revenue restrictions could kick in. The only income we pay ourselves is that earned by the company and this has to be cut back at times to reflect ability to pay. A concept totally alien to those making the rules.

11. It is time that those who make up these rules (all in the Civil Service) realised that their pension arrangements could not be purchased by a person like me (of whom there are thousands) if we worked another 25 years.

In conclusion, I suggest it is vital that all impediments to providing private pension provision by private sector workers should be removed and a base line minimum fund value linked to inflation be established below which no restriction on funding or salary computations would apply. That fund amount would surely need to be the €1m identified by the Minister.

Submission 144

Given the strident and well-founded warnings about the looming pensions crisis and the vigorous exhortations to make private provision would it not be a responsible idea for the Government to permit additional voluntary contributions to the Social Welfare Fund rather than steering worried people towards commercial pension providers which had until recently a patchy record and more recently an abysmal one.

The recent success of the SSIA scheme underlines, in my view, the heretofore untapped propensity of the general public to save and provide for the future, provided that the scheme carries a state guarantee.

The practicalities of the scheme could and should be kept as simple as possible and involve a budget announcement each year of the interest rate or coupon rate for voluntary contributions for the following tax year followed by an annual and well publicised “voluntary contribution day”. In good years the budget could also provide for an incentive premium of say one euro for every ten contributed. Obviously the earlier and more frequent contributors would increase their eventual entitlements under the contributory pension

scheme to a greater degree.

The increasing expense of a burgeoning demand for Nursing Home Places and care in the home packages would in some degree be ameliorated by people being facilitated in the manner I suggest.

I suggested such a scheme in correspondence with the Department of Finance some years ago but received a negative response, which seemed to presume that I intended that the scheme would involve the National Pension Reserve Fund and would give rise to conflicting short and long term investment strategies on the part of the Fund. It was not my intention that the fund be involved except perhaps to the extent that it could repatriate some of our National Debt each year by substituting the Voluntary Contributions for an equivalent amount of borrowings on the international market.

I trust that the submissions received will be considered by persons with experience across the full spectrum of employment profiles, as I fear that if they are filtered through the prism of the Public Service then it may be that the very real apprehensions of those of us outside the "Gold Standard" may not be fully appreciated.

Submission 164

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

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

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

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

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

Submission 165

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

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

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

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

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

Submission 166

A STATE "PRIVATE PENSION" FACILITY

1. A major issue investing for anyone in a pension is having some degree of certainty, but providers (private or state) are naturally wary of taking on such commitment. But if more people who need to make pension provision privately are just offered the current system of private providers and current tax relief, things won't change. Private providers take large fees, typically with no guarantee, and many just track markets and do little to justify their commission and profit: the average fund manager can't do better than the average if they just put everything in a basket of investments as many do. Pooling a large investment in a public provider run by e.g. the NTMA would be much more efficient. I think such a low-cost transparent system would be attractive if it also had a guarantee EVEN IF THE GUARANTEE WAS QUITE LOW. Dept of Finance may be wary of offering a guarantee of even 2-3%, but the reality is that the State implicitly provides guarantees at the moment: if you have no or insufficient pension, you will inevitably end up getting a significant proportion of your income from the state in old age, and politically the State Pension tends to rise with inflation and often much higher than inflation. So if a modest State guarantee for an investment with the state were available, the State would not be taking on much greater risk than it is currently de facto exposed to. The system would lend itself to easily generated Annual Statements to help people see how much they have provided for at any point in time. On the latter point, we do need to get serious: many people have taken out Personal Pensions in recent years that are quite small: it's better than nothing, but it can lead them into a false sense of security ("I've now got a pension"), when in reality they haven't covered anything like enough.

TAX RELIEF: LIFE CAP, AND ALLOWED AT MAX RATE (NOT MARGINAL RATE)

2. If tax relief is really based on the concept that it is desirable that individuals take more responsibility for their own income in old age, then it should be based on allowance up to a certain cap, based on achieving a comfortable income for a reasonable life expectancy. Specifically, it is ridiculous to continue giving tax relief to people on incomes of a million! The current cap on % of income that can get tax relief (at a given age) should be changed to an absolute amount. The social policy

objective should be to help people be self-sufficient in old age, not to help the rich build huge pensions with state help.So maybe we should give everyone relief at the higher tax rate (even if they are not on it), but cap the total relief (possibly on a life-time basis, with some annual limits if necessary). Note that – if implemented - this might disadvantage me!

TAX RELIEF LIFE ACCOUNTS AS A FLEXIBLE WAY TO MANAGE RELIEF

3. Consideration might also be given to "Tax Relief Accounts" for an individual for life i.e. that pension tax relief (and maybe other reliefs such as mortgage interest) might be available in more flexible ways, so that people can use them when they most need them at a particular stage in life, but be encouraged to "bank them" (in a State "Tax Relief Account") at times when it better suits them. It's very hard to get people <35 to take pensions seriously and they will procrastinate, so the scheme might include some incentives to put something away early, while not telling people "that's all irreversibly locked away until you're 65". The Life Cap concept at 2) above would still allow those you had left things very late to put in more in their 40s/50s/60s if their circumstances allowed.

GRASP THE NETTLE OF PARENTS AT HOME.

4. All parents who spend a significant amount of time out of the workforce to raise children fulltime should get specific pension benefit for it. But this needs to be done in the context of other tax reliefs. (Again, my spouse and I work, so this is a disinterested observation).

Submission 167

Point 1

Personally as someone who has a lot of one-off pensions that have in the main performed badly or even lost money over the years, I would much prefer being able to buy my own shares/property directly for my pension rather than having to hand it over to commission hungry intermediaries. I know the SSAP (small self administered pension) exists for company directors but the costs on this are quite high to set up and maintain so not suitable for someone with my lower income.
A mechanism whereby a employee like myself with no occupational pension scheme could buy an investment property and declare it as part of a pension scheme whereby the same rules as SSAP property would apply would work I think, but without the exorbitant costs. Something like the regulation around PRSAs could work but with a cap on the costs (unlike an SSAP).

Point 2

My wife stays at home minding out 2 young children. A mechanism whereby I could pay a certain amount into a pension for her as the sole-breadwinner and claim the tax relief myself would be a good idea I think.

Submission 169

I wish to make a formal submission as follows:
Gross taxable income shall be the basis for calculation of pension entitlements.

Submission 187

At 51, I am thinking of my pension and have already started a voluntary AVC through my employer. The one thing that holds me back as far as higher contributions are concerned is that I will still have to pay income tax when I retire. In short, if I am responsible and save a substantial amount for my retirement to protect my family -and avoid payouts from the Government - I will be punished by taxation. Others who do not set up a retirement fund will be rewarded by paying little or no tax.

Submission 193

An objective of the Green Paper on Pensions set out in the Government Foreword is to consider among other things, "*incentives for supplementary pension saving*". It is surprising therefore that, apart from a brief reference at paragraph 7.9 to the need for Revenue approval of private pension fund arrangements and occupational schemes, the paper fails to explore what impact the restrictions imposed by Revenue might have.
One of these restrictions prohibits investment in simple savings products which, since they require no investment advice or management costs, would involve no management fees or fund charges. These savings arrangements involve none of the risks associated with stock market volatility and would be an attractive option for the risk averse provided they were underpinned by easily understood incentives.
Paragraph 7.71 of the Green Paper considers the motivations of those who do not currently invest in pensions. This paragraph and others in the report, refer to the relative reliability which can be attached to assumptions about people's motivations. It does so in terms which imply that these questions of motivation are of their nature imponderable and are not amenable to in depth analysis. In fact, a professionally conducted market research exercise would yield useful information which would go to the heart of the issue which the Green Paper is designed to explore: how can people be persuaded to make better provision for their retirement?
This proposal suggests that the complexity of the tax system, the vagaries of the stock market with its attendant risks, and the tax relief restrictions imposed by the Revenue Commissioners act in combination to reduce the incentive to invest in pensions. A system is required which is simple to understand, where contributions and incentives can be easily administered, and where those not in a position to evaluate the merits of other forms of investment, can have access to a state supported scheme which will give them reasonable assurance of a long-term return on their investments.

Voluntary Social Insurance Scheme
This submission suggests that, to motivate the risk averse to make better provisions for their retirement, tax incentives should facilitate investment in simple savings arrangements. The scheme could have the following features:

1. Contributions to be made by deduction from salaries to a Voluntary Social Insurance Scheme which would be additional to the current compulsory PRSI scheme. All employees to be enrolled by default with a contribution rate of 9% but with an opt out facility.
2. Contributions via a state agency such as the An Post to be facilitated for those not in employment.
3. The compulsory PRSI scheme to provide for minimum payments on retirement and during periods of unemployment as at present. The voluntary scheme to provide for additional payments on retirement only, linked to the level of contributions.
4. In lieu of tax relief, the voluntary scheme to be topped up by the exchequer with a Voluntary Social Insurance Scheme general incentive on a €1 to €1 basis, with a higher incentive than this ratio to be provided to the lower paid. Any additional costs involved to be offset by adjustments to the tax relief currently available on pension contributions to those on higher incomes.
5. The voluntary fund to be ring fenced and managed perhaps by the National Treasury Management Agency. An account to be kept of the value of each individual fund and statements to be issued periodically along with any appropriate advice where relevant on the need to increase contributions.
6. The same restrictions as apply to PRSAs to be applied to withdrawals from the voluntary funds – withdrawal upon retirement only, except in exceptional circumstances.
7. A suitable annual cap to applied along the following lines:
    1. a maximum value to be set for the total value of all funds held for the benefit of a taxpayer above which no tax relief or Voluntary Social Insurance Scheme incentive payment would apply;
    2. an age-related ceiling to be applied to the annual contributions which can be made to all funds, the calculation to take account of all contributions made, whether by employer or employee to private schemes, occupational schemes and to the Voluntary Social Insurance Scheme;
    3. the age-related cap to be so designed as to provide an incentive for those nearing retirement age to defer retirement and continue contributing to the fund.
8. The voluntary scheme to be backed by a state guarantee, with guaranteed returns linked to prevailing interest rates, and/or with guaranteed retirement benefits linked to inflation, to average earnings or to be based on annual actuarial calculations.

Voluntary Social Insurance Scheme – Advantages

The advantages of the scheme are set out below in the context of various issues addressed in the Green Paper on Pensions.

1. Paragraph 4.59 cites a statistic from the Quarterly National Household Survey (Q4 2005) which shows that 23.3% of people without a pension opted to invest in an SSIA. There is evidence that a simple savings scheme with matching contributions by the exchequer has an attraction for those currently without pensions.
2. The proposed scheme meets the stipulation set out in paragraph 6.25. Its lack of complexity allows people to see clearly the benefits arising from their contributions and the provision of an annual statement of account allows them to watch their savings grow.

3. The scheme conforms in principle with long standing Government policy set out in paragraph 6.54 which requires that individual pensions be provided through expanding PRSI coverage. The voluntary scheme proposed is in fact a Pay Related Social Insurance scheme, differing from PRSI only in the fact that it is voluntary and in the stipulation that benefits be paid only on retirement.
4. The proposal is in keeping with one of the objectives specified in paragraph 3.122 "t*o ensure a close link between the level of contributions made and the benefits accruing*".
5. Paragraph 6.146 suggests that the PRSI system needs to be examined to provide a personal entitlement to spouses assisting in family businesses or farms. The scheme proposed provides such an entitlement for all who contribute towards it.
6. The cap envisaged in the proposal removes the anomaly referred to in paragraph 7.13 whereby the age and earnings-related restrictions on tax relief for pension contributions are effectively lifted in the case of employer contributions, which are specifically exempted from being taxed as a benefit-in-kind.
7. The proposal is broadly in line with the report *Special Savings for Retirement* produced by the Pensions Board and cited in paragraph 7.67 which recommends "*that the State incentive for personal contributions to Personal Retirement Savings Accounts (PRSAs) be granted by means of a matching contribution of €1 for each €1 invested (subject to a maximum amount)*. It is in line also with the Pensions Board recommendation that incentives to the lower paid should be provided at the same rate as top-rate payers although it calls for a higher incentive for the lower paid.
8. The proposal is an effective response to an issue raised in general in various chapters of the Green Paper: the question how the growing cost of Social Welfare pensions can be met. The voluntary scheme is funded by those who contribute towards it, with the existing PRSI scheme catering for those not in a position to make any contributions.

Impact on Private Sector Pension Market
The proposed scheme is designed to be funded by contributions. It will involve neither a gain nor a loss to the exchequer and there are no hidden subsidies. As such, issues of unfair competition with the private sector do not arise. In any event only one question should prevail: whether the adoption of a state-sponsored scheme will increase overall the level of provision made for retirement by the population at large. If this can be done in a way which involves no cost to the exchequer; it should be done.
The rationale for the Green Paper is that the existing arrangements for supplementary pensions do not work. They fail to address the long-term funding needs of pensions. Thanks to Revenue applied restrictions, these arrangements involve the private sector exclusively. It would be a pity if the pensions lobby stymied attempts to introduce an effective public sector alternative.

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 196

Comments in relation to Chapter 7 of the Green Paper: Supplementary Pensions – Incentives for Retirement Saving

SSIA-Type Incentive to Save for Retirement
I firmly believe that the current tax arrangements to encourage pension provision through Revenue Approved Pension Arrangements are too complicated to be easily understood by a typical non-financially educated worker and the system is also heavily biased to the higher-rate tax-payer.
I believe that the tax relief should be given in the form of a credit to the amount invested, in my opinion this would be more easily understood by the 'non-financial' pension saver and it could also be an equitable credit across the board (regardless of the saver's tax band).
It would seem appropriate that there should be neither a gain nor a loss to the exchequer in terms of "total tax foregone" by moving from one system to the other, so a ball-park credit might be 50% of the amount invested in the Approved Pension.

Access to Retirement Funds
I feel that, in tandem with the introduction of an 'SSIA-Type Credit', a greater freedom of access would increase interest (particularly among standard-tax-band earners) in Supplementary Provision.
Such access could be on the basis that access before a minimum age (55, for example) would result in the loss of the 'SSIA-Type Credit'.
I understand that access is restricted to "protect people from themselves" and the assumption that people will all too easily cash in their fund – however, the reality is that many workers will never take-out a pension in the first place because of this restriction, so are we really "protecting people from themselves" where we are forcing them into a non-saving position?

Submission 199

With regard to the current pension system in Ireland, I would like to highlight the inequity of tax relief for stay-at-home parents. I am concerned that there is no tax incentive for a husband/wife to pay pension contributions on behalf of a 'stay-at-home' partner.
In the case of my own family, my wife has taken a career break for a number of years in order to care for our children at home. As a result, she will have a significant gap in pension contributions, resulting in an inferior pension at retirement. I was surprised to discover that, if I were to pay pension contributions on her behalf, such payments would not be eligible for any tax relief.
It is my belief that a family income should be regarded as such and that any payments made into a pension scheme for a 'stay-at-home' parent should be eligible for tax relief. Otherwise 'stay-at-home' parents – usually women – will continue to be penalised for caring for children at home. They will tend to opt out of pension schemes and will suffer the financial consequences later in life.
I would appreciate if this inequity could be addressed in the forthcoming Green Paper.

Submission 200

Point 1:
I currently job-share, working 3 days one week and 2 days the next week. On retirement, after working 20 years, my pension will be calculated on 10 years (i.e. half).
On the other hand, a person working 4 hours x 5 days a week qualifies for a full-pension.
I consider this very unfair!

Point 2:
A person paying tax at the lower level, 20%, will get 20% tax relief on contributions paid into a pension fund or AVCs.
If the person pays tax at the higher 40%, they will get 40% tax relief on their pension contributions.
Surely the person on a lower wage, paying at 20%, is more likely to be in greater need of a pension on retirement. There should be more incentives for this sector to contribute to their pension.

Submission 214

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

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

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

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

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

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

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

My Proposal:

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

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

1. The basic state pension would be the entitlement of every retired person upon reaching the designated retirement-age.
2. All pension income, including the basic state pension would be taxable as income. However, the tax-threshold for retired persons would be set significantly above the level of the basic state pension.
3. All persons would be assigned a "Personal Pension Account" (PPA) in the same manner as they are assigned a PPS No. These accounts would remain the private personal property of the account-holder. **These pensions would be separate and additional to the basic state pension.**
4. A small statutorily fixed percentage of all income above a set threshold would be payable into the PPA in the same manner as income-tax is payable to the Revenue.
5. In addition, income-earners would be allowed to invest up to a combined total of 15% of their gross income in their PPA. This additional contribution or investment could be provided by the earner and/or employer. Employer contributions could be a matter for individual or collective negotiation and agreement between employee and employer. Employer and employee contributions in respect of permanent and tenured public employees could be fixed by law.
6. All money invested, whether by employee or employer, would be exempt from tax on the part of the contributor.
7. Self-employed persons could still opt to invest income (other than the statutorily fixed percentage) in private pension-schemes. The maximum 15% of income qualifying for tax-relief would apply.
8. The PPAs would be managed in gross by the NPMA. The NPMA would be responsible for devising a suitable investment-strategy subject to criteria set by law. (A very widely-spread and conservative portfolio would probably be the result, with a portion of the fund kept in government-bonds and cash in proportion to the number of PPA-holders nearing retirement). The proportion of any individual account notionally assigned to equities, bonds, and cash would vary according to the age of the PPA holder. As a result, gains in the funds transferred into the PPAs as income would be according to a published formula relating to the age of the PPA-holder.
9. The administration of the scheme would be financed by a levy on investment income earned on each account (As distinct from a levy on contributions paid into the accounts). This means that in times of poor or negative investment returns subvention might have to come from the exchequer. Alternatively, the levy could be increased in times of better market-conditions.
10. Each PPA-holder would be able to inspect (on-line, or at government offices) his or her PPA. Each account-holder would be furnished with a full PPA statement on an annual basis, or on demand. However, until retirement the PPA would remain "virtual" insofar as it could not be drawn down.
11. The capital sum invested in PPAs would be guaranteed by the government. This amount would be shown on the account statement, as would the current value, and the accumulated administration charges. Accounts would be automatically updated at the end of each month.

12. PPA-holders would be able to take their pension at any time after the age of 55. The NPMA would produce and publish on a monthly basis a table or index showing the actuarially calculated reduction in benefits applying to persons retiring before the age of 65 (and the increase for those delaying retirement after 65). The PPA holder would not be allowed take his or her pension below the age of 65 unless the PPA was capable of funding a pension equivalent to the basic state pension.
13. The NPMA would produce and publish on a monthly basis a table showing the retirement lump-sum and retirement salary purchasable from the NPMA corresponding to the balance held in the PPA on retirement. (The lump-sum component would be the elastic element, contracting in times of lower investment returns)
14. Upon the death of the PPA-holder before retirement, the PPA would be assigned to the designated dependents of the deceased PPA holder in the normal manner.
15. An independent board of overseers would be established to deal with the NPMA on behalf of the PPA-holders and to deal with queries and complaints.

Submission 220

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

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

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

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

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

Base	Pension indexation	Year	Inflation	Year	Diff=real %age loss in income	age
	1%	0	**5%**	0		62
100	101.0	1	105.0	1	4.0	63
100	102.0	2	110.3	2	8.2	64
100	103.0	3	115.8	3	12.7	65
100	104.1	4	121.6	4	17.5	66
100	105.1	5	127.6	5	22.5	67
100	106.2	6	134.0	6	27.9	68
100	107.2	7	140.7	7	33.5	69
100	108.3	8	147.7	8	39.5	70
100	109.4	9	155.1	9	45.8	71
100	110.5	10	162.9	10	52.4	72
100	111.6	11	171.0	11	59.5	73
100	112.7	12	179.6	12	66.9	74
100	**113.8**	**13**	**188.6**	**13**	**74.8**	**75***
100	114.9	14	198.0	14	83.0	76
100	116.1	15	207.9	15	91.8	77
100	117.3	16	218.3	16	101.0	78
100	118.4	17	229.2	17	110.8	79
100	119.6	18	240.7	18	121.0	80

***** Male life expectancy in Ireland

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

I look fwd to hearing your response to my concerns

Submission 226

Two things in particular concern me re pension proposals.

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

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

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

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

1. Why should the provider be rewarded for losing money?
2. With only €90 of a difference there is little incentive for the provider to manage more efficiently.
3. The link between management charge and total fund should be broken.
4. If the charge on Standard PRSAs can be prescribed why not the same here?

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

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

A Chara,

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

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

A person enters teaching at the age of 22 and retires at 62 after 40 years. He/she has been a member of the Superannuation Scheme which is now compulsory. (Even if it were optional it would be most unwise not to be a member). For the sake of mathematical simplicity assume a final salary of € 60,000. Under the terms of the teachers Superannuation scheme

there would be an entitlement to a tax free lump sum calculated as 3/80 of final salary for each year of service which, for 40 years, would amount to 120/80 or 1.5 times final salary *which is the maximum tax free lump sum allowable under tax law!*

Had this teacher been contributing to AVCs yes they would have received tax relief at their marginal rate on these contributions but if on retirement they converted to an ARF (Approved Retirement Fund) which is the norm the maximum amount of money they could withdraw, tax free from this fund would be *zero! This because they would already have availed of the maximum 1.5 times final salary under the Superannuation scheme.*

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

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

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

Submission 230

The following are some issues where I feel that some improvements can be made to the current regime, in the interest of fairness and equality. They are my own personal views as a Financial Advisor, who transacts pension business.

Under existing legislation governing PRSAs, Employers have to offer their employees the facility to put in place, at least one Standard PRSA in situations where:

- There is no pension scheme currently in place
- Some employees are excluded from the existing pension scheme
- The waiting period for membership of the existing scheme is more than 6 months
- The current pension scheme rules do not allow employees to make AVCs

There is no obligation on the employer to contribute to the PRSA.

However, if an employee decides to contribute to a PRSA, and their contributions are deducted at source through payroll, the employer saves 10.75% of that contribution through a PRSI saving.

It is my opinion that this saving should be automatically made by the employer to the employees PRSA.

I am not convinced that a SSIA type contribution to a Pension/PRSA will encourage more people to save for their retirement. The only way that this would be popular is where the consumer would have access to some of the money at an earlier date than normal retirement age. This defeats the purpose of retirement planning and I feel that personal

savings and retirement funding should be kept separate. The population is confused enough as it is with all the different types of products on offer, why make it worse.

I do believe that the tax-relief system that is currently employed should be maintained but that the relief should not be dependent on highest marginal rate. It is my opinion that all pension contributors should get a standard relief in the region of 35%.

Those that are not in the tax-net could either qualify for a rebate of the relief or be offered a greater percentage of their fund as tax-free cash at retirement age.

All defined contribution pension schemes should have a facility, whereby the fund should be made available, for legitimate medical expenses, at the behest of the pension holder, before normal retirement age.

Pension Product Providers should not be allowed to offer reduced allocation rates to those that are making minimum contributions to pensions. This is more prevalent in the Personal Pension market and involves giving those that make larger contributions more favourable product terms.

Submission 249

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

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

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

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

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

Submission 265

I feel I have been discriminated within the Social Welfare system. I have been a lone parent since 1991. During that time, I stayed at home to raise my seven children and only returned to work in the last two years, when my last child started school. I find now all those years spent looking after and caring for my children, that I have no credits built up for a pension in my later life. I am looking for credits for all those years of caring. Both for myself and countless other women who chose to raise their children at home themselves.
I have been involved in the National Women's Council social welfare campaign. I see the need for women's economic independence as a priority in combating women's poverty in older years. The majority of those over 65yrs, especially women because they live longer, are solely reliant on the state pension through the social welfare system for their income. (And 36.2% of women over 65yrs are at risk of poverty). The Irish social welfare system, based as it is on a male breadwinner model, discriminates against women. And defines many older women as 'qualified adults', deriving their pension rights through their husband's contribution record and receiving a reduced payment on their behalf. The system thus reinforces women's dependency on men as the primary earners.
The National Women's Council of Ireland - Comhairle Naisunta na mBan, a non - governmental organisation, is the national representative body for women and women's organisations in Ireland.

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

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

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

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

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

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

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

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

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

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

- **Economic autonomy.** Financial autonomy and individual entitlement are core characteristics of a feminist pension model. The key challenge for a feminist model is to move to a feminist model of pensions where women have <u>direct</u> pension rights.
- **Labour Market Equality.** Gender inequality in pensions is primarily a function of cumulative labour market inequality. A woman friendly pension cannot happen without measures to address gender inequality in working life and without reforms to support and maximise high levels of female labour market participation for considerable periods of their adult lives.
- **Facilitating atypical work.** Gender equality in pensions requires a pension model that recognises and rewards all labour market participation.
- **Ethic of care.** No reform can be complete without the development of a care contingency that enables care work to be facilitated and respected and that enables women to have pension cover and maintain pension contribution records during key stages of care.
- **Equal sharing of care obligations.** The method of facilitating and/or compensating for time spent caring during working age and caring should not disproportionately lock women into long-term patterns of caring . This requires the State to invest in a child and elder care infrastructure and also requires the state to have parallel policy promoting men's full engagement with care obligations. This can be achieved by way of statutory family friendly policy, obligatory paid paternal leave and supporting traditionally male employment sectors to engage more fully in developing work life balance policy and culture
- **Pension equality or pension justice.** While working towards greater gender equality in terms of participation in care and employment the pensions system must not reinforce and must be capable of compensating for the disproportionate time women spend in periods of care and the wider gender equality women experience in the labour market

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

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

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

Gender and pensions- Overall strategy

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

- In relation to adequacy, the structure and amount of state pensions should build on the so-called 'paradox of redistribution'. Policy should not only *prevent financial poverty* but *guarantee a decent quality of life* by offering income replacement levels significantly above the 'poverty line' rather than targeting means-tested pensions to those on lower incomes to alleviate their poverty
- The redistributive impact of pensions arises not only from the generosity (or otherwise) of pensions but also from *the mix of direct state expenditures and indirect tax expenditures.* Even if these are not wholly equivalent, there is a clear trade-off between tax subsidies (for example to occupational and private pensions) and improvements to the state pension. Indirectly, women benefit less than men from tax expenditures and therefore general equity considerations and gender equality principles suggest that reforms should focus on a considerably enhanced state pension in the context of a more limited use of tax allowances for supplementary pensions.

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

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

Recommendations

Gender and Pensions- specific reform priorities

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

Comprehensive Pension Guarantee

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

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

Social Assistance aspects of pension provision.

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

Social Insurance aspect of pension provision

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

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

Voluntary pension recommendations

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

Governance

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

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

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

Submission No 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:

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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".

(v) 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.

(vi) 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.

(vii) 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 288

It is desired to present a note on aspects of pensions and related retirement benefits in relation to the learned, comprehensive and lucid Green Paper on Pensions.

Public Service Pensions

There is some merit in altering to defined contribution pensions in line with much of the private sector. However, an immediate total change would not be easy so it is suggested that in future salaries up to €50k pa be continued on DB and that salaries above that be DC. There may be a need for some marginal treatment in respect of salaries a little over €50k.

Salary costs may tend to be somewhat high in the public service compared with the private. In the private sector in bad economic times, some staff tend to be "laid off" and then some incremental pension costs cease to accrue. In the public service, there tends to be no more

than a pause in recruitment; but staff are not laid off. In consequence, pension costs may be comparatively high.

A solution which may be difficult to achieve, is that staff would take a pay pause, equivalent to a 5% reduction in real terms, for a period. An alternative would be an objective and rigorous review of some functions, leading to redundancies with compensation at the statutory level and with preservation of accrued retirement benefits. This may be a matter for future public service employment contracts, from which the pension consequences would follow.

It is interesting that in the 1960s the salary of a civil service executive officer was much less than that of, e.g., a private sector skilled tradesman. Forty years later, the executive officer has nearly twice as much as the tradesman and has a much better pension scheme. The public service may be overstaffed in some areas and overpaid when pensions are included. It may be difficult politically to grapple with a remedy. Perhaps elected public servants have the opportunity to give appropriate example.

The comments on Chapter 13 (Public Service Pensions) below are on the basis that public service salaries are at a correct level. Some of the comment, in the interests of trying to be brief and neat, partly reflects what is stated in the Green Paper.

Cap on tax-supported pensions

The existing cap on tax-supported retirement benefits is suggestive of Government reservations at the somewhat lavish levels of executive pay in certain areas of the private sector. Should statutory provisions be contemplated along the lines of restricting relief from taxes on income in respect of such remuneration (e.g., treating salaries in excess of €600k as profit distributions) it would seem that action in regard to tax-supported retirement benefits has already taken place (TCA 97 Ch. 2C) and that further taxation steps would not be needed.

PRSA- type incentive

It seems appropriate to provide a financial incentive in low cost terms somewhat along SSIA lines to encourage pension saving. Some suggestions are given below. It is appreciated that they are no more than outlines and that practical detail needs to be attended to.

It is hoped that this presentation, Having One's Say, may be of some assistance.

Chapter 13, Public Service Pensions

Assuming that pay levels in the public service are reasonably correct, an aspect which may be questionable in modern and current economic times, it is possible to seek to address aspects of the levels of pension and related retirement benefit.

1. Salary up to €50k
   5% employee contribution up to €50k.

State contribution as may be required
Result: Pension €14k + lump sum (db) +€11k State pension

2. In respect of the portion of the salary over €50k., the employee contribution and the State's to be 50/50 at a commercial, actuarial, level – perhaps 20% each.
   Result: Incremental pension and lump sum on dc terms.
   Employee contribution to be held in trust in, e.g., NTMA.
   Resultant retirement benefit, n/60, to be paid 25% lump sum and n/80 pension.
3. Pensionable salary to be the career average or the average of the years of employment should such be less than what is accepted as the career.
   (This, inter alia, would end any practice which may exist of "benignly promoting" people financially within a few years of retirement so as to afford them better retirement benefits for life.)
4. Retirement benefit not to exceed n/60 of salary where n is complete years of service. The present system of n/80 + lump sum seems acceptable. In regard to salaries in excess of €50k the incremental retirement benefit may possibly be somewhat less or greater than n/60 should the actuarial calculations prove imperfect. As a separate matter, there may be a case for reviewing whether the multiple of a years' salary as at present in use is an adequate measure of the lump sum, when life expectancy is increasing.
5. Normal retirement date, nrd, to be 65. Employee may opt to retire younger on full pension on completion of 40 years' service. Employee may opt to stay on after 65 by agreement with the employer, subject to fitness, perhaps in a position with a reduced salary level. May opt to have pension and lump sum reckoned at age 65 or on completion of 40 years and then preserved or partly paid and preserved, the preserved portion being subject to a modest inflation adjustment to date of payment. The reckon-and-preserve option would protect the employee from losing in respect of career or employment period average
6. On the question of pay parity as a basis for the equivalent of pay after retirement of which pension is a fraction, it would seem fair that matters such as productivity bonuses awarded after nrd should not be taken into account but that instead an inflationary adjustment be allowed at a modest (ECB?) level.
7. Should there be non-pensionable earnings after nrd, tax deductible PRSA contributions would be possible.

Green Paper on Pensions

Chapter 04, Income Adequacy in Retirement

PRSAs. Incentive to Pension Funding

It is suggested that a PRSA product with an incentive somewhat along SSIA lines would be a useful incentive to individuals towards saving for retirement benefits, being a tax exempt lump sum and taxable life pension at normal retirement date.

Problems perceived with existing PRSAs are the high administration cost and the lack of any effective influence over the investment activity of the administrator.

As well as an incentive to pension saving, we need a disincentive to "cashing in" accumulated pension savings.

Suggestion

Have a retail bank, perhaps PostBank, under contract with the State, sell PRSAs over the counter for cash to individuals in exchange for a dated receipt stating the investor's name and PPSN. The Bank's IT record would be accessible to Revenue for checking or audit.

The individual would state the contributions in his tax return, the yearly tax deductible maximum being the same as for Retirement Annuity Contributions, 15% to 40% (depending on age) of non-pensionable earnings (or largely non-pensionable which is a suggestion of something new). The individual would be obliged to maintain a permanent record of contributions, as would "PostBank" in its IT system.

"PostBank" would remit the contributions periodically to the likes of NTMA, net of 0.1% representing "PostBank's" commission. "NTMA" would hold the funds as the pension fund of the contributor and would obviously keep a permanent IT record.

The State would annually remit a sum to "NTMA" equivalent to 10% of the amount paid by the individual as a pension saving incentive and a sum equal to the tax credit. (One considered tax credit on more than the contribution by way of a tax incentive and dismissed it on the grounds that tax-exempt workers deserve a pension incentive as much as taxpayers.) The fund would earn say 2.9% compound interest, being 3% less 0.1% retained by "NTMA" as its reward. The fund would be State guaranteed.

(Should the contributor withdraw the investment prematurely even on grounds of financial hardship, all he gets by way of a disincentive to early withdrawal, is the contribution he has paid in less 5% to compensate the State's interests in respect of admin costs. The 10% incentive, the tax credit equivalent and the 2.9% accumulated interest would be remitted to the State by "NTMA".)

When the individual reaches nrd, he may take 25% of the fund as a tax-exempt lump-sum and the remainder is transferred to an ARF of his.

A "PRSA Control" guarantee company under contract with the State, at a cost of some €200k.per annum, would supervise the foregoing, supply annual statements to savers and prepare financial accounts. All to be subject to audit by the C&AG

Case studies

(a) Individual aged 30 marginally taxed x 20%
Pays €5k pa over 30 years fully tax deductible: basic fund: €150,000
"Service charges" 0.1% twice (300)
Contribution through Revenue, = tax relief x 20% x 30 years: 30,000
Further 10% State contribution (incentive): 15,000
Total, say, : €195,000

Interest 2.9% compound, assume: 25,000
Total fund: €220,000

For lump sum -- €55k; For ARF -- €165k = perhaps life annuity €200 a week.

(b) Individual aged 35 marginally taxed x 40% on average
Pays €10k pa over 30 years, fully tax deductible: basic fund: €300,000
"Service charges" 0.1% twice: (600)
Contribution through Revenue = tax relief x say 40% x 30 years: 120,000
Further 10% State contribution: 30,000
Total, say: €450,000
Interest 2.9% compound, assume: 50,000
Total fund: €500,000

For lump sum €125k;For ARF-- €375k = perhaps a life annuity €24k.

Questions

Whether the 10% State contribution can usefully be marketed as an incentive. Yes

Whether it is fair to have €15k incentive contribution for the lower income person and €30k for the higher income. Yes, a 10% contribution for all is fair.

Whether useful marketing tools would be the State guarantee of the total fund, the tax credit (contribution through Revenue), the further 10% State contribution, the nearly 3% compound return, the independent audit, the low admin costs, the transparency and the services supplied at trivial cost eg the C&AG Audit. Yes

Perhaps these would be adequate incentives

Submission 289

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Submission 292

Developing a Better Pension System

1. INTRODUCTION

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

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

2. BACKGROUND AND OBJECTIVES

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

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

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

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

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

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

Therefore, in my view, our **'priority objectives'** in relation to pensions, should address three main issues: **Protection, Adequacy and Coverage.** Protection of good existing pension arrangements, in both the public and private sectors. Adequacy of pension provision in both the public and private sectors, especially for lower-paid workers in both. And resolution of the coverage issue in a manner compatible with achieving the other two, equally important, objectives. This latter point raises a further important point of principle, because of course

any one of the above objectives could be realised at the expense of one, or both, of the others. As could other desirable objectives, like equality and equity – both achievable by extending coverage of a very poor standard to the entire population!

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

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

3. OVERVIEW OF SUBMISSION

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

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

4. THE SOCIAL WELFARE PENSION SYSTEM

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

(i) Inclusion

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

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

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

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

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

(ii) Level of Social Welfare Pensions

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

Trade unions such as SIPTU have consistently argued for the contributory social welfare pension to be raised first to the target level agreed in 1998, which was 34% of AIE; and for progress to then be made towards 40% and ultimately, 50% of AIE. It is disappointing that so little progress towards this target has been made to date and I now believe that strenuous

efforts should be made to achieve a national consensus in favour of (a) reaching 34% over the next 2 years, i.e. by 2010; (b) reaching 40% over the following 4 years; and (c) reaching 50% over the following 6 years, i.e. by 2020.

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

5. THE TAX INCENTIVE

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

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

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

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

the issue of whether and how a system of mandatory pension contributions can be introduced if the improved tax incentive proves insufficient.

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

6. MANDATORY PENSIONS

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

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

Specifically, what this Report recommended was

1. An increase in the **social welfare pension** to **40% of AIE**, over a 10-year period; in 2006, in round figures, this would have meant increasing it from €10,000 per annum to €12,000 per annum. This would benefit both present and future pensioners.
2. Introduce **Mandatory Supplementary Pensions** – which it called *'Special Savings for Retirement',* or SSRs – for all those at work who did not already have adequate provision and whose incomes were within specified bands. Thus all workers, both employed and self-employed, would be covered, if they earned between 50% and 200% of AIE (the suggested 'eligible income' band). In 2006 terms, using a round figure of about €30,000 per annum for AIE at that time, this would have implied compulsory contributions for anyone earning between €15,000 and €60,000 per annum who was not already in an adequate pension arrangement.

The Pensions Board based its costings for such a system on a required total contribution rate of 15% of 'eligible income' – so for someone on exactly AIE, for example, the total

annual contribution would be €2,250 and for someone on twice AIE they would be €6,740. The Board accepted that contributions totalling 15% of 'eligible income' were the least that would be needed in order to produce an eventual pension of about 50% of that income.

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

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

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

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

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

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

7. CHILD PENSION ACCOUNTS

At this stage, our national pension policy should aim to be fully comprehensive in the short, medium and **long term**. Thus, early improvements in the **social welfare** pensions are needed, in order to benefit today's pensioners and those workers who are coming up to retirement age shortly. For those who still have time to plan and save for better incomes in retirement, the social welfare changes plus improvements in the tax incentive, combined

with the introduction of a new system of mandatory pension contributions for those who still do not have adequate cover, should between them deliver better pensions. And for those at an even earlier stage of life, we need measures which then could perhaps defuse the so-called 'pensions time-bomb' entirely for future generations.

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

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

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

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

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

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

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

8. OTHER ISSUES

A few other issues require brief mention:

(i) Later Retirement

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

(ii) Annuities

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

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

(iii) The Funding Standard

I would urge considerable caution in relation to further amendments or relaxation of the Minimum Funding Standard, despite current market volatility and the consequent pressures

on DB schemes. To date, there has been heavy reliance on the Pensions Board to assess serious under-funding situations and to read warning signs correctly, on a case-by-case basis. This approach has been successful to date, but if it is to continue, it may be necessary to increase the resources of the Board, in order to minimise the danger of delays with such assessments (e.g. to appoint temporary staff, and/or create a panel of experts to be drawn upon at short notice).

(iv) Growth of DC

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

(v) Integration

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

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

(vi) Discrimination against same-sex/unmarried couples

Trade unions such as SIPTU have for many years sought the removal of all forms of discrimination against unmarried couples (whether same-sex or opposite sex) based on their marital status and/or sexual orientation. This includes discrimination in several areas of tax, social welfare, inheritance and pensions law and practice.
Many private and occupational pensions schemes have already remedied such discrimination in their rules and it is time for the state to do likewise, both in relation to the social welfare pension system and the civil and public service pension schemes. If civil partnership legislation is introduced, this may improve the position for some unmarried

couples (i.e. those same-sex couples who then choose to enter formal contracts) but it will not ensure equal treatment for the remainder of unmarried couples, whether same-sex or opposite sex.

9. COSTS

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

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

(i) Social Welfare Pensions

1. The cost of removing all the various '**coverage**' anomalies and making the system fully inclusive, should, in my view, be calculated and met from the **Social Insurance Fund** (SIF) and, if necessary, in the context of Budget 2009 (i.e. as a once-off Exchequer contribution), bearing in mind that recent Exchequer contributions to the SIF have been very low and that large amounts, regarded as 'surplus', were removed from the SIF some years ago; therefore the question of raising employer or employee PRSI should not arise in this context.
2. The additional cost of ensuring **adequacy**, i.e. raising the level of the social welfare pension to the recommended amounts in the coming years, should be estimated and then allocated to the Social Insurance Fund (in the case of the contributory pension), to general Exchequer funds (the non-contributory pension) and to the National Pensions Reserve Fund (NPRF - see also section (iii) below).

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

that ongoing contributions are adequate and that drawdowns from the NPRF, after 2025, will also be sufficient.

(ii) Public Service Pensions

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

(iii) The National Pensions Reserve Fund

This Fund was set up in April 2000 following separate recommendations from two separate bodies - the NPPI and the PSPC. Strictly speaking, there should have been two separate funds as they were intended for quite different purposes, but initially they were rolled into one fund and it was said that roughly one-third of it was for public service pensions and two-thirds for social welfare pensions. Over the years, this distinction has become blurred; many people now believe it's entirely for social welfare pensions, others believe it is all for public service pensions; and this is most unhelpful in relation to costing both social insurance and public service pensions.
Apart from this confusion, which is not of course the fault of the NPRF or its staff, or the Commissioners who oversee its operation, the Fund has performed well in the face of global uncertainty and is the only Irish fund to have signed up to the UN's Principles and Guidelines on Socially Responsible Investment. It would seem to be the best available vehicle for increased state involvement in pensions in the future, e.g. in relation to annuities and the investment of mandatory pension contributions.

(iv) Equalising the Tax Incentive

Giving lower-paid workers (who pay tax at 20% or less) a higher level of tax relief or SSIA-style subsidy towards pension contributions, would of course be 'costly' if take-up were high. If successful in incentivising a further 20% of the workforce to start or increase pension contributions, this could raise the present cost of tax relief on workers' contributions by up to one-third, i.e. from €540m. to about €720m.
However, if **un**successful, and if only an extra 10% of workers responded to such an incentive, the experiment would only cost an additional one-sixth (€90m. per annum) or €630 per annum in all. There would also, of course, be additional 'costs', i.e. tax foregone, in relation to investment income and any increases in employers' pension contributions. (The Green Paper contains somewhat different figures to these, but the basis of those calculations is not explained and is not clear to me.)

(v) Mandatory Pensions

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

existing taxes, or new taxes/levies/charges; or combinations of these; and it could be done on a funded and/or PAYG basis.

(vi) Child Pension Accounts (CPAs)

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

10. SUMMARY AND CONCLUSIONS

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

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

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Pensions Coverage (PAYE Workers)

Current situation

Some employers provide company pensions, mostly on a defined contribution basis, however group pension coverage is on a voluntary basis. PRSA's (Personal Retirement Saving Account) while initially seen as a possible cure for pension coverage by making the products simple to understand and obliging employers to inform their staff about them in the absence of another group arrangement have done little but stimulate the AVC (Additional Voluntary Contributions) industry.

Why it doesn't work

Many firms do not provide pension arrangements to staff and have set up "shell" PRSA schemes to meet legislative obligations but these schemes sit empty. Many staff particularly in industries which have high staff turnover such as the retail/food/tourism industries are uninformed and not motivated to find out about pension provision. The "soft" approach taken with PRSA's simply didn't work.

Proposal going forward

Compulsory PRSA schemes for all staff not in a pension should be put in place. Employers should not have to contribute but should make available payroll deduction facilities as they are obliged to do at present if required. Employees should have 5% of their salary deducted at source and put in a PRSA, with the option that they can increase the contributions within

their revenue maximums dependent on age. Every PAYE individual should have an obligation to help provide for their own retirement.
5% while not a huge amount will take some burden off the state when they come to retire.

Compulsory pensions do not have to be portrayed as a negative solution, more that they are empowering citizens to look after themselves better in retirement and it is more likely to increase awareness of pension provision if individuals see a deduction made from their salary and receive an annual statement of benefits. The very use of the word compulsory is unadvisable as it brings to mind negative emotions on the issue. I prefer the term Citizens pensions, as they would not be State pensions even though State bodies would enforce their collection. The emphasis on bringing the compulsory aspect in would be on citizens preparing for their own retirement. If the right language is used, I feel this could be viewed positively by the public/media as its key message is responsible citizens and responsible government, both planning for the future.

Pensions Coverage (Self Employed)

Current situation

Many self employed people do not take out pension arrangements. Every survey done shows a shortfall in self employed pension coverage.

The Problem

In my opinion part of the reason for low coverage is the nature of being self employed and that is living in uncertainty. Many self employed people do not want to lock away funds long term in case something unexpected happens to their business. Many opt to invest in a second property instead as they know that they can sell the property if needed to gain access to funds in case of an unexpected crisis.

Proposal going forward

Do nothing. Self employed people are by their very nature independent individuals who enjoy being their own boss and do not need to be cajoled into pension arrangements, if it suits their needs they will take one out. Many self employed people work after retirement age or sell their business to provide for their retirement. A shortfall in self employed pension contributors is not necessarily a problem as they have other assets for example their business to help provide for their retirement.

Taxation

Current situation

Tax relief given at marginal rate of tax, 20% and 41% respectively.

Why it doesn’t work

In reality the system penalises the less well off in society. Why should someone earning €50,000 a year get 41% tax relief while those earning €20,000 a year only receive 20% tax relief? Those on lower wages should have just as much incentive to provide for their own retirement as those on higher wages.

Proposal going forward

Uniform 41% tax relief on all pension contributions made up to an income cap of €150,000. After €150,000 allow tax relief of 30%. This will make the system fairer to those on lower incomes while still giving those on higher incomes a decent but not excessive amount of tax relief on income over €150,000. Some might argue for a lower rate than 41%, like in the UK, however uniformity means fairness regardless of rate.

Pensions Coverage (Housewives)

Current situation

Very few housewives, even those with part time jobs have any type of pension provision other than possibly a spouse's pension on their husband's policy.

The problem

As housewives have no taxable income, they receive no tax relief and therefore have no incentive to start a pension. A PRSA (Personal Retirement Saving Account) could be taken out by a housewife but without tax relief, it's just a long term investment with no access to funds in the short/medium term.

Proposal going forward

Develop the concept of, "Married People's Pensions", that is. Make 50% spouses pensions compulsory for all married pension contributors and expand the tax relief available to married pension contributors to take into account that they are providing pension coverage for 2 people. This proposal does not have to be retro-active, it could take place on all new pensions taken out from some point in the future.

For example

Husband earns €50,000 a year and receives 41% tax relief on contributions at present. Under the above proposal, he would have to set up his pension with a 50% spouse's pension included. This in effect will lower his main pension but to make up for the shortfall allow 60% tax relief on the contributions encouraging him to put more in his pension within revenue age percentage limits. Where he may have only saved 10% of salary in his pension before, now there is a real incentive to maximise his contributions while at the same time providing pension coverage to his spouse.

Leaving Service Options for Group Pension Members

Current situation

Members of group pension schemes can take an annuity or a tax free lump sum and residual annuity at normal retirement age but do not have access to ARF/AMRF products unless they are a 5% director.

Why it doesn't work

Approved Retirement Funds (ARF) and Approved Minimum Retirement Funds (ARMF) are superior products being offered to the self employed and 5% directors. Most annuities only have a guaranteed period of 5 years after that the insurance company pockets any of the fund not used up in paying a pension. With ARF/AMRF products however, the fund remains the property of the individual at death and can be left to dependents. While there is a danger of the fund running out before death, this is a choice the contributor should be allowed make for themselves like the self employed.

As it stands there are ways to get around this restriction by transferring your fund to a PRSA etc. therefore this restriction should just be removed in the interests of the consumer.

Proposal going forward

Allow group pension members to avail of ARF/AMRF products if they wish.

Conclusion

Taken as a whole I believe these proposals will benefit all the stakeholders in the pensions industry;

- The public will benefit from a fairer tax relief system through uniform relief and in the long run a better retirement due to being compelled to be responsible and provide for some part of their retirement provision.
- While pension providers will have to invest resources to cope with the legislative changes proposed, this should be outweighed by the increased revenue they will generate through all the currently inactive "shell" PRSA schemes becoming active.
- Overall pension coverage will increase and the system will become fairer.

Submission 300

Our 15 year old daughter has a life threatening condition. She has been left severely disabled mentally and physically. Through circumstances beyond my control I became a full-time Carer, a role I have fulfilled for almost 16 years.

I don't have rights that other people take for granted, e.g. time off, holidays, weekends or bank holidays. My job is 24 hours 7 days a week 365 days a year. In addition to my caring role we have also had to fight and campaign for access and entitlement and medical services.

Despite my contribution to society the State regards and treats myself and my daughter as an 'economic burden'. It introduced the policy of 'Individualisation' which is in effect a taxation on Carers. As a single income family we pay the top rate of tax €20,400 before a double income family. This in our opinion is gross discrimination. While my husband is treated as an 'individual' for taxation purposes, I am not treated the same for 'benefit' purposes.

I have no pension entitlement in my own right, either contributory or non-contributory. We cannot afford to make separate pension provision for me and even if we could, it would not qualify for any tax allowance. As the State don't recognise my 'employment' I will not receive a Contributory pension. Bearing in mind the vast sums of money that Carers save the State surely paying these contributions is the least the State should do.

As a Carer, I at least took some comfort from the fact that my husband, who pays full A1 contributions, would be entitled to an Adult Dependant Allowance on his Old Age Contributory Pension in respect of myself. We were very surprised to recently learn from the Citizens Advice Bureau that this allowance is now subject to a means test. We would like

to know exactly how and when this change was introduced as it received little or no publicity and many people are unaware of it.

Our role as Carers place an additional burden on our health. My husband who has to work extra long hours to support the family has already suffered a heart attack. He is unable to look after his own health needs as he is required to lift and carry our daughter despite being advised not to do so, on medical grounds, Cutbacks in health services have resulted in us not having respite for four months. Should anything happen to either my husband or myself we will be left in an unsustainable situation.

The ongoing refusal by the 'partners' at successive Programmes for Government to grant a fair deal for Carers is clearly not just or equitable. Neither is rule by the majority without taking the rights of minorities into account, democracy.

Submission 319

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

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

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

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

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

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

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

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

borrow many times the €10,000 to invest. This means that the financial institutions obtains inflated management fees on many times the amount actually invested. But when the financial flavour of the month investment bubble bursts, the investor of the €10,000, suffers, not only the loss on the €10,000 invested, but also the loss on the borrowed money and the loss of the interest payment on the borrowed money. I write this hard hitting paragraph, as I am disgusted with the greed of financial institutions and I want some proper regulation, in the interests of the public good.

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

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

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

FUNDING: Company directors and company sector. Company directors are also allowed to claim tax relief on large sums of money each year, which can amount to more than 100% of their salaries. After the 2006 Budget, a prominent businessman announced that he was making a contribution of €6,000,000 to his pension fund. Companies obtain tax allowance on amounts they pay into pensions for employees regardless of the amount of pensions purchased. If these tax avoidance schemes were abolished, then many billions of euros would be paid in tax to the State. Of course, as stated before, citizens could be allowed tax relief on reasonable amount of saving during their lifetime. An advantage to all employees of companies would be that they would receive inflation proof pensions and much larger inflation proof pensions when they retired. It must not be forgotten that many directors of companies and employees of such companies, even though they will be entitled to the State Pension, do not need such pension as they will retire multimillionaires or, in a very small

number of cases, billionaires. If the tax avoidance allowances were abolished, the State would receive billions of euros more each year in tax, which would finance higher and adequate State pensions. In the 2006 Budget, a restriction of five million euros was placed on individual pensions, but the Minster can increase this amount by Ministerial order from time to time.
As a result some company have increased the salaries of directors to compensate for the restriction. However, tax has to be paid on this increase.

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

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

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