



Reinventing Retirement: Balancing Risk

THE IRISH PENSION MODEL

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Agenda

- Background
- Current Irish pension model
- Issues arising for private pensions
- National Pensions Review in progress
- Conclusion



Background

- No agreed national pensions policy prior to 1998
- National pensions consultation and research project called the National Pensions Policy Initiative (NPPI) from 1996 to 1998
- NPPI culminated in report to Government in 1998 recommending pension reform package
- NPPI recommendations now implemented
- Pensions part of Social Partnership Agreements



Current Irish Pension Model

- First Pillar
 - State universal basic benefit
- Private Pensions
 - Private voluntary supplementary benefit



Current Irish Pension Model

First Pillar

- Flat benefit
- Old Age Contributory Pension of 32% average industrial earnings subject to contribution conditions
- Old Age Non-Contributory Pension subject to means test for those not qualifying for contributory pension
- Funded on pay-as-you-go basis supported by National Pensions Reserve Fund
- Generally sustainable
- Avoids poverty
- Aims to provide replacement income for 30% lower paid



Current Irish Pension Model

Private Pensions

- Voluntary
- Funded except for Public Service
- DB/DC ratio is 2:1
- Occupational pension schemes, personal pensions, Personal Retirement Savings Accounts
- Covers 52.4% of employed people
- Aims to provide supplementary pensions for 70% higher paid
- Supported by tax reliefs and pensions awareness campaign
- Public Service pension: good benefits/almost universal coverage/ pay-as-you-go supported by National Pensions Reserve Fund



Issues Arising for Private Pensions

- **Coverage** needs to increase to approximately 70% of over 30s at work
- **Defined benefit to Defined contribution** – shift of risk
- **Adequacy** of pension contributions – average contribution is 5% employer/ 5% employee
- **Funding** of Defined Benefit schemes – over 40% of DB schemes have deficiencies
- **Employer** concern over costs
- **Pensions an issue** for Government, employers, trade unions
- **EU Pensions Directive** may be catalyst for change



National Pensions Review

- Statutory requirement to review progress in 2006
- Brought forward to 2005



National Pensions Review

Scope

- Review of NPPI strategic recommendations
- Review of coverage targets
- Review of current private pensions position
- Options to address coverage and adequacy



National Pensions Review

Criteria for Pension Model

- Coverage
- Adequacy
- Cost
- Simplicity
- Continuity
- Modernisation
- Redistribution
- Competitiveness
- Choice
- Robustness
- Acceptability



National Pensions Review

Possibilities Combining 1st & 2nd Pillar

Flat benefit

Defined contribution

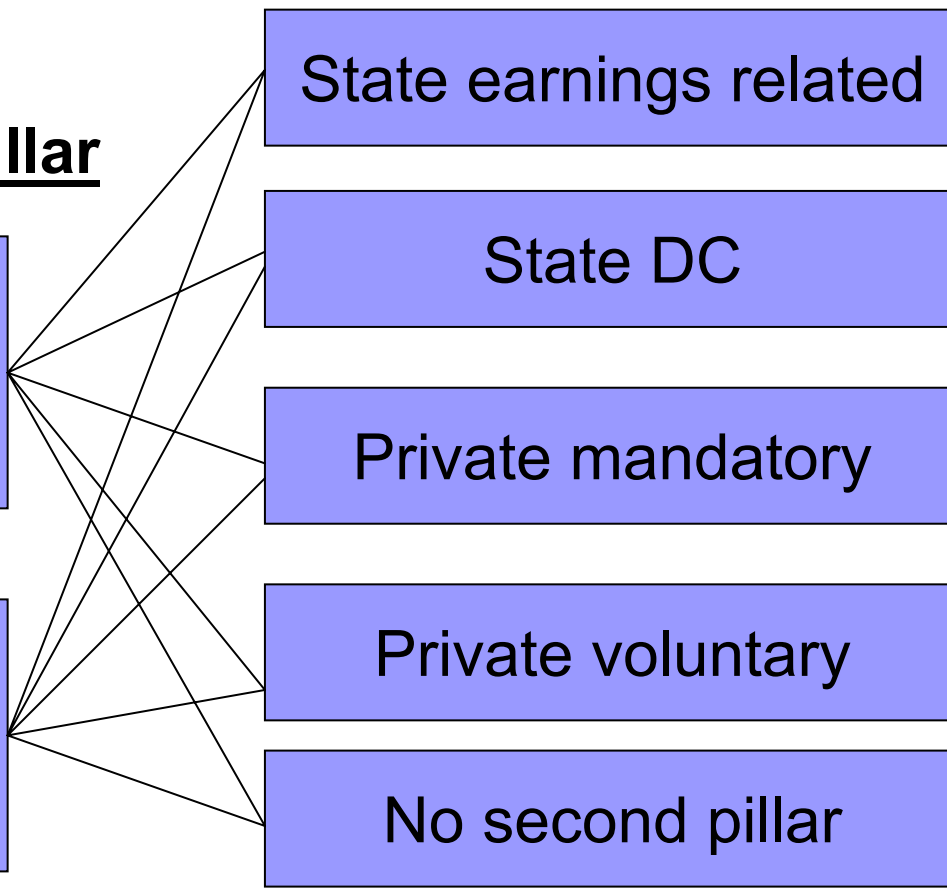
State earnings related

State DC

Private mandatory

Private voluntary

No second pillar



National Pensions Review

Pension models for Further Investigation

- Enhancement of current voluntary model
- Mandatory supplementary private model
- Mandatory supplementary State defined contribution model
- Mandatory supplementary State earnings-related model
- Enhanced First Pillar pension, voluntary supplementary provision



National Pensions Review

Associated issues being considered

- Benefit options at retirement
- State involvement in private pensions provision
- Possible enhancements to voluntary provision
- Retirement age and longevity
- State support and equity
- Female coverage
- Governance (insofar as it affects coverage and adequacy)



In Conclusion

- Agreed national pensions strategy supported by Government, employers, trade unions and pensions industry
- Pensions not a 'party political' issue
- Regular monitoring of progress and flexibility for change
- Public pension awareness – supported by media role
- Pension model influenced by culture, governance, economic and social considerations

And there is no universal model



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