

# DC PENSIONS - IT'S TIME TO SIMPLIFY

10 OCTOBER 2013

**Niall O'Callaghan**  
**Partner**

**Society of Actuaries**

Complexity is your enemy. Any fool can make something complicated. It is hard to make something simple.



Simplicity is the ultimate sophistication



The Amazon logo, featuring the word "amazon" in a bold, black, lowercase sans-serif font. Below the text is a curved orange arrow that starts under the letter 'a' and ends under the letter 'z', pointing to the right.

They used technology to simplify the connection between consumers and solutions lowering costs and improving consumer experience

## How does this relate to Pension?

- Ultimately what we all seek is for people to have “better outcomes” in retirement
- For better retirement outcomes:
  - People need to start liking their pension
  - Find their pension easy to manage, easy to understand
  - They need to be nudged



## Ok, back to reality How do we do this?

### 3 steps

1. Simplify DC pensions – requires a break from the existing
2. Make it (soft) mandatory
3. Embrace technology

## Is it possible to simplify pensions?

### Products

**One** pre retirement pension product – Retirement Savings Account (RSA)

- Replacing PRB, PRSA, Occupational Pension, SSAP, AVC PRSA
- Can be set up under trust or contract
- EET (no USC on pension income in retirement)
- No barriers to movement

A savings product – Personal Savings Account (PSA)

- Set up under contract
- TEE

An ARF

- Set up under contract

# Is it possible to simplify pensions?

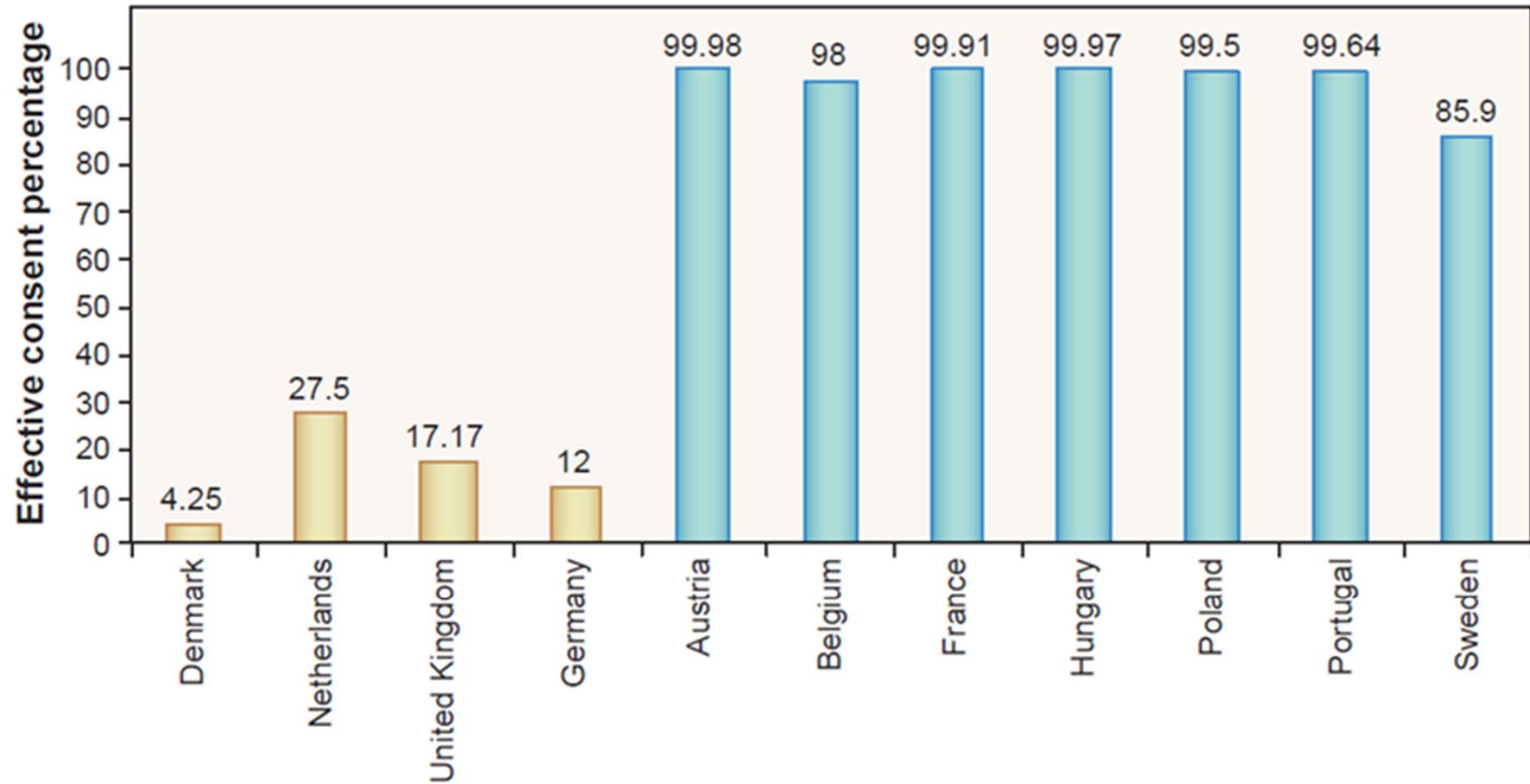
## Limits

- Total RSA contribution cap of 100% of your taxable earnings in a year (employer and employee contributions) to a max of €100k
- Lifetime limit.... as is
- Cap on PSA contributions of €20k per annum

## Benefits

- PSA access at any time.
- RSA available from 50
- 25% of fund as lump sum (€200k tax free, remainder at 20%)
- Remainder transferred to an ARF, (min drawdown from 60 – 5%, max drawdown 10% until 75)
- Or used to purchase an annuity

## Make it soft mandatory



**Effective consent rates, by country.** Explicit consent (opt-in, gold) and presumed consent (opt-out, blue).



## Embrace technology

- Make the legislative requirements more technology friendly
- Online decisions
  - Asset transfers
  - Online retirement options
- Online disclosures
  - ABS online
- One unique identifier linked to all pensions - PPS

# Utopia





Mercer Financial Services Ltd, trading as Mercer, is regulated by the Central Bank of Ireland. Registered Office: Charlotte House, Charlemont Street, Dublin 2. Registered in Ireland No. 312017. Directors: Niall O'Callaghan, Joseph Grogan.