

Society of Actuaries in Ireland welcomes National Pensions Review proposals

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The Society of Actuaries in Ireland broadly welcomes the National Pensions Review Report. Many of the changes that the Pensions Board has recommended were advocated by the Society in its submission to the Board last September.

Retirement deferral: The proposal to make an enhanced State pension available to those who defer their retirement past age 65 is particularly to be welcomed. The Society had called for this as a first step towards recognising the impact of increasing life expectancy. Given that substantial further increases in life expectancy are predicted, consideration needs to be given to increasing the retirement age, and this is one of the areas where the Pensions Board has recommended further debate. The Pensions Board's report suggests that the State pension available to someone who retires at 70 would be around one-third higher than if they retired at age 65: this would represent good value for those in a position to postpone their retirement.

Tax relief: The proposal to replace tax relief with a simpler and more transparent system of State top-up contributions is to be welcomed. People will find the top-up contribution easier to understand so it should provide a greater incentive to save for retirement.

Access to PRSA funds: Allowing PRSA contributors some access to their funds before retirement age will remove one of the key barriers to pension saving.

Mandatory pensions: The report does not recommend any mandatory pension provision on top of current State pensions, identifying this as another area for further consideration and debate. The Society supports this cautious approach. The view put forward in the Society's submission was that there was considerable scope to improve the current voluntary pension regime, and that it is, therefore, too early to consider any increase to the current level of mandatory pension contributions.

Some disappointment re regulatory changes: The Society is disappointed that a number of regulatory changes that it had proposed for defined benefit schemes were not reflected in the report. In particular, the Society believes that the government should review the priorities on pension scheme wind up, to improve the protection given to older and longer serving employees relative to that enjoyed by their colleagues who have already retired.

Increasing cost of pension provision: The projections included in the report highlight the impact of our changing demographics - lower birth rates, longer life spans and migration patterns - on the cost of pensions. The net cost to the Exchequer of the current pension system is projected to increase almost threefold over the period to 2056, from 2.5% to 7.0% of GNP. These cost projections both provide a valuable input to, and underscore the critical need for, public debate about future retirement provision."

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Note: Aisling Kennedy from the Society of Actuaries in Ireland (SAI) is available for further comment/interview. If you wish to contact Aisling Kennedy, please call 086 827-4075 or email: aisling.kennedy@actuaries.ie.

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