

THE SOCIETY OF ACTUARIES IN IRELAND

Press Release

04 March 2010

Actuaries broadly welcome ‘National Pensions Framework’

The Society of Actuaries in Ireland broadly welcomes the publication of the ‘National Pensions Framework’ and expects that the implementation of these recommendations will greatly enhance the support of pension provision into the future.

Particularly welcome is the declared intention to keep the value of the State pension at 35% of average earnings. In its Green Paper submission, the Society of Actuaries recommended that the Government commit to a long-term level of State pension expressed as a percentage of national average earnings, rather than this being a matter for a political decision on a year-by-year basis.

Also welcome is the proposal to increase the retirement age over time, as necessary for the future viability of our pension system, although we believe that further increases beyond 2028 may be necessary, given that life expectancy is expected to continue to improve.

We also note that arrangements will be put in place to allow people to postpone receipt of the State pension and to make up contribution shortfalls and welcome this increased flexibility, allowing people to plan for retirement more effectively. We also welcome a move to a ‘total contributions’ approach in 2020.

The auto enrolment proposal appears to be a measured approach to soft mandatory pensions in that contributions to the new scheme will be made within a band of earnings, with reasonable opt-out opportunities and incentives for staying in the scheme. This new supplementary pension scheme appears to have the potential to be an administratively cost-effective way of enhancing pension provision for those without adequate cover. It is important that the design of any such system should be cognisant of the need to minimise the risk of a ‘levelling down’ in benefits under existing private pension plans.

The proposal to facilitate the restructuring of defined benefit schemes is welcome, although the timeline for this is unclear. Employers and trustees of such schemes will be anxious to clarify how this proposal fits in with the deadlines faced by most

schemes over the course of this year for recovery plans to address current funding deficits.

We remain concerned that removing the marginal rate tax relief will affect middle-income employees most and could act as a disincentive to making financial provision for retirement. We recognise that a State contribution equal to 33% tax relief will benefit lower paid workers, while questioning the extent to which pension saving is affordable for that group.

We look forward to seeing the detail of the proposed changes in occupational pension schemes and voluntary provision and to working closely with the implementation group.

Ends

Issued on behalf of the Society of Actuaries in Ireland by:

Michael Moloney, Setanta Communications Ltd

(087) 2587264

Society of Actuaries in Ireland

The Society of Actuaries in Ireland is the professional body for actuaries practising in Ireland. Actuaries provide advice and relevant solutions for financial, business and societal issues involving uncertain future events. Most of the Society's members work in the financial services industry, and the profession has a statutory role relating to the supervision of pension schemes and insurance companies.

The Society seeks to make an impartial contribution to public debate on social policy and public interest matters where an actuarial perspective can add value.