



Submission to the fifth programme of law reform

Pensions

1. What do you suggest as a suitable project for law reform?

We recommend that consideration be given to developing defined contribution pension arrangements which could be used both for the accumulation (pay-in) and decumulation (pay-out) stage of pensions.

These could be individual contracts perhaps based on the existing Personal Retirement Savings Accounts (PRSAs) as provided under Part X of the Pensions Act 1990 as amended, or a group arrangement offered using a master trust.

2. What issues have arisen in relation to this area that have caused you concern?

Individuals are encouraged to save for retirement (by the provision of tax relief incentives) but supplementary pension coverage remains low. One of the main reasons for this is that pensions are perceived to be complex, and the introduction of a simplified product could help to address this. The current requirement to take pension benefits at the point of retirement by the purchase of an annuity or transfer to an Approved Retirement Fund (ARF) is unduly restrictive; we recommend that more flexibility should be provided whereby the accumulated fund can be retained within the existing product or plan and used to provide retirement income as required.

3. What problems does this give rise to in practice?

The need to make a once-off decision at retirement can lead to outcomes which are sub-optimal for the individual. In addition, the need to transfer to a separate product (ARF) can lead to significant additional costs, including advice, related to the transfer and requires a review of investments which might not be necessary if the accumulated fund were to remain under the product or plan in which it had been accumulated – see the [report](#) of the Pensions Council on this issue.

4. What would be the potential benefits of reform of this area?

Such arrangements could be used as a tax efficient and simple way of encouraging saving for retirement, and also as a post-retirement drawdown product. Simplicity and flexibility would be key to ensuring that the product could meet the needs of retirement savers at any stage in their life cycle.

5. Any other general comments.

We would be happy to provide further detail if required.

29th September 2017