Introduction

As the snow was falling in many parts of the country last week, the Government published an ambitious 5 year pensions roadmap, proposing reform in the following key areas of the Irish pension system:

- State Pension
- Introduction of an auto enrolment scheme
- Improving governance and regulation
- Support for the operation of Defined Benefit (DB) schemes
- Public service pensions reform
- Retirement readiness

There is a lot included in the report, so in this document we have summarised some of the key points which may impact your clients. Of particular interest is what we assume may result in a change to the tax treatment of pension contributions, from the current rates of 20% (standard rate tax payers) and 40% (higher rate tax payers) to approximately 25% for all tax payers.

To begin with, we will cover off on some points that have been discussed already in recent months.

Some things that we have heard before...

- State pension is unsustainable
- Amalgamation of USC and PRSI
- Option to defer payment of the State Pension with an increased amount paid at the point it starts
- IORP II Directive to be transposed into Irish Law in 2019
- Auto enrolment
- Pension simplification agenda
- Removal of mandatory retirement age(s)
- Review of drawdown options at retirement to address inconsistencies
## Reform of the State (Contributory) Pension (SCP)

### Key Points

**Move to a Total Contributions Approach (TCA) by 2020**
- Workers with 40 years’ social insurance contributions will qualify for the full pension, with allowances for gaps of up to 20 years for caring duties.

**Continued indexation of the SCP**
- Future increases to be linked to CPI and average earnings
- Set a formal benchmark of 34% of average earnings

**No increases to qualifying age until at least 2035**
- Other than those already provided for in 2021 and 2028
- Any change after 2035 will be linked to increases in life expectancy

**Annual review of social insurance rates to consider affordability**

## Auto enrolment

### Key Points

**Introduce system of auto enrolment by 2022.**

**Example of suggested eligibility**
- All employees aged 23+
- Earning €20,000+ p.a.
- No existing private pension provision in place

**An opt out period will need to be set e.g. 9 months**

**Self-employed or those with earnings lower than €20,000 may be allowed to opt in**

**Contributions from employer and employee with the State matching the employee contribution 1:3 (33% Government top up)**
- Contributions by the State to replace not augment existing tax relief system
- Upper limit of 6% of gross salary on employer contributions

**Benefits payable when worker becomes entitled to the State Pension**

## Governance and regulation

### Key Points

**Introduce a new governance framework**
- Pensions Authority will have new powers to oversee compliance
- Schemes must show they are fit for purpose

**New set of professional standards for trustees**

**Multi-employer pension structures (Master Trusts)**

**Pensions simplification**
- Reduce the number of different types of retirement savings vehicles aimed at doing the same thing

**Approved Retirement Fund (ARF) review**
- Is there a need for regulatory oversight
- Review of ARF criteria including specified income requirement
- Group ARF products or in-scheme drawdown option

**Raise scheme governance standards**
- Fitness and probity regime for pension schemes
Support for Defined Benefit (DB) schemes

**Key Points**

- More than a quarter of all DB schemes do not meet the actuarial funding standard
  - "Wind up" standard
  - Improved level of protection for scheme members and beneficiaries
- Increased powers for the Pensions Authority
  - More frequent provision of information
  - Earlier notification of any scheme difficulties
  - More powers to take action

Public sector pensions

**Key Points**

- Pension Related Deduction (PRD) to be converted to permanent Additional Superannuation Contribution (ASC)
  - From 1 January 2019
  - Currently PRD does not count as a pension contribution for the purposes of the age-related tax relief limits
  - ASC will be treated as an employee pension contribution
- Introduce legislation to increase compulsory retirement age for public servants to 70 for those recruited before 1st April 2004
  - Interim arrangements already in place

Retirement readiness

**Key Points**

- Develop proposal for State Contributory Pension deferral scheme
  - Increased rate to apply when claiming
- An inter-departmental Government group to be established to review mandatory retirement age practices across industry sectors
- Review retirement ages across different pension products with a view to creating a standardised upper age limit
  - Also greater standardisation of drawdown rules
- Improve awareness amongst older workers of positive financial incentives in continuing to work e.g. no PRSI for those over age 66, reduced USC rate

Conclusion

What is clear from the report is that we are at the start of a long road which will see huge change to the pensions landscape in Ireland. Much of the detail is still to be agreed so figures and dates included in this document are those indicated in the report and are by no means finalised.

The report also sets out a number of public consultations which are set to take place on certain aspects. These will include the Total Contribution Approach and the auto enrolment design with the consultation process due to begin in Q2 of 2018.

New Ireland encourages all stakeholders to engage in the consultation process. People working in the pensions industry have long experience in helping our citizens to prepare for their retirement. It is important that our views are heard by those who are deciding retirement policy into the future.

Contact us

If you would like to discuss any of the proposed changes, please get in touch with the New Ireland Technical Support team on (01) 617 2780, or by email lifeandpensions@newireland.ie.

Whilst care has been taken in its preparation this document is of a general nature only and should not be relied on in relation to a specific issue without taking appropriate professional advice. Any views and opinions expressed are subject to change.

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