

# **THE SOCIETY OF ACTUARIES IN IRELAND**

## **Society of Actuaries in Ireland welcomes Green Paper on Pensions**

**Press Release, Wednesday, 17th October 2007**

The Society of Actuaries in Ireland welcomes the Government's Green Paper on Pensions and looks forward to taking part in the public consultation process announced by Minister Cullen.

### ***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 State social welfare pensions. The information presented reinforces the need for public debate about future retirement provision and will help inform that debate.

### ***Defined benefit schemes***

Drawing on a presentation to the Partnership Pensions Review Group by the Society's representative on the Pensions Board (Ms Rosalind Briggs), the Green Paper makes the point that the cost of a defined benefit scheme is determined not by the funding standard, but by the benefits provided, the investment returns earned, the rate of price inflation (if pensions are index-linked), demographics (the longevity of pensioners) and annuity costs.

The Green Paper questions whether or not the funding standard for defined benefit schemes should be changed. The funding standard sets out the minimum assets that a scheme must hold and the steps to be taken if the assets fall below this level. The Society believes that the funding standard helps to safeguard the entitlements of pension scheme members. However, the Society looks forward to considering the questions raised in the Green Paper and responding.

The Society welcomes the fact that the Green Paper highlights an issue with the priority given to pensioners' liabilities, which rank ahead of other liabilities in a scheme wind-up. The Society believes that some form of "levelling up" is needed, in particular for those members approaching retirement age.

### ***Defined contribution schemes***

The Green Paper indicates that only 27.8% of persons aged 23 - 27 earning between €25,000 and €34,999 are meeting the Society's recommendations regarding the contributions needed to fund a pension of 50% of salary. The Society welcomes the opportunity afforded by the consultation process to advance the debate on ways of improving the adequacy of pensions provision. A key element of this is providing further education on the need for pension provision and on desirable levels of provision.

***Supplementary pensions – incentives for retirement savings:*** The Green Paper sets out various options that might be considered in respect of tax reliefs. It is unfortunate that the data available to support an analysis of considerations of equity between different contributors was quite limited. However, data presented on proposals for SSIA-type pension arrangements should help to advance the debate on this topic.

On mandatory pensions, the paper sets out a number of adverse financial and administrative issues. The Society believes that increasing the State pension represents a more efficient way of extending and improving pensions coverage than introducing mandatory contributions. Improvements in the State pension can be coupled with simplification and improvement of the current regime for voluntary retirement savings.

The Society also welcomes the fact that early access to pension funds, and extension of the availability of Approved Retirement Funds, are included in the topics for debate.

### ***Work flexibility in older age***

Echoing views previously put forward by the Society, the Green Paper suggests that increasing the retirement age is one way to address increasing pension costs. The Society believes that this is sensible in the context of the improvements in longevity that we continue to enjoy.

The Society welcomes suggestions on flexibility of retirement age, whereby people could choose to phase in their retirement over a number of years.

### ***Ends***

**Note:** Philip Shier, President of Society of Actuaries, (087 240 1271) and Yvonne Lynch (086 3848233) are available for further comment on behalf of the 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.*

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