



Irish Life

Interdepartmental Pensions
Reform and Taxation Group

CONSULTATION ON
SUPPLEMENTARY
PENSIONS REFORM

ROADMAP FOR
PENSIONS REFORM
2018-2023



CONTENTS

	PAGE
1. Introduction	2
2. Harmonisation of Rules	4
3. SECTION A: Reduction of Pension savings vehicles	5
4. SECTION B: Costs to the exchequer	15
5. SECTION C: Approved Retirement Funds	27
6. Conclusion	31

INTRODUCTION

Irish Life welcomes the Interdepartmental Pensions Reform and Taxation Group's consultation document on the reform and simplification of pensions. We agree with the view as set out in the consultation document that ease of understanding and confidence in the pension system are critical in encouraging people to save adequately for their retirement. The reform and simplification of the current system would greatly facilitate any initiatives to expand supplementary pension coverage. We believe that it is important that members can save in the long term with confidence. This requires that members trust that pension schemes will be well run. It requires that members are consistently kept well informed, and can understand their options, so that they can make informed decisions. And it requires a regulatory environment that is stable, in order to support long-term planning. We believe these outcomes can be best achieved by a system-wide review, coordinated across regulators, that provides consistency across pension products.

The key long term challenge facing private pension provision is adequacy of outcomes and ensuring that savers are well prepared for retirement, particularly in an environment of increasing longevity and the ever growing pressure on the sustainability of state pension benefits. In order for people to be engaged with their retirement needs, pensions choices need to be simple, uniform and communications need to be clear and transparent. However, the key objectives should be that the system is designed in a manner to encourage all workers to save more for their retirement.



Pensions coverage must also be viewed in tandem with pension adequacy and a key pillar to ensure pension adequacy is the tax relief provided by the State. It must be remembered that tax relief on pension contributions is merely a form of tax deferral until retirement. It provides a financial incentive to commence and continue saving and allows investment growth to occur without taxation, differing to other investment choices.

Key principles of reform and simplification:

1. Consumer focused

Products, literature, charges, investment choices and pensions options all need to be simple, consistent, easy to understand and provide value for money for consumers. The design of all of these needs to have consumer needs at its core.

2. System wide reform and simplification, coordinated across regulators

The myriad of pensions vehicles that have been generated over the year has created a complex web of differing regulations and differing outcomes for consumers. We believe that to have a pensions system that can be readily understood by consumers will require the involvement of all the regulatory bodies to ensure the removal of unnecessary complexity from the regulatory framework.

3. Consistency of rules across products

In practice if an individual stayed in the one job, or had the same employment status, throughout their working life their pensions would be governed by a single set of rules. However, this is now seldom the case and as an individual's employment status changes they cross over pensions 'systems' and the complexity of their pension arrangements multiplies.

It is our view that the big decision consumers need to make is to start a pension and how much to put into it. Product choice decisions as to how they structure these savings is overly complicating this process. Contribution and benefit options should be 'product' neutral across all pension structures

A large number of pensions are being set up under trust, primarily to access benefit options that are available under occupational pension legislation. The alignment of benefits between 'products' will eliminate this trend. Trust based structures are appropriate for collective pensions only.

Where an individual effectively controls all decisions in respect of their own pension, a contract structure may be preferable and this can be achieved through and an amended PRSA product framework.

Differing rules under differing systems have led to unintended arbitrage and complexity. Harmonisation of these differences should be relatively straightforward and would greatly benefit the simplification agenda.



HARMONISATION OF RULES

One simple set of rules for all

Harmonisation of rules should standardise the contribution, tax relief and benefit rules regardless of employment status (employed / self-employed / retired) and regardless of trust or contract. The aim should be to reduce pension contribution and benefit rules to a single page that an individual will actually read and understand.

For example:

1. A lifetime Standard Fund Threshold (SFT) of €2m to apply. That is, the maximum total sum of an individual's pension benefits as they commence to be paid
2. Contribution limits based on €2m SFT, not salary and service. For example, maximum annual contribution calculated as €2m less existing fund, divided by term remaining to retirement
3. Access to retirement benefits allowed from age 55 to 75 (with an allowance for ill-health if you can no longer carry out your own occupation)
4. Benefit rules no longer based on % of salary. For example, retirement lump sum is 25% of fund or €50,000* (max €200k tax free). Choice of balance as annuity, ARF, taxable lump sum
5. No AMRF requirement
6. Death benefit rules to match these simplified retirement benefit rules
7. Suggest early once off access to a % of fund (with tax liability) be considered to be allowed for "significant life events".

**€50,000 based on approx 150% of average industrial earnings. This would be a lifetime limit.*





SECTION

REDUCTION OF PENSION SAVINGS VEHICLES

A1. Do you agree that PRSAs, BoBs and RACs largely fulfil the same function for a consumer and that it would be beneficial to simplify the DC contract landscape by prospectively ceasing BoBs and RACs? If not, why?

In general the rationalisation proposed is to be welcomed. However, we believe that the rationalisation of pension vehicles can only achieve the aim of simplification in conjunction with a system-wide review of pensions.

Reasons for current position

In proposing changes and rationalisation, consideration should be given to why the current position exists, and would those concerns still apply in the future.

The buy-out bond (BOB) has a particular role in replicating the rules of the transferring occupational pension scheme. For example, in a BOB the retirement lump sum calculation can replicate both the salary & service option and 25% of fund option offered by the scheme; but a PRSA will not offer a salary & service lump sum option. From the point of view of the consumer, a transfer from a DC occupational pension scheme to a BOB does not alter their options, and so is straight-forward. A transfer from a DC occupational pension to a PRSA requires an assessment of different retirement ages and retirement options, and as such a transfer to a PRSA is more difficult for the consumer to assess relative to a transfer to a BOB. The consumer may become significantly worse off simply by switching from one vehicle to another.

It also would be difficult for trustees to approve a transfer to a PRSA, particularly without member consent, if they felt that the member could potentially be disadvantaged by doing so.

If prospective harmonisation does not achieve a common calculation method for maximum tax-free lump sums across occupational schemes and PRSAs, then it will be necessary for PRSAs which receive a transfer from an occupational pension scheme to have a salary & service lump sum calculation option. This would be possible within PRSA legislation, as a PRSA AVC allows for tax-free lump to be calculated either as 25% of value or on a salary & service scale.

As such, the removal of the BOB and RAC is tied into an overall equalisation of options available generally.

We believe that simplification must be considered first and foremost from the point of view of the consumers.

We believe the prospective removal of BOBs and RACs is tied into an overall equalisation of options available generally.

Consumers should not be forced to move from existing contracts, as these may include valuable benefit options.

A2. What, if any, positive or negative consequences would you foresee from the prospective cessation of BoBs and RACs? What changes would be required to the legislation governing PRSAs? What transitional measures would be required?

PRSAs are subject to a large amount of regulation, lacking in flexibility and restrictive in terms of the fund offerings when compared to other products. It would be a retrograde step if the decision was taken to move everything to this current structure. As such, the proposed review of the PRSA legislation is a vital part of any rationalisation.

Transition measures

A balance needs to be struck between having a short transition period and giving members, advisers, trustees and administrators time to assess the changes and implement the IT and process work necessary to implement the new regime.

We would favour changes being brought into force together, moving to the end position as a 'big bang', rather than changes being introduced piecemeal in multiple stages. Given the scale of the proposed reforms there are many points that may need further discussion, and a longer than typical lead in time will be needed, for example two or three years after the legislation is published for both new and existing arrangements.

Honouring existing contracts

In any rationalisation of pension products, we feel it is important that policies which are already in force are allowed to continue in full force (albeit that new simplified benefit options may apply). Personal Pensions and BOBs that have been taken out in the past may include benefits such as bonuses, investment guarantees or guaranteed annuity rates which consumers would be unable to replace if forced to transfer to a new product in the future. A guiding principle should be that consumers do not lose what they already have.

Following the implementation of PRSA reform, no new RACs or BOBs should be issued. Existing RACs and BOBs should have the option to move to the new PRSA structure but it should be made clear they are not compelled to do so. It should always be the case that existing contracts can be fulfilled (including continuing contributions), and this should not be considered a temporary transition measure. Consideration could be given to allow providers to transfer customers from one product to another subject to proper disclosures.

Personal Pension Term Assurance

Consideration should be given to the gap that will exist if RACs (personal pensions) are removed. Currently those in non-pensionable employment can avail of tax relief on contributions paid towards life cover under a personal pension term assurance. PRSA legislation does not allow for a similar PRSA term assurance product.

A3. What changes would you recommend to the design of the PRSA product?

We are cognisant that there is already a very rigorous product approval currently in place for PRSAs. Whilst there are many positive aspects to PRSAs, it is widely accepted that this very close oversight can be restrictive in terms of investment, charging and commission flexibility for contributors. The inclusion of two regulators in the approval process (Pensions Authority and Revenue Commissioners) increases the cost and time involved in approval of any changes. This can discourage PRSA innovation.

We would suggest that product changes could be done on a notification basis, rather than on an approval basis. For example, product, pricing or terms and conditions changes in the health insurance market must be notified to the regulator 30 days in advance of implementation. The regulator has the opportunity to review, and if required object, to any changes within that 30 day period. If no objections are raised the provider may proceed on the expiry of the 30 day notice period. The onus of compliance with all applicable regulation however always remains with the provider.

We believe PRSA product design should be more flexible and the approval process simplified.

Summary of current notification requirements to regulators of product changes

	PRSA	Insured OPS	Non insured OPS	RAC
Pensions Authority	All changes to charges and availability of investment options notified 1) Application form signed by 2 directors 2) Fee 3) Compliance certificate signed by 2 directors and PRSA actuary 4) Product specification including type (standard or non-standard), charges, method of distribution, description of DIS	No notification Scheme must be registered with Pensions Authority, but no notification requirement for product changes	No notification Scheme must be registered with Pensions Authority, but no notification requirement for scheme charging or investment changes	Not regulated by Pensions Authority
Revenue Commissioners	All changes to charges and availability of investment options notified Submission of terms and conditions for approval	Where the provider deems changes to be significant changes are notified by submission of terms and conditions and standard scheme rules for approval	No notification requirement regarding scheme charging or investment changes	Where the provider deems changes to be significant changes are notified by submission of terms and conditions

As an example, our most recent application for PRSA approval took 6 weeks from application to approval by the Pensions Authority and Revenue Commissioners. In other situations, it has been quicker to surrender existing PRSA plans and have clients take out new PRSA plans at the reduced charging structure, rather than go through a process with the regulators to reduce the charges on the existing PRSAs. Similarly, while tax relief is applicable to health insurance products these changes are not notified to the Revenue Commissioners but are reviewed on an annual basis.

In addition to the notification requirements to Regulators, there is of course disclosure of any changes to the individual client. Under the Central Bank of Ireland Consumer Protection Code, providers must make full disclosure of all relevant material information including changes to charges.

At a high level the main issues with current PRSA products are as follows:

1. The legislation governing charges under PRSAs is more restrictive than other pension products causing inequalities. Having only 2 charges on the product reduces options to build tailored products to suit clients, advisers & product providers
2. Investment regulations under PRSAs are more restrictive than other pension products causing inequalities
3. General difficulty for clients in understanding PRSA products e.g. Standard & Non Standard, PRSA & PRSA AVC, retirement age dependant on employment status
4. PRSA providers should be able to include Pension Authority charges as an additional product charge in line with occupational pensions
5. Transfer restrictions should be removed as tax-treatment, contribution limits, retirement options etc. are equalised. For example, removal of 15 year rule and Cert of Benefit Comparison on transfers from DC occupational pension schemes. We recognise that DB schemes may have particular considerations, both from the trustees and members point of view, but any requirements should apply equally on transfers from a DB scheme whether to a DC scheme or a PRSA.
6. To avoid confusion for customers, disclosure requirements and format should apply consistently across all pension types be they personal pensions versus PRSA's. Providers should be given more flexibility as current disclosure rules are very prescriptive.

A4.

In terms of pension vehicle rationalisation, what impact could the introduction of the pan-European Personal Pension Product (PEPP) have?

From a European perspective we would stress the importance of ensuring that already existing and well-functioning pension systems will not be affected by the introduction of PEPPs.

For PEPP to succeed it first requires the harmonisation of pension decumulation options across the EU. Unless that happens, PEPP is faced with two significant issues:

Feasibility of requirement to have one compartment for each EU member state

The proposed approach of a PEPP having one compartment for each EU state (within three years of entry into force of the regulation) is too complex. PEPP providers will need the knowledge and resources to handle all the different languages, legal requirements, ongoing taxation framework changes and so on. The inevitable result will be that PEPPs are offered only by a handful of the very largest companies, meaning less competition in practice, rather than more. Such an approach would also ultimately increase costs.

Taxation measures, decumulation and potential for arbitrage

The significance of taxation treatment and drawdown options cannot be underestimated. Many bodies have already acknowledged this. For example an EU consultation paper on developing an EU single market for personal pensions (from April 2016) referred to the need to avoid introducing opportunities for regulatory arbitrage on the decumulation options or tax treatment at retirement. We would have a concern that if PEPPs allows flexibility to choose which country's legislation applies to your pension, this will be used for arbitrage to select the most beneficial drawdown depending on personal circumstances, e.g. earliest age, maximum lump sum, etc. Indeed based on what we see of the international pension transfer market, it is quite possible that arbitrage could end up as the primary market for PEPP (similar to the experience with QROPS and the UK).



We believe the impact of PEPP can only be assessed when there is greater clarity around the options and taxation treatment during the decumulation phase. If the PEPP is introduced before this is done, the product holds a greater risk of use for arbitrage.

A5.

In what ways would consumers benefit or be disadvantaged by the standardisation of minimum and maximum drawdown ages across occupational schemes and personal pension products?

Individuals, whether self-employed or employees, are increasingly moving from full-time work to fully-retired on a phased basis, rather than at a single point in time. Greater flexibility is required to facilitate this.

Self-employed vs employee

We do not understand the policy objective in having different retirement ages for the self-employed relative to employees. Standardising drawdown ages and generally flexible options will be a positive outcome with gains in understanding and trust that come from consistency.

Minimum age for drawdown to commence

Currently minimum age for drawdown to commence ranges roughly from 50 to 65 depending on the particular product or scheme. In considering the impact of longer average life expectancy and changes to maximum age for drawdown to commence, we feel it is reasonable for the minimum age to move to 55 as standard (other than on ill health).

Certain occupations which traditionally allow early retirement

Pension legislation allows for early retirement from certain occupations in which persons customarily retire early. 50 is the earliest such drawdown age permitted. While well intentioned, the list of occupations appears arbitrary (e.g. the inclusion of singers and brass instrumentalists, but not other musicians). It has also faced accusations of being weighted towards professions that are traditionally male dominated (inclusion of fishermen and offshore riggers, but not nurses).

We would suggest that if a standard minimum age of 55 is applied then it should no longer be necessary to set special arrangements for selected occupations.

Trivial Pensions

The removal of the AMRF requirement would remove the need for all trivial pension rules on DC arrangements.

If the AMRF requirement is retained then there is a need for trivial pension rules to deal with small pots. There would also be a need for an ill-health early access rule for AMRFs themselves as this is missing currently.

Maximum age for drawdown to commence

Pensions in Ireland are based on an exempt, exempt, taxed (EET) principle, and we understand that for this principle to hold pensions must be taxed at some point. However, it is important to distinguish between the commencement of taxation and prohibiting consumers access to their pensions. Currently the maximum drawdown age is enforced by prohibiting any further access during the lifetime of the individual over a certain age, i.e. vested PRSAs and vested RACs. This concept of prohibiting access to funds because an individual is too old goes against the primary purpose of a pension, namely providing an income in old age.

A standardised upper age of 75 could apply, after which all pensions would be treated under post-retirement taxation and death benefit rules. But this need not mean that drawdown of benefits is prohibited above the maximum age.

We believe there is no reason why an individual's employment status should determine when they retire.

A6. Would harmonising the treatment of employer contributions to occupational schemes and PRSAs be beneficial? How would this be best achieved? Would it result in a shift from single member schemes (and possibly SSAPS?) to PRSAs? How would any change impact the funding incentives for employees/employers?

The effect of the taxation policies of successive governments (including short-notice changes to the pensions tax regime) on the complexity of pension arrangements, although acknowledged within the document, cannot be underestimated. The simplification process will not succeed unless parity of tax relief, tax-free lump sums and benefits is achieved across all pension arrangements.

Neither occupational pension nor PRSA contribution limits were designed with employer sponsored DC pensions in mind, and consequently it is questionable why either is appropriate going forward for DC. PRSA contribution limits are based on rules originally designed for the self-employed. Occupational pension contribution limits are based on rules originally designed for defined benefit schemes and at a time where members did not frequently move from one employer to another. These rules are based around an employee's years of service and potential pension as a percentage of salary.

In addition, having occupational pension rules based on salary and service requires the retention of this personal data over many years, which is an increasingly sensitive and complex issue given data protection/GDPR regulations.

The introduction of the Standard Fund Threshold (SFT) ensures no abuse of pension system by high earners. To continue regulating and monitoring contributions based on a maximum potential annuity or percentage of earnings is an unnecessary burden in the context of there being an SFT. **We would suggest a principle of standardised contribution limits into all approved pension arrangements and rely on SFT to ensure pension reliefs are not abused.** If an annual limit is also required, we suggest an annual limit based on the shortfall between the current and the standard fund threshold (currently €2m) divided by the term remaining to retirement.

Single Member Schemes

No, harmonising the treatment of employer contributions across DC schemes and PRSAs alone would not be sufficient to encourage a move away from single member schemes. To achieve this will require harmonisation across all aspects of occupational schemes and PRSAs, including retirement ages, contribution limits, retirement benefits, death benefits and investment options.

We believe consumers expect to have the same options and level of protection regardless of the pension product they have. Harmonisation of contribution rules is a key element of simplification, along with the harmonisation of benefits.



A7.

Would harmonising the calculation method for maximum tax-free portion of the retirement lump sum across DC occupational schemes and personal pension products be beneficial? How would this be best achieved? Would it result in a shift away from single member schemes?

As a principle, all individuals should get the same retirement options. With the increased movement to DC arrangements we would suggest that these have 'fund' based rules rather than 'earnings' based rules, i.e. similar to the current ARF route options. With frequent movement of employees, the 'earnings' based rules requires long-term tracking of personal salary and service information, and in practise holding such information over long periods of time for ex-employees is further complicated by GDPR and data protection legislation.

A second factor is that smaller funds produce very little lifetime income, and the lump sum option is therefore a key attraction for lower earners and we would suggest an amendment to the current ARF type option allowing for the full amount of smaller funds to be taken as a lump sum.

We suggest an amendment along the lines of:

- Lump sum equal to the higher of 25% of the fund value or €50,000; (capped at a maximum tax free of €200,000)
- Balance used to purchase an annuity or ARF

Single Member Schemes

No, harmonising retirement lump sum calculations across DC schemes and PRSAs alone would not be sufficient to encourage a move away from single member schemes. This will require standardisation across all aspects of occupational schemes and PRSAs, including retirement ages, contribution limits, retirement benefits, death benefits and investment options.

We do believe that a contract solution is an appropriate alternative for a large number of existing DC one-member schemes, provided both the contribution and benefit options are harmonised. Member and employer engagement levels are high on DC one-member schemes in terms of setting contribution levels, selecting investments, and choosing when and how to retire. We are concerned that much of the focus has been on Master Trusts as an alternative to DC one-member schemes, but this is an expensive solution. PRSAs will work as a contract solution provided there is full harmonisation of rules.

We discussed this further in our response to the Master Trust consultation run by the Pensions Authority. We made these points in that paper:

"With regard to 1 person schemes, the Pensions Authority have in the past mentioned master trust as an alternative to the large number of one-member company pension schemes currently in existence. In considering one-member schemes, it is important to remember that the vast majority are insured one-member schemes. As insured schemes, these are administered on a bulk scale by a regulated entity. As such, compared specifically with insured one-member schemes, there is considerable risk that using a master trust to replace the current structure would actually increase costs without improving member outcome or protection. We urge deeper consideration of these issues.

As the Pensions Authority are aware, one-member insured schemes are legitimately set up by employers because tax legislation dictates that this is a more efficient structure than PRSAs. If the Pensions Authority have concerns about the number of one-member insured schemes (and we do not believe the Pensions Authority should have any such concern) then this should be considered as part of the current simplification and reform process, by the equalisation of contribution, tax relief and benefit rules across trust and contract pension structures."

**- Irish Life response to the Pensions Authority Consultation Paper on Defined Contribution Master Trusts
5th October 2018**

**current annuity option allows up to 150% of earnings as a lump sum; €50,000 is not far off 150% of current average earnings. The €50,000 threshold would be a lifetime limit, not per scheme.*

We believe there is no reason as to why employment status should govern what your retirement options are.

Consideration should be given to allowing an existing one-member scheme convert to the underlying insurance contract to an approved pension arrangement in its own right, with the option that contributions may continue in line with existing occupational pension legislation. It should be remembered that contracts are already permitted under occupational pension legislation, and it is already permitted that a contract underlying a one-member arrangement may be allowed to continue outside of a trust, i.e. BOBs.

A8. Should the rules around the tax treatment of death-in-service benefits between DC occupational schemes and personal pension products be harmonised? How would this be best achieved?

As mentioned, pensions in Ireland are based on an exempt, exempt, taxed (EET) principle, and we understand that for this principle to hold pensions must be taxed at some point. However, pension death benefits are in many cases an exception to this principle, and it is not clear that this position has arisen from deliberate policy decisions.

In addition the options for beneficiaries are inconsistent. For example, on occupational pension death-in-service there is no option to provide an ARF for a spouse, only an annuity. However where a retired member with an ARF dies, their spouse does have an ARF option.

We believe there is no reason as to why employment status should govern what death benefit options apply to your pension.

Table of death benefit options

	DC OPS Death-in-service	DC OPS Preserved Benefit	PRSA	RAC	ARF/AMRF Vested
Maximum Lump Sum	4 by salary (less retained benefit OPS death benefits, plus AVC/employee contributions) Or, 2 by salary Inheritance tax rules apply	No maximum Full value to estate Inheritance tax rules apply	No maximum Full value to estate Inheritance tax rules apply	No maximum Full value to estate Inheritance tax rules apply	No maximum, but SFT/PFT will have applied at point of retirement Income tax and/or Inheritance tax rules apply depending on beneficiary
Spouse annuity option	Available, at trustee discretion	Not available	Available	Available	Available
Spouse ARF option	Not available	Not available	Not available	Not available	Available

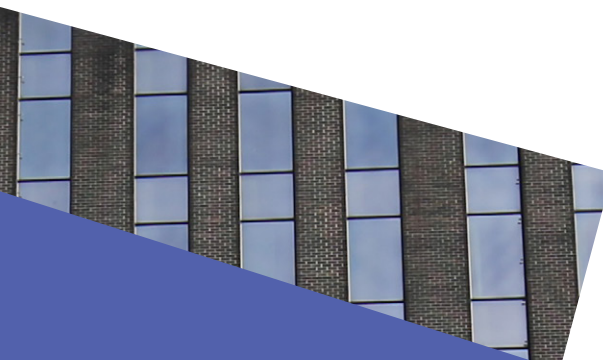
The current rules lead to a number of anomalies:

- Occupational death benefit lump sums can be significantly restricted for lower earners while in-service, yet are unrestricted for low or high earners who are deemed to have left service.
- The beneficial tax treatment applied to pension death benefits can be a disincentive for clients to access retirement funds, and they may instead defer accessing benefits until as late as possible.
- It encourages arbitrage. e.g. occupational pension schemes are frozen, or transferred to BOBs or PRSAs, or transferred to overseas schemes elsewhere in the EU so that the occupational pension lump sum cap of 4 by salary no longer applies (However, the rules on transfers to schemes elsewhere in the EU would need to be considered so that such transfers are not used for arbitrage of death benefit taxation).

In order to balance between the current potential extremes of no tax on full value transferred to a spouse as lump sum vs approx. 70% tax on ARF transferring to an unmarried partner, we suggest this could be simplified by having consistent option and taxation treatment rules across retirement and death benefits:

- Lump sum equal to the higher of 25% of the fund value or €50,000; (capped at a maximum tax free of €200,000)
- Balance used to purchase an annuity (for spouse/dependant) or ARF (for spouse) or paid as taxable lump sum (to spouse/dependant/estate)
- Based on this treatment it would be appropriate for pension funds to be excluded from inheritance tax.

A similar approach could be applied to ARF/AMRF/vested-PRSA/vested-RAC death benefits, but without the option of tax free lump sum.



While careful consideration and consultation would be required so as not to unnecessarily impact DB schemes, it would be appropriate to apply consistent rules across DB and DC schemes to avoid the risk of arbitrage.

A9. Are there constructive changes that could be made to eliminate inconsistencies in the treatment of DC and DB scheme members?

While care is needed not to undermine DB schemes, we believe that the aim should be to harmonise rules across DB and DC to the greatest extent possible. Members should have the same options, regardless of the employer's choice of DB or DC occupational pension.

Those in DB schemes (including public sector superannuation schemes) should be able to access ARF options directly, rather than the current position where members have to transfer to BOB in order to avail of ARF option. The default should be that ARF options are available to DB scheme members, with the proviso that trustees can opt-out if ARF options would threaten the solvency of the DB scheme. Trustees should strongly recommend that scheme members received financial advice prior to any transfer occurring.

The maximum retirement lump sum option should in particular be considered for harmonisation. The majority of private sector DB schemes will allow an option to commute pension for a lump sum, but in most cases the lump sum option would fall within the suggested maximum limit of 25% of the overall scheme value or €50,000. For example, a DB scheme using a €9:€1 commutation rate could allow conversion of a pension of 40/60ths to a lump sum of 120/80ths plus pension of 40/80ths, and the lump sum remains within a 25% threshold of the overall scheme value. Again, this maximum lump sum threshold could be with the provision that if a lump sum of 25% of the value would threaten the solvency of the DB scheme then trustees could apply a lower scale for calculating the lump sum. It may be appropriate that existing DB schemes are given significant transition periods.

SECTION

COSTS TO THE EXCHEQUER

B1. How should the economic and social benefits of tax relief on pension contributions and investment returns be considered or measured and how do you believe the system of tax relief performs in that context?

The economic and social benefits of tax relief on pension contributions and investment will ultimately be measured in terms of the level of coverage and the standard of living enjoyed by our pensioners in the future. Analysis in a report carried out by the Department of Finance and Public Expenditure and Reform entitled Population Ageing and the Public Finances in Ireland suggests that while there are currently around 5 persons of working age for each person aged 65 and over in Ireland, the equivalent figure will be just over 2 by 2050. This shift in the age profile of the population will involve increased spending in demographically-sensitive components of public expenditure, such as pensions and healthcare. Age-related expenditure is projected to increase by 6.5 percentage points of GNI* by 2050 (and also by 6.5 percentage points of GNI* by 2070).

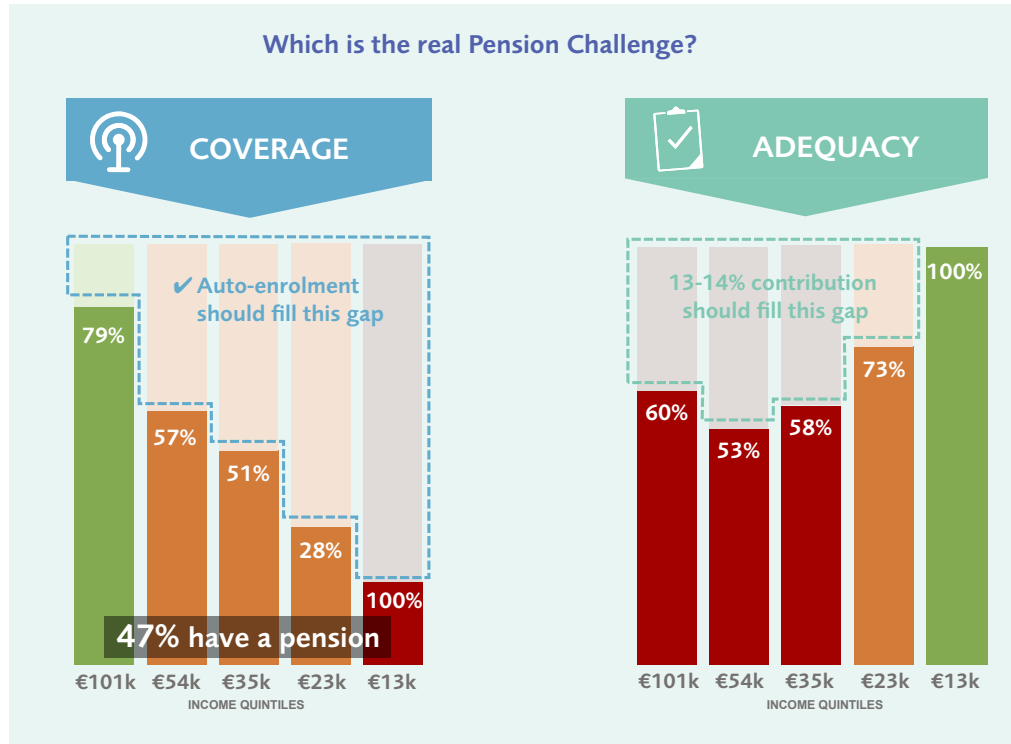
We should learn from the UK Auto Enrolment (AE) experience and introduce a similar system here. In the UK, individuals were effectively nudged in to realising these benefits in tax reliefs and were effectively forced into making retirement provision to limit the dependency on the state on demographically-sensitive components of public expenditure. Only 35% of private sector workers are currently making pension provision in Ireland compared to 78% overall in the UK where coverage levels have dramatically increased as a result of the change.

Pensions adequacy also needs to be a key consideration when assessing the economic and social benefits of tax relief on pensions contributions and a thorough assessment needs to be performed of the impact that any changes in tax relief will have on income in retirement. The vast majority of private sector workers have access to either defined contribution schemes or PRSA's; in both instances the level of income in retirement is directly related to the size of the pensions pot, and the risk of not having sufficient provision in retirement lies with individual. Hence any changes to tax relief will have a very direct impact on these people.

If marginal tax relief were decreased this would have two possible outcomes, either a reduction in net take home income by maintaining current contribution rates to their pension (like a tax increase), or a reduction in pension contributions to maintain net take home income (like a contribution decrease).

We believe that pension adequacy should not be sacrificed for pensions coverage.

If the State believes that 50% replacement income on retirement is appropriate then any changes to the marginal tax relief will have a devastating effect on achieving this – in particular for workers in defined contribution schemes who are middle income earners. Defined contribution members from all income groups will struggle to achieve adequate replacement incomes based on current saving levels – with a danger of pensioner poverty and a further reliance on the State.



Currently 43% of individuals with work income pay tax at the marginal rate- hence a very large number of people would be impacted by any changes to marginal tax relief. Persons most likely to be affected by this are those in the €35k-€80k income brackets - for those on lesser incomes the State pension acts as a good replacement and those on higher incomes generally have other income sources/investment options. It will be the middle that will either have to decrease their take home pay to maintain their pension provision or reduce their pension contributions (which over time will have a huge impact).

For a person who is 35 years old starting a pension scheme and on the average earnings of €45,611, they will need to have total contributions to their pension of 16.3% to achieve a total replacement income of 50% - so pensions adequacy is already a problem without any changes to tax relief. With the current high cost in the housing market, younger persons are already struggling and pensions are not a priority. Irish Life pensions data shows that the current age of starting a company pension plan is 37 with an average contribution rate of 11.4%, as such even with marginal tax relief these persons are unlikely to have an adequate income in retirement.

Any measurement or review of tax relief must also take into account the tax revenue that is generated when pensions are drawn down; to look purely at the cost of tax relief without looking at the tax revenue generated is entirely one sided.

Regular media references to "over €2bn in pension tax relief" massively overstates the true cost. According to the ESRI report ("The Tax Treatment of Pension Contributions in Ireland" May 2017) €541m of the cost comes from the exemption from BIK tax of employer contributions. The ESRI report notes that "Taking into account the government's financial support of public sector pensions – which constitutes a 'benefit-in-kind' to public sector employees - increases the estimated cost of tax relief on pension contributions by €778 million annually."

Any tampering with tax relief must affect public sector and private sector workers equally. A nurse would on an average salary have to pay Benefit-in-Kind tax on 30% of their salary and a garda would be hit with additional tax on more than half of their salary, these would have a fundamental impact on a large number of persons pay and pension arrangements.

B2. To the extent that the State's tax expenditure on pensions has not resulted in high coverage rates, what in your view explains this?

People procrastinate about pensions. The Difference in a Decade: a recent Irish Life report based on Irish Life data shows potential pension gains with a 10-year head start:

- ✓ Irish Life pension data shows the current age starting a company pension plan is 37 with 11.4% contribution rate on average
- ✓ Potential boost in retirement income of 50%-120% if people started pension 10 years earlier
- ✓ "Younger for longer" trend emerging; average age of getting married and having children are on the rise and big decisions like pensions are being deferred.
- ✓ Inertia is an issue - 29% say they just never get around to starting.

Pension coverage rates must also be considered in light of the economic circumstances that have prevailed over the last decade within Ireland. At a time of economic austerity it was unlikely that pension coverage would increase regardless of tax incentives. It must be remembered that pensions provision is a discretionary saving after the cost of housing, child-care, transport, food have been first addressed.

The corollary of this must be a consideration of what effect a reduction in marginal tax relief will have towards existing private pension members and new persons considering taking out pensions. A reduction in marginal tax relief in New Zealand in the late 1980s resulted in a steady decline in pensions coverage until the introduction of auto-enrolment via the KiwiSaver. Reducing incentives to encourage coverage would appear to send mixed messages to consumers. We feel this would be particularly damaging at a time of auto-enrolment, when national headlines would refer to pensions as poorer value for money at a time when plans are afoot to start the major auto-enrolment promotion.

We believe the marginal tax relief is a necessary support but not sufficient alone to generate good pensions outcomes, the combination of tax relief and the nudge of Auto Enrolment is likely to be more effective as a combined measure to address both pensions coverage and adequacy.



Private pensions coverage should be assessed against international standards and recent economic conditions.

B3. What adjustments, if any, could be made to marginal relief to best support the roll-out of automatic enrolment?

Ireland has a very progressive income tax system where low paid workers benefit from low levels of income tax. Despite popular belief to the contrary, the overall pension system actually adds to the progressive nature of the income tax system. The pension system delivers most benefit to lower income and middle income workers (via the State pension).

The two main reasons why the current pension system improves the progressiveness of the income tax system are:

- The cost of the State Pension is higher than the income tax and social insurance paid by a very significant portion of the workforce and therefore the cost is effectively subsidised by the higher paid.
- The tax relief for pension contributions, as a percentage of tax paid for lower and middle income workers is the same as, if not higher than, that for higher income workers.

The tables below show a simple illustration of the impact of pension tax relief on the net amount of tax paid at various income levels. All figures are based on the tax rates that apply from 1st January 2018 and are based on a full 12 month basis. Rates applicable to a single PAYE employee were used. The first table shows the approximate total tax take (including PAYE, USC and PRSI) for PAYE workers on various levels of salary:

Salary	25,000	50,000	100,000	150,000
Income Tax	1,700	9,790	29,790	49,790
PRSI	1,000	2,000	4,000	6,000
USC	474	1,662	5,010	9,010
Total Deductions	3,174	13,452	38,800	64,800
Deductions as % of salary	13%	27%	39%	43%

As this table shows, the current system is strongly progressive, with the effective overall tax rate increasing substantially as income increases. The effective tax rate for an individual earning €150,000 is over three times the rate paid by someone earning €25,000.

The next table shows the impact of making pension contributions at a rate of 10% of salary on the effective tax take at each income level:

We feel there should be no adjustments to marginal relief to support the roll out of automatic enrolment.

Salary	25,000	50,000	100,000	150,000
Total Deductions (A)	3,174	13,452	38,800	64,800
Deductions as % of salary	13%	27%	39%	43%
Employee Pension Contribution (%)	10%	10%	10%	10%
Contribution Amount	2,500	5,000	10,000	15,000
Total Relief (B)	-500	-2,000	-4,000	-6,000
Net Deductions (A+B)	2,674	11,452	34,800	58,800
Deductions as % of salary	11%	23%	35%	39%

As the table shows, the progressive nature of the tax system remains strongly evident here – in fact the impact is to make the system slightly more progressive, with the effective rate paid at the €150,000 level now increased to over 3.5 times the rate at €25,000. The factor increases to 3.5 times because the tax relief, as a percentage of the tax paid, actually reduces as income increases.

Therefore, while the cash impact on the total tax paid by higher earners is clearly higher than for lower earners, the taxation burden remains very substantially weighted to higher earners and this has increased with the introduction of the SFT.

An analysis of contribution and benefit levels for Irish Life customers underlines the progressiveness of the system, with middle income earners receiving the highest tax rebate as a percentage of tax paid.

In practice, pension contributions as a percentage of salary tend to be higher at higher income levels. The following tables are based on actual employee and AVC contributions to Group Defined Contribution Pension Schemes with Irish Life. In our experience, while higher earners make higher percentage pension contributions, the differences are not as marked as might be expected. (Employer pension contributions are paid in addition to these.)

Salary band	Employee Pension Contribution %	% of Scheme Members
<25,000	5.5%	11.0%
> 25,000 and < 50,000	5.1%	49.1%
> 50,000 and < 100,000	6.2%	33.9%
> 100,000 and < 150,000	7.8%	4.5%
> 150,000	8.0%	1.5%

The table below demonstrates how the progressive nature of the tax system is retained in practice. The highest tax rebate, as a percentage of the tax paid, is to the €50k income group.

Salary	25,000	50,000	100,000	150,000
Total Deductions (A)	3,174	13,452	38,800	64,800
Deductions as % of salary	13%	27%	39%	43%
Employee Pension Contribution (%)	5.1%	6.2%	7.8%	8%
Contribution Amount	1,275	3,100	7,800	12,000
Total Relief (B)	-255	-1,240	-3,120	-4,800
Net Deductions (A+B)	2,919	12,212	35,680	60,000
Deductions as % of salary	12%	24%	36%	40%

Although there has been much media comment about abuses of pension tax reliefs, there are now controls in place to ensure that access to pension tax reliefs at high-income levels is limited.

Overall, we believe the current system of deferred tax for pensions is fair and equitable in that it adds to the progressive nature of the income tax system. We are cautious about changes to the current system for fear that it may undermine the confidence people need to have to commit to long term savings. It is important to remember that defined contribution is now the most common form of pension provision, and that people from all income groups will struggle to achieve adequate replacement incomes based on typical current savings levels.

The introduction of the SFT ensures no abuse of pension system by high earners. The regulating and monitoring of contributions to ensure potential benefits are relative to salary size, or don't breach calendar year limits, seem an unnecessary burden in the context of there being an SFT. We would suggest a principle of standardised contribution limits into all approved pension arrangements and rely on SFT to ensure pension reliefs are not abused. If an annual limit is also required, we suggest an annual limit based on the SFT (currently €2m) divided by the term remaining to retirement. Annual limits also work against the self-employed who may have differing earnings and cash flows year on year compared to those in employment.

We comment on the proposed 1 for 3 in our response on Auto Enrolment Consultation Paper.

B4. What form of financial incentives for supplementary pensions, alternative to existing ones offered by the State, would better encourage lower and middle income earners to save for their retirement?

A key problem with the operation of the current financial incentives for supplementary pensions is the fundamental lack of understanding of the level of State support being received by employees. A key focus of the simplification and harmonisation of pension's provisions must be focused on making communication of tax relief as simple and understandable as possible. A nationwide educational campaign should also be put in place across all national media to explain tax relief and encourage participation in pension provision.

Early once off access to a % of fund (with tax liability) should also be considered to allow for "significant life events" and the current AMRF restrictions should be lifted as an encouragement to persons taking out pensions.

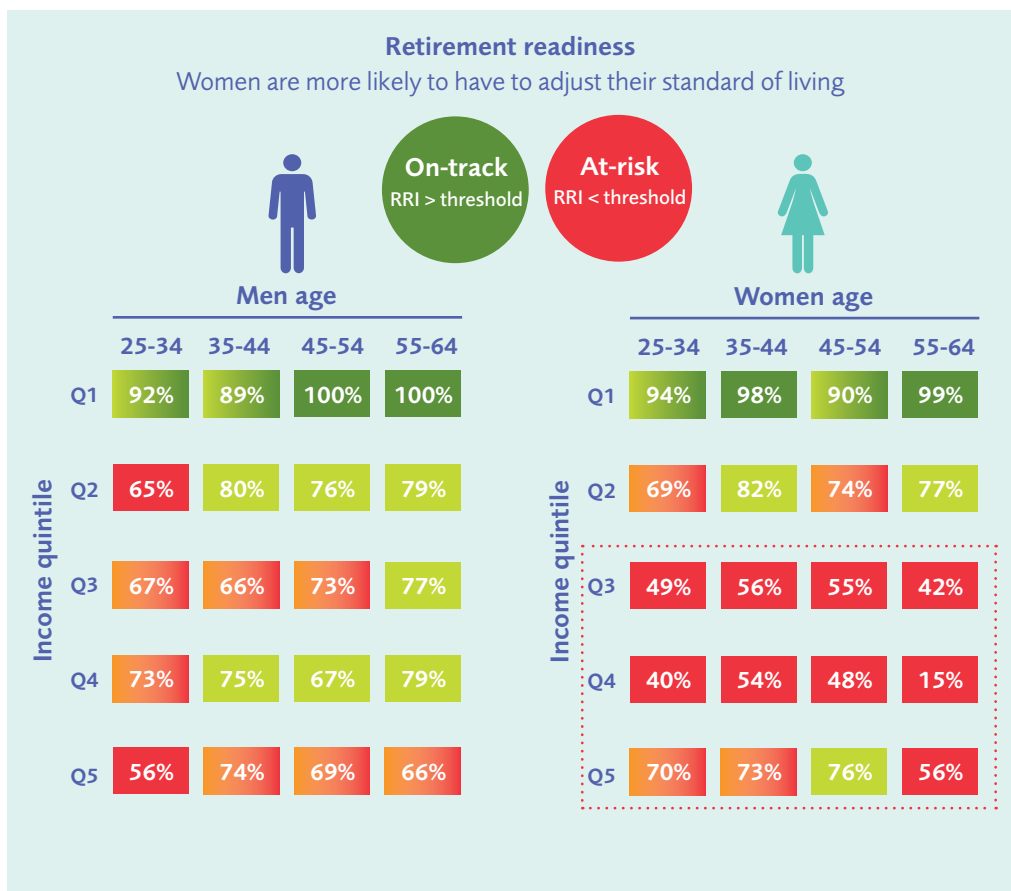
However, as has been experienced in other jurisdictions some form of nudge for employees to take out pension coverage is also required. Rather than requiring employers to make "access available" to a pensions scheme or PRSA, perhaps mandatory defaulting/enrolment of all new employees should be put in place for a minimum period would increase coverage.

We believe there should be taxation measures put in place to bridge the current Pensions Gender Gap.



Pensions Gender Gap

The gender pay gap in Ireland is approximately 13.9%; however, the pensions gender gap is believed to be 32%¹. In addition, research carried out by McKinsey² has shown that women are at particular risk of having to lower their standard of living on retirement. As women live longer than men, to enjoy equal quality of life in retirement via an ARF, they actually need to fund more than men do.

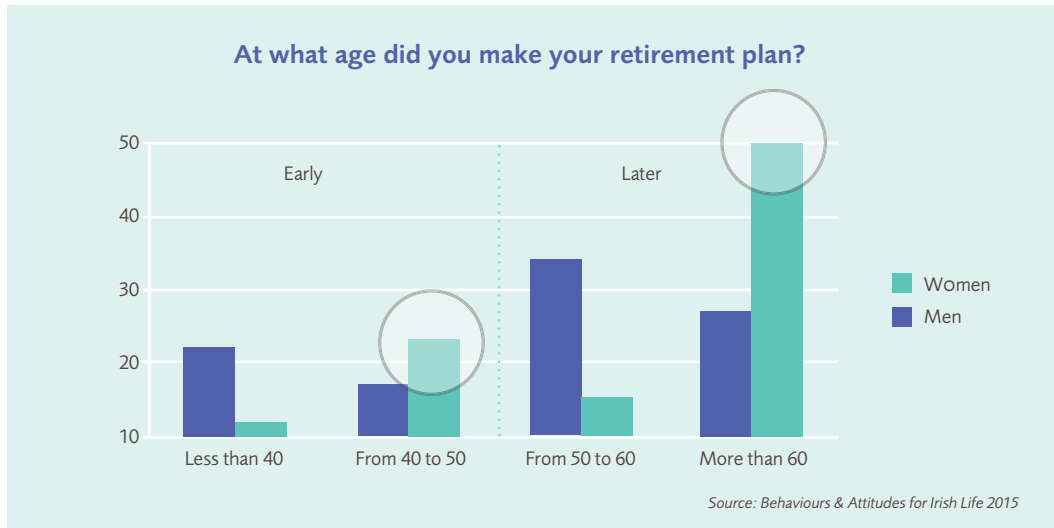


¹ Source: 2017 Report on equality between men and women in the EU.

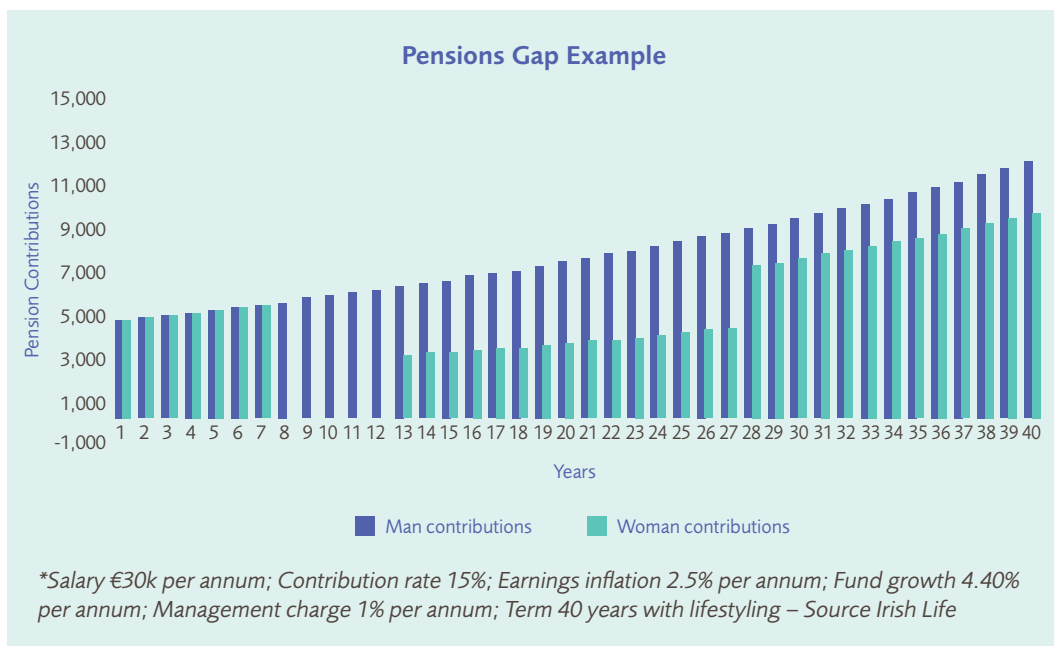
² McKinsey 'Is Ireland's population ready for retirement?' 2015

The reasons for Pensions Gender Gap are varied but include:

1. Pay – women are generally paid less than men and are in part-time or lower paid jobs which limits their ability to save for retirement. The current gender pay gap in Ireland is 13.9% which already creates a differential between the two genders.
2. Women tend to plan later for retirement – for a variety of reasons, some to do with caring responsibilities but also due to lower incomes that do not facilitate savings.



3. Gaps in employment history – women tend to have more gaps than men for maternity leave, parental leave (women are far more likely to avail of this leave). If employers continue to pay an employee during maternity leave then pension contributions (and tax relief) continue as normal, however, if an employer chooses not to pay an employee during these periods there is no obligation to continue pensions contributions. Similarly, if a woman chooses to avail of the 26 weeks unpaid leave then there are no pension contributions or tax relief available.



In the example above, both the man and woman start on the same salary and contribute 15% towards their pension from the age of 28.

The woman goes on maternity leave, parental leave and then chooses to take some time out of the work-force and all pension contributions cease.

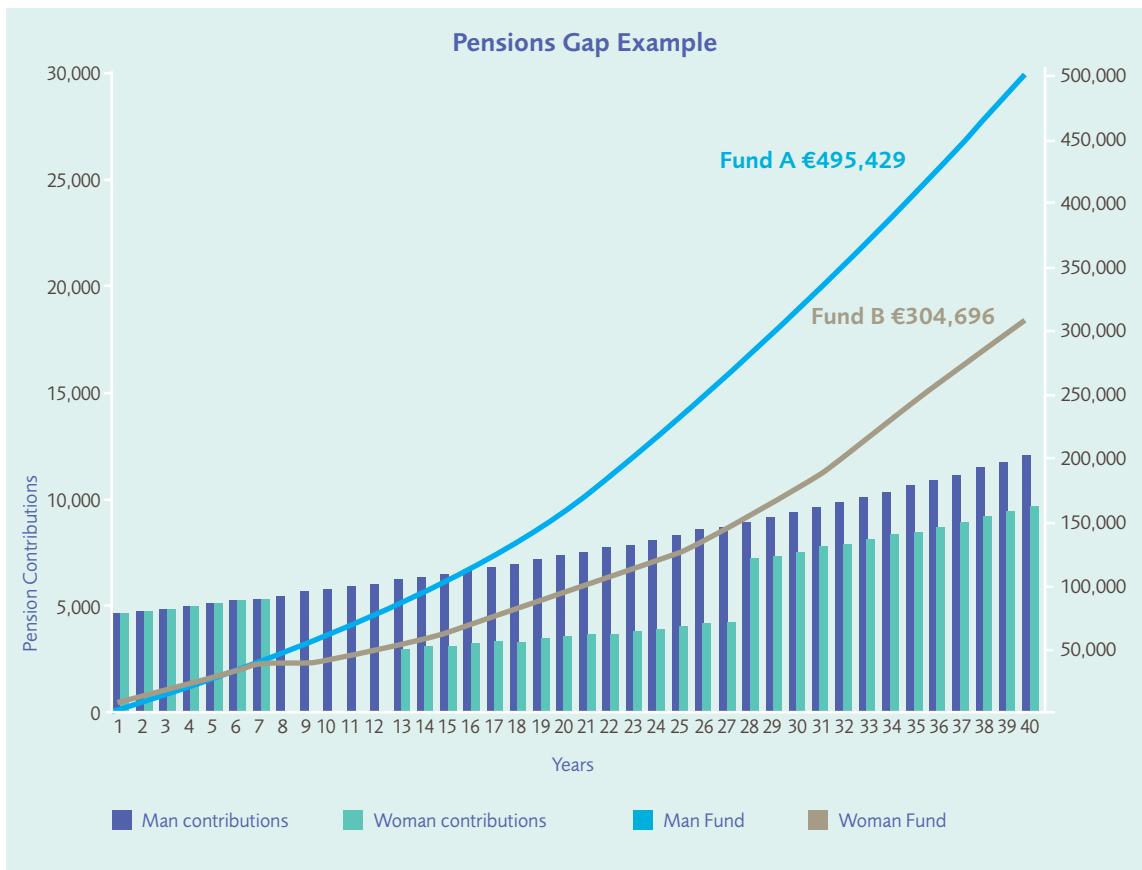
The woman then returns to work on a part-time basis, working 60% of the week at a lower salary and then resumes her pensions contributions.

After a number of years when her caring responsibilities have ceased she returns full time to work but on a lower salary than her male counterpart does.

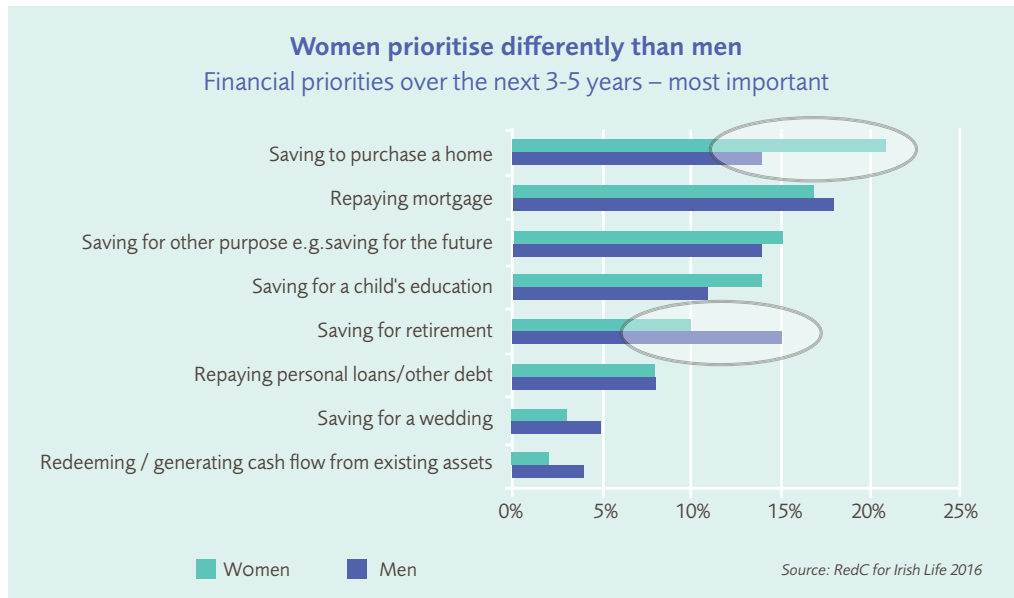
The impact of the gap in employment, reduced hours and lower salary on the accumulated pension pot can be observed in the following table.

The pensions pot for the man after 40 years stands at nearly €500,000 having contributed €300,000 without factoring in tax relief.

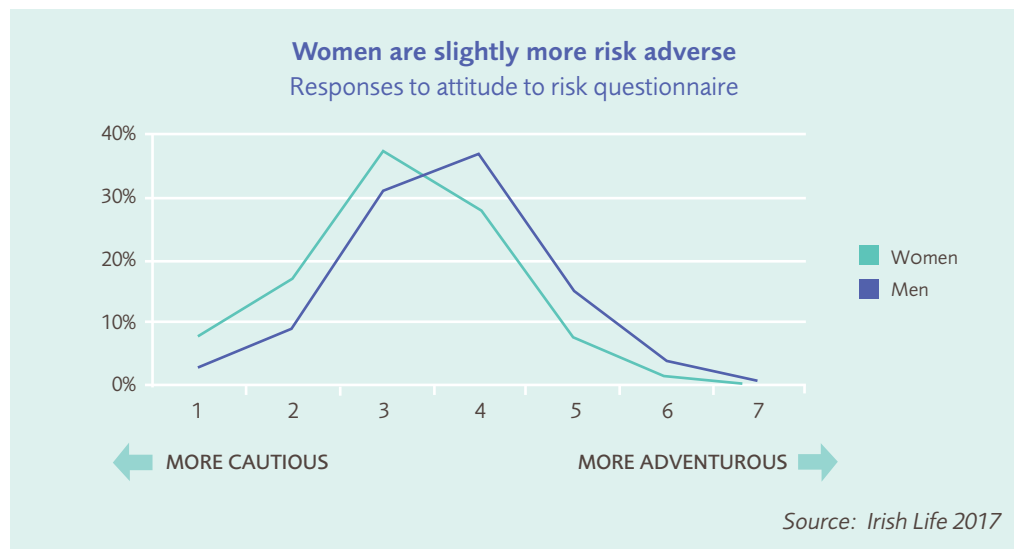
In contrast the female pensions pot having contributed €110,000 less is €304,000 but the timing of the contributions created a large gap in the value of their relative funds.



4. Knowledge & prioritisation –the Irish Brokers Association has found there are knowledge gaps on financial provision between men and women. In addition, women tend to prioritise differently than men when it comes to financial obligations³ (see table below). her male counterpart.



5. Women are slightly more risk adverse – therefore may take a more cautious approach to retirement than men which can impact on investment returns.



As the women tend to be lower and middle income earners, and in light of the above, the following changes to taxation should be considered to help lessen the pensions gender gap:

- Tax credits should be applied to pension pots during periods of time when a person is not earning due to caring activities;
- Tax free pension contributions to a unemployed partner should be permissible over periods of time when persons are taking on board caring activities.

³ RedC for Irish Life 2016

B5. In evaluating equity in the distribution of the economic and social benefits from this tax expenditure, what factors should be considered?


We estimate the cost of providing a pension equal to the current level of State Pension would be around €8,220 per year for someone beginning to save at age 30. The table below compares the cost of the State Pension to the actual total tax deductions (including PRSI and USC) calculated earlier in our document (Section B3). For example, a 30 year old earning €100k per annum contributes approx. 39% of salary or €38,800 per annum compared to the estimated €8,220 required to fund the State pension.

Salary	25,000	50,000	100,000	150,000
Total Deductions	3,174	13,452	38,800	64,800
Tax as % salary (nearest %)	13%	27%	39%	43%
Cost of State Pension	8,220	8,220	8,220	8,220

Comparison of this cost with the amount of taxation at low to medium income levels shown in the earlier section illustrates the very substantial level of cross-subsidy within the system – higher earners shoulder a very substantial share of the cost of providing for the State Pension.

The €2M SFT meant benefits were limited. Anything above this level was taxed at marginal rate and individuals reaching this threshold effectively opted out and looked to privately provide for wealth in retirement using taxed income.

In addition, consideration should be given to the amount of tax revenue which is generated by each income cohort on pension draw down to gain a comprehensive understanding of the true cost of the incentive once the tax revenue has been deducted.



The tax income received on pensions drawdown should also be considered when determining actual tax expenditure.

B6. Should changes be made to the existing tax treatment of pensions in any of the following stages?

- ✓ Tax treatment of employee contributions
- ✓ Tax treatment of employer contributions
- ✓ Tax treatment of growth in pension funds
- ✓ Tax treatment of drawdown of pension

If so, what kind of changes should be introduced and for what reasons?

We are suggesting both gross and net income to pension deductions for all employees. There is a degree of education required to inform consumers regarding the potential financial implications for them and the need to be mindful of these, their current rate of pay and their likely tax bracket.

We feel growth in pension funds should not be taxed and that the existing Irish pension system based on an exempt, exempt, taxed (EET) principle should be maintained.

We are also suggesting early once off access to a % of fund (with tax liability) be considered to be allowed for "significant life events".

We are also suggesting an amendment to the current ARF type option allowing for the full amount of smaller funds to be taken as a lump sum.

We suggest an amendment along the lines of:

- ✓ Lump sum equal to the higher of 25% of the fund value or €50,000*; (capped at a maximum tax free of €200,000)
- ✓ Balance used to purchase an annuity or ARF

Harmonisation of tax treatment on all pensions types should be considered.



SECTION

APPROVED RETIREMENT FUNDS

In line with the simplification and reform outlined in Section A, we feel that similar simplification could be applied in the post-retirement landscape.

Our main principle is that all pension savers should have the same options at retirement.

Our main proposals here are:

1. Removal of the requirement for an AMRF
2. No restriction on ARF draw down
3. Increased onus on advisers and providers to outline retirement options and risks in relation to draw down, potential bomb-out etc.

C1. What, if any, limitations are appropriate for pensions savers when drawing down benefits in retirement? Should the current suite of retirement savings drawdown options be changed in any way? For example, should savers be required to defer a portion of pension drawdown for a defined period?

We feel that there should be no limitations for pension savers in drawing down their benefits. All pension savers, having drawn down their retirement lump sum, should then have the same options with the remainder of their pot – namely an annuity, a draw down product, some mix of these or a further, taxable, lump sum.

The current suite of products – annuities, ARFs and Vested PRSAs are sufficient to meet the retirement needs of pension savers, though some changes may be required within these, in particular the Vested PRSA, as outlined below.

We do not feel that savers should be required to defer a portion of their pension draw down but we strongly advocate the need for good advice both at initial point of draw down and throughout the life of any draw down product. This advice should highlight the risk of bomb-out associated with larger drawdowns and longer life expectancy.

We believe pensioners should be free to make their own choices on retirement.

We believe all pensions should have the same options on retirement regardless of the pension vehicle they have been using.

C2. What, if any, changes need to be made to ARF access, and why?

As our main proposal outlines, we want all savers to have the same options at retirement. This means that the ARF must be available to all pension savers. Currently there are three types of savers for whom the ARF is not easily available:

1. Those in Company Pensions who wish to use the salary & service option to maximise their retirement lump sum are required to annuitise the balance.
2. Those in DB schemes currently have to transfer to a PRB in order to avail of an ARF option.
3. Public sector workers in superannuation schemes do not have access to an AFR.

We propose that all pension scheme members, should have direct and easy access to an ARF. More detailed consideration would be needed on a fair commutation basis here.

C3. Given the narrowing gap between State pensions and the AMRF income threshold, what is an appropriate minimum level of required income where an AMRF would not be necessary and should this amount be indexed? What is an appropriate set-aside amount and should it vary? If so how? Should the conversion age of 75 be adjusted?

We feel that the AMRF product can be removed. As outlined in C1 above, there is no reason to set aside a restricted fund. Removing the AMRF would simplify the retirement process for pension savers. The move in 2015 to permit an annual 4% draw down from the AMRF has already greatly reduced the point of the fund, so it would seem to make sense to stand it down entirely now.

As women tend to have smaller pensions pots they are disproportionately affected by the provisions of the AMRF income thresholds and should be provided with the same options to utilise their pensions savings as men.

We recommend that all existing AMRFs should be converted into ARFs and all the current ARF rules would apply to them.

A decision would also need to be made in relation to Vested PRSAs. The post-retirement landscape would be simpler if Vested PRSAs were removed as an option leaving just one draw down "product". Alternatively, Vested PRSAs could be retained but the rules in relation to access would need to be identical to ARFs.

This would require:

1. The removal of the restricted fund element. If we are scrapping the AMRF, this would no longer make sense.
2. The removal of the age 75 restriction, whereby the Vested PRSA is frozen from age 75 onwards.

We believe pensioners should be free to make their own choices on retirement and the AMRF product should be removed from the market.

C4. Are the current imputed distribution requirements appropriate? What changes, if any, would be appropriate?

We do not see enough evidence in relation to spending patterns of retirees to state whether the current rules of 4% before age 71 and 5% thereafter is appropriate. Presumably, it is deemed that after age 71 spending on healthcare will increase but also spending on other areas – travel, entertainment – will decrease? There is also no pension saver rationale for the 6% rate which applies to pots over €2m, though these are not indicative of the standard ARF pot anyway.

If it is deemed appropriate to have any minimum draw down requirement, then the requirement should be as simple as possible with a fixed percentage, say 4%, for all ages.

C5. To improve data capture and to facilitate the assessment of retirement outcomes, what additional returns should be required of Qualifying Fund Managers (QFMs)?

The following should be provided on an annual basis:


- Number of ARFs
- Average value
- Average draw down rate

C6. Are current consumer protection arrangements in relation to ARFs effective? How might consumer protection requirements be improved? Is there a role for maximum or standard charges?

We are very strongly in favour of ensuring that all charges are disclosed in a manner which savers understand and which allows for comparison between QFMs and the various investment options. Standard charges do not allow for competition between QFMs. Maximum charges are restrictive and reduce the investment opportunity. All ARF members should receive the same form of information regardless of whether their product is provided by an insurance undertaking or other provider.



We believe that charges should be clear, transparent and allow for ease of comparison.



We believe there is a clear role for advisers to provide information and guidance when entering retirement.

C7. How can ARF owners be adequately informed and supported to make the decision that best suits their needs through retirement, especially given that ARFs require ongoing management? Is there a role for mandatory advice? How can access to good quality affordable advice be facilitated/provided for?

It is crucial that pension savers receive clear and expert advice both at point of drawdown and throughout the lifespan of their ARF.

At point of draw down, this advice needs to clearly outline:

1. the advantages and disadvantages of an ARF compared to an annuity
2. the bomb-out and investment risks attached to the ARF and the impact these would have on income
3. the inflation and inheritance risks attached to annuities

If a pension saver selects an ARF, they may require ongoing advice and will particularly need to be made aware of changes to their bomb-out risk if withdrawal rates or investment returns differ significantly from what was assumed when the ARF was selected.

C8. How might in-scheme drawdown and group ARFs be facilitated? What additional requirements should be placed on schemes that want to provide in-scheme drawdown to ensure they have the capacity and capability to do so?

It is difficult to see how this would benefit pension savers in practice. We may feel group ARFs would have greater bargaining power in terms of charging but given the individual nature of pension saver requirements at retirement this might not be the case.

ARFs and draw down products are very different from pre-retirement schemes / personal pensions / PRSAs etc. All pre-retirement pension savers have, as their main goal, the aim of maximising their pension pot within their tax limits with some allowance for de-risking as retirement is approached. As such, it is more straightforward for scheme trustees to achieve this aim for all scheme members.

In retirement, the aims of each pension saver will differ greatly according to their needs. This is precisely why pension savers need access to expert advice outlined in C7 both at point of drawdown and then subsequently. It is not clear how the cost of this advice would be met within schemes. Much of the additional cost for ARFs over (say) bulk/group based DC schemes comes from the need for individual advice reflecting the health and investment appetite and aspirations of the now retired person.

Also, large numbers of pension savers have multiple pension pots at retirement some personal, some individual company plans, some schemes etc. Proper, holistic advice would need to take all of these into account. How would trustees manage those assets with which they had no prior involvement? Would we require pension savers to hold separate ARF contracts – some in a trust structure?

We feel trustees (and employers-including benevolent ones) would not want the moral hazard exposure of elderly people still in their trust exposed to market and longevity bomb-out risks with an ARF. This is very different to DB pensioners with a fixed, rules based pension.

Competition, disclosure and transparency are still the best ways of controlling charges and ensuring that pension savers are getting value for money.

CONCLUSION

The Irish Life vision is to 'help people build better futures' which encompasses helping customers plan for the future in a fashion that is easy and convenient for them to engage with their finance services provider. Simplification and harmonisation of all aspects of pensions regulation is in the best interest of consumers, providers and the State. Irish Life would welcome the opportunity to meet with the Taxation Group to discuss any of the matters set out above.

Pensions provision needs to be assessed through both the lens of coverage but also of adequacy. For a pension to be effective and cater for the needs of consumers in retirement it needs to be adequate, otherwise there is a real risk of pension poverty which is a concern both for the consumer and the State. In addition, for confidence in pensions to be maintained, consumers must have a reasonable expectation that their savings will be sufficient in retirement a key plank of which is State support via tax relief.

Irish Life has considerable pensions experience and we are happy to discuss any matters raised in this submission as your review progresses, with the aim of assisting in achieving the desired outcomes while minimising the risk of unintended outcomes or costs. We believe that the consumer must be central to the review. At the end of the reform process we should have a pension system that is trusted and capable of being understood by those saving for retirement.



Notes



Irish Life

Irish Life Assurance plc is regulated by the Central Bank of Ireland.
Irish Life Health dac is regulated by the Central Bank of Ireland.

ILA 14369 (NPI 10-18)