



News Release

Newsdesk

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TASC: PENSIONS FRAMEWORK DOCUMENT PROVIDES POSITIVE BASIS ON WHICH TO GO FORWARD

“Supplementary pension must be state-led and guaranteed”

Issuing TASC’s response to the Pensions Framework Document launched yesterday, the equality think tank’s Head of Policy, Sinéad Pentony, said that the proposals provided a positive basis on which to move forward. However, Ms. Pentony stressed that the proposed supplementary pension should be fully administered, funded and delivered through the social insurance system, rather than through the private pension sector.

“The Framework Document contains broad proposals, and the implementation details still need to be fleshed out. The details will determine the impact, and TASC looks forward to engaging with the Government and other stakeholders during the consultation process to be carried out by the Implementation Group.

“In an important statement, the Framework Document notes that the State pension forms the fundamental basis of the pension system in Ireland. TASC has long held this view, and we particularly welcome the Government’s commitment to sustain the value of the State pension at 35 per cent of average weekly earnings, although TASC advocates gradually raising this to 40 per cent in order to eliminate pensioner poverty.

“We are, however, disappointed at the failure to universalise the State pension. Despite the Government’s welcome move towards a ‘total contribution’ system in respect of the State pension, as well as the introduction of homemakers’ credits, TASC remains concerned that those with insufficient contributions will fall through the cracks and be forced to rely on a means-tested Social Assistance pension. We believe that these issues can only be addressed by universalising the State pension”, Ms. Pentony said.

“ TASC welcomes the Government’s commitment to maintaining the social insurance system which, we believe, should provide the basis for any pension reform.

“In addition to universalising the State pension, TASC has recommended introducing a top-up earnings-related second-tier pension based on social insurance contributions. The proposal in the Framework Document for an auto-enrolment supplementary pension represents a welcome acceptance by the Government of the need for a supplementary pension system which, together with the State pension, would provide an adequate income in retirement. In order to achieve that goal, however, TASC argues that the State pension would need to be universalised and returns on the supplementary pension would need to be guaranteed. Both of these aims are achievable.

“The Government has recognised the fundamental economic efficiency of the PRSI system in its suggestion that contributions to the proposed auto-enrolment system would be collected through the PRSI system *‘to minimise costs, maintain simplicity and ensure security of remittances’*, Ms. Pentony noted.

“TASC believes that the Government should now go one step further and grasp the opportunity to create a supplementary pension system which would be fully administered, funded and delivered through the social insurance system.

“A state-led supplementary pension, provided through the social insurance system, would reduce the risk to contributors, would entail fewer costs than private schemes, and – if invested in, for example, Government bonds – would be secure.

“TASC also fears that coverage will remain an issue under the current proposals, since it is likely that younger workers and lower earners, in particular, will avail of the opt-out provision in order to divert resources to more immediate needs, such as housing or education. Soft mandatory is a contradiction in terms, and is unlikely to achieve the stated aim of significantly increasing pension coverage”, Ms. Pentony pointed out.

“Pension provision must be both equitable and efficient, and it is TASC’s contention that the private pension sector cannot meet either criterion. We hope that the Government will recognise this, and will reframe its supplementary pension proposals accordingly”, Ms. Pentony said.

“In respect of tax reliefs, certain inequities have been address by flat-rating pension tax reliefs at 33 per cent, and we hope that, in time, such reliefs will be standard-rated at 20 per cent. We are, however, disappointed at the failure to reduce the earnings contribution ceiling from €150,000 to €75,000 as recommended by TASC.

“With regard to the proposal to raise the retirement age, TASC is concerned that this could force some individuals, especially those who are unable to continue working but would not yet qualify for a pension, into a poverty trap. However, we believe that any anomalies can be addressed during the implementation process.

“Reforming our pension system to ensure that older people can look forward to a secure and comfortable retirement will be a long process. Yesterday’s publication of the Pensions Framework

Document is just a first step in that process. The next step must be to ensure that the Implementation Group engages in a wide consultation process with all stakeholders. TASC looks forward to engaging in that process”, Ms. Pentony concluded.

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For further information, or to arrange an interview with Sinéad Pentony, please contact Alex Klemm, Tel. 01-6169050 or 087-2606139