Pensions Reforms

Some personal reflections

EUROPE NEWS

‘Let’s bring France to a halt’: Oil refineries blocked and trains halted by pension reform protests

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Jenni Reid

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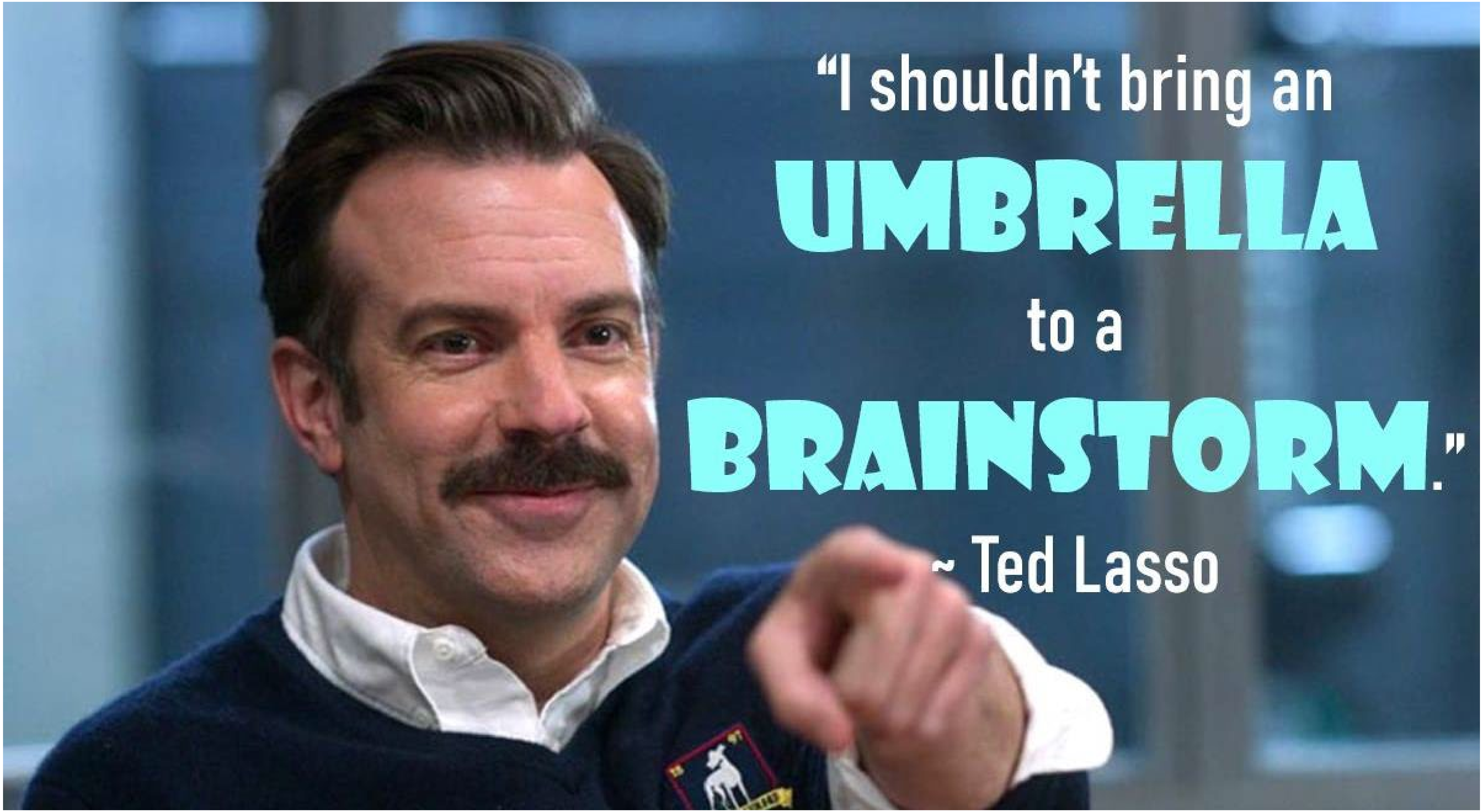
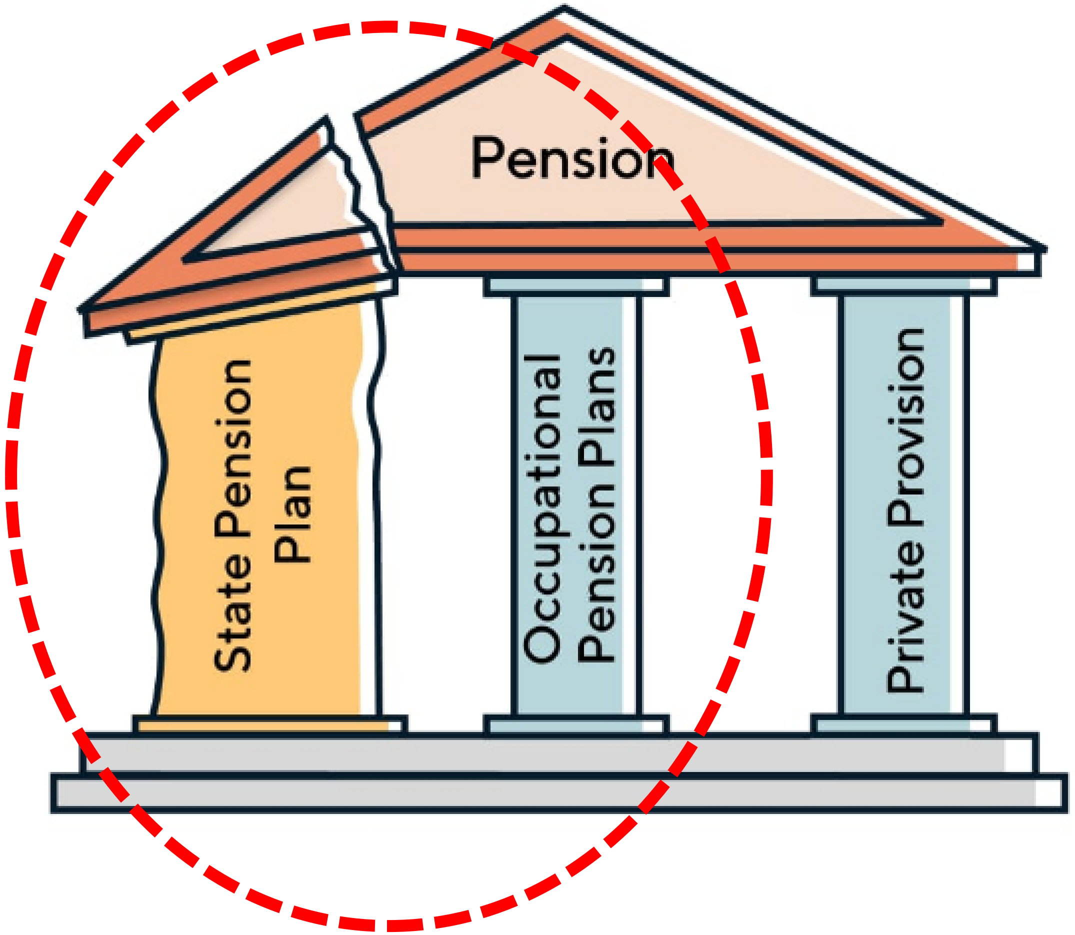

"I shouldn't bring an
UMBRELLA
to a
BRAINSTORM."
~ Ted Lasso

"Politics is
the art of the
possible,
the
attainable—
the art of the
next best".


Legitimacy


The Three Pillars and 5 Ds Process
01
Demand for Policy
• Clarifying the Specific Policy Demand
• Assessing the Legality
• Making a Recommendation
02
Deepening Understanding
• Reviewing Existing Data & Evidence
• Commissioning New Data & Evidence
• Consulting & Evaluating
03
Design with Best Advice
• Analysing Policy Options & Implications
• Engaging with Stakeholders
• Making Policy Recommendations
04
Decide Policy Proposals
• Conducting Political & Legal Review
• Seeking Ministerial Approval
• Submitting a Memo for Government Approval
05
Deliver Policy
• Project & Risk Management
• Monitoring & Reporting
• Planning to Evaluate
Legitimacy
Data & Evidence
Feasibility & Implementation

The 3 pillars of the German pension system

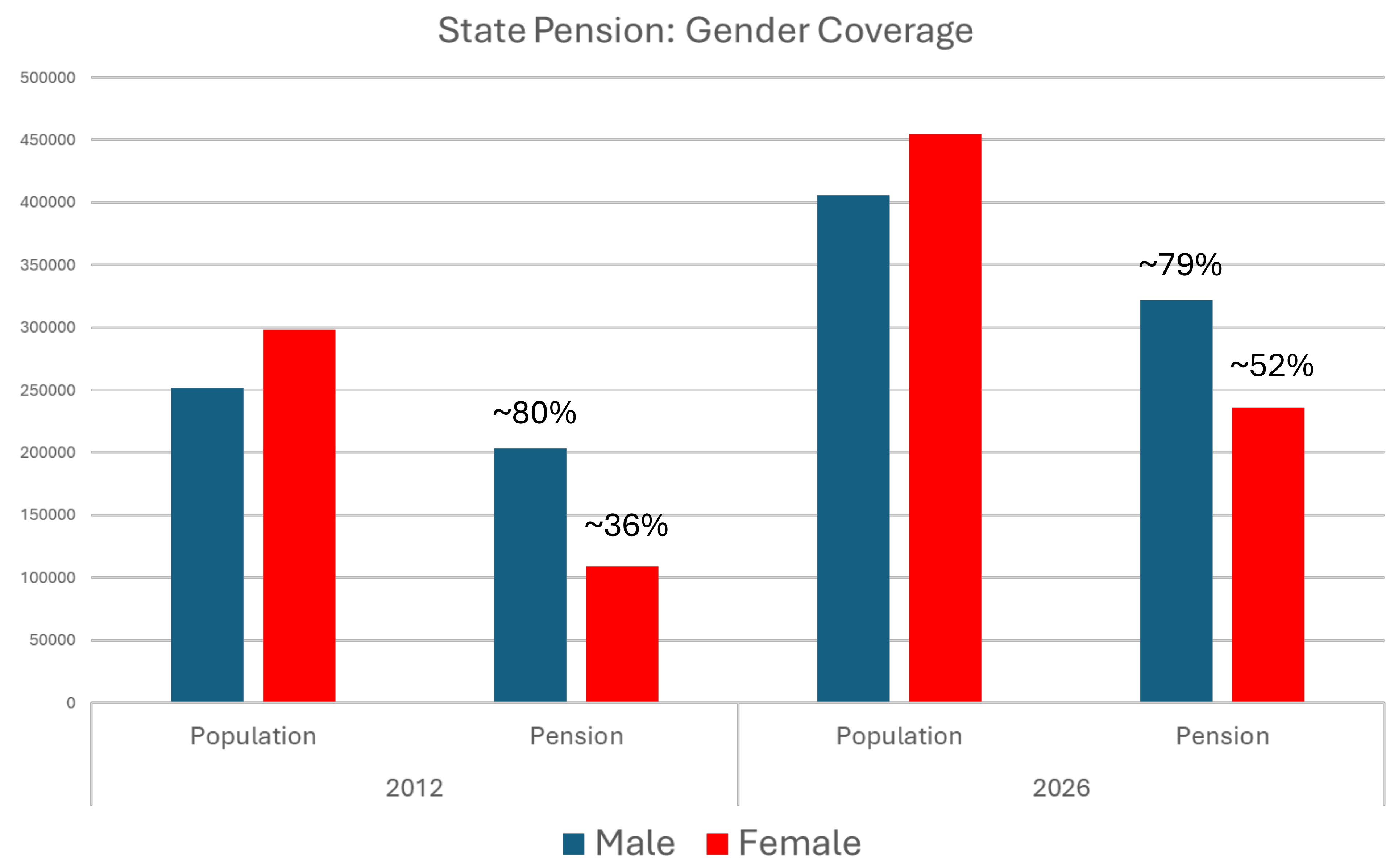


Coverage

Sustainability

Adequacy

Equity


State Pension: Gender Coverage
~80%
~36%
~79%
~52%
Population
Pension
Population
Pension
2012
2026
Male
Female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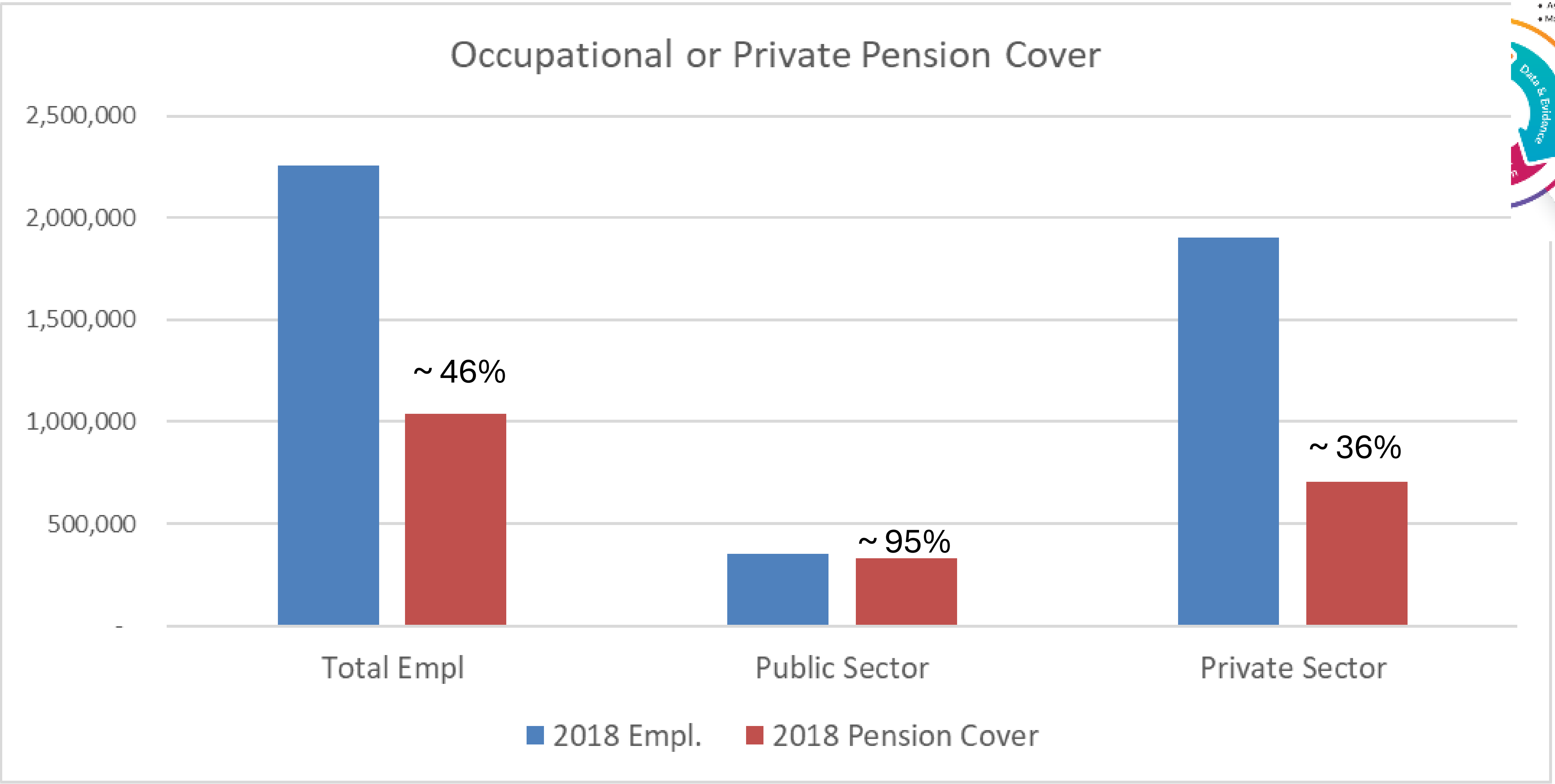
Occupational or Private Pension Cover
2,500,000
2,000,000
1,500,000
1,000,000
500,000
-
~ 46%
~ 95%
~ 36%
Total Empl
Public Sector
Private Sector
2018 Empl.
2018 Pension Cover


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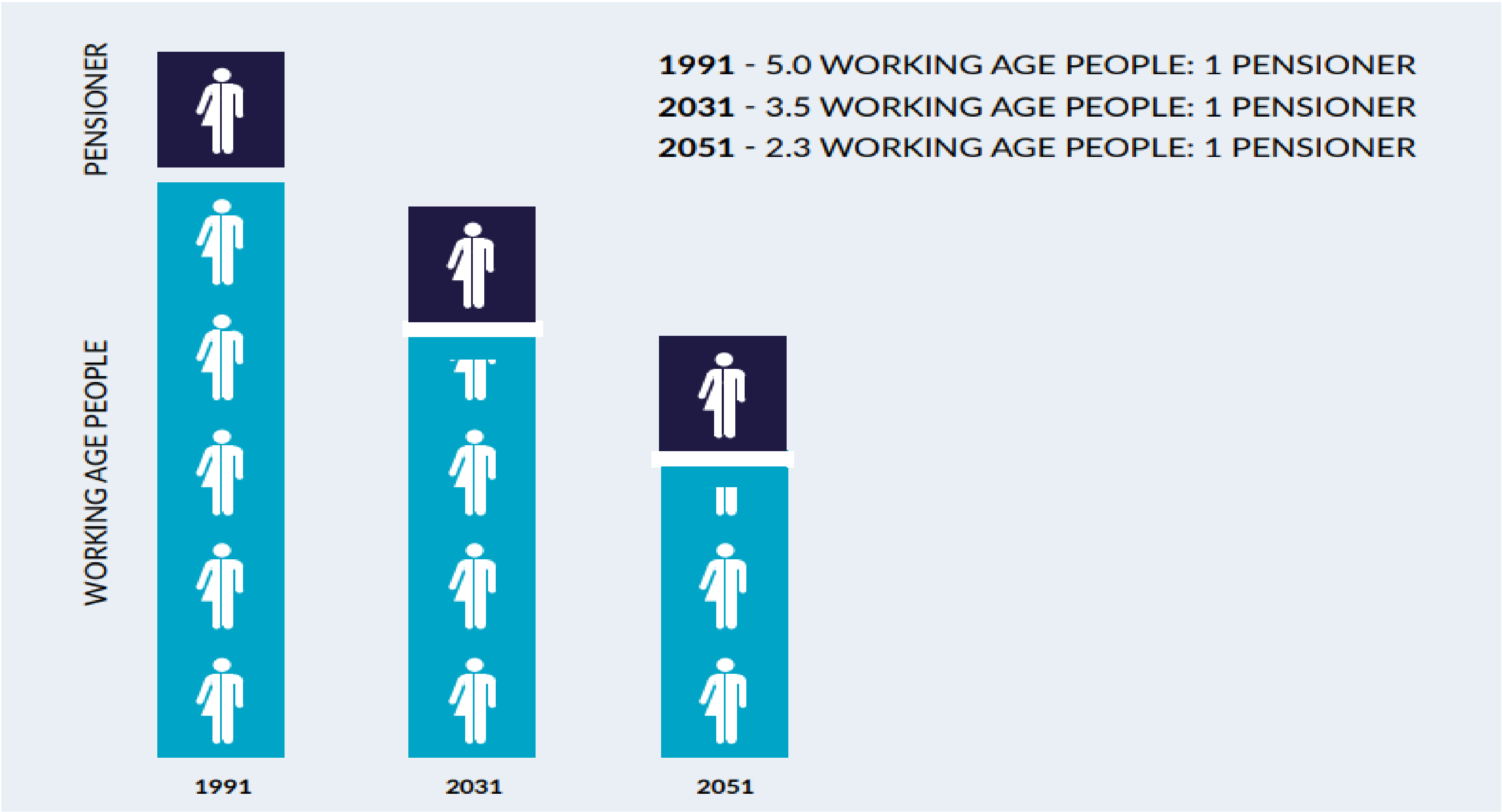
...understandably much of the focus has been on the long term financial sustainability of State pensions...

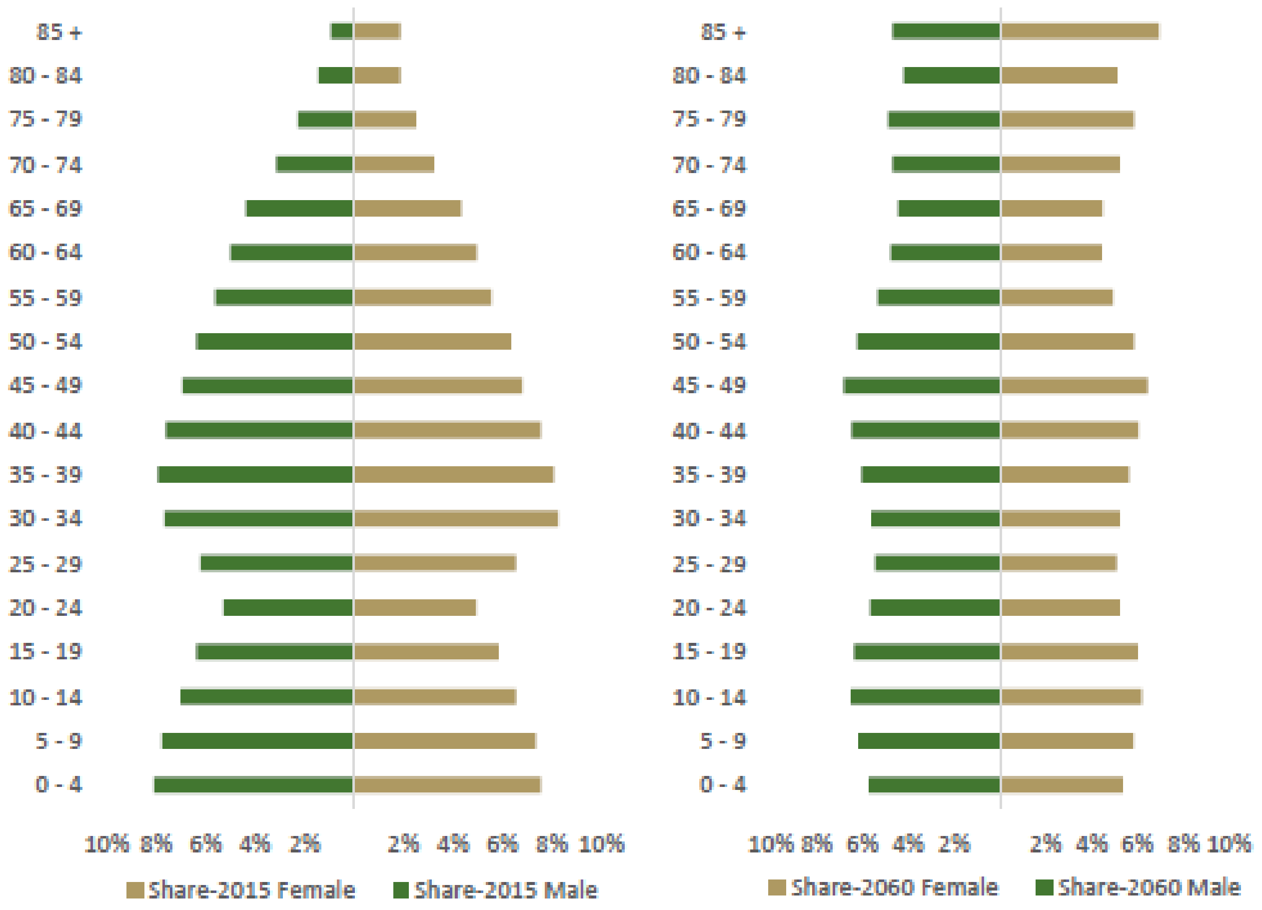
Figure 1: Old-age dependency ratios, 1991 - 2051



Source: CSO Presentation to the Pensions Commission on Ireland's Demography.

...understandably much of the focus has been on the long term financial sustainability of State pensions...

Figure 11. Population by age group and sex as a share of total



Source: Department of Finance calculations based on Eurostat 2015 population projections

2060 Distribution Today → €16Bn hit to State finances

…in even the most optimistic projections "the numbers will not take care of themselves"…

- Maintaining the current dependency ratio in 2051 would require a working age population (15-64) of almost 7.2 million people by 2051.

- This is about 3.75m more than the 2020 estimate for this age group

and

- 3.3 million people in excess of the CSO's high migration projection (M1F2) for 2051

- A working age population of 7.2 million people in 2051 would require fertility and migration rates that are many multiples of all projections

and

- A total population in excess of 10.8m

Its not just a matter of finances: intertemporal equity and social cohesion also matter…

Today

About 30yrs from now

*Roughly, roughly…….€2,600 per month**

**Excluding 'free' energy, TV licence, travel, fuel and 'living alone'*

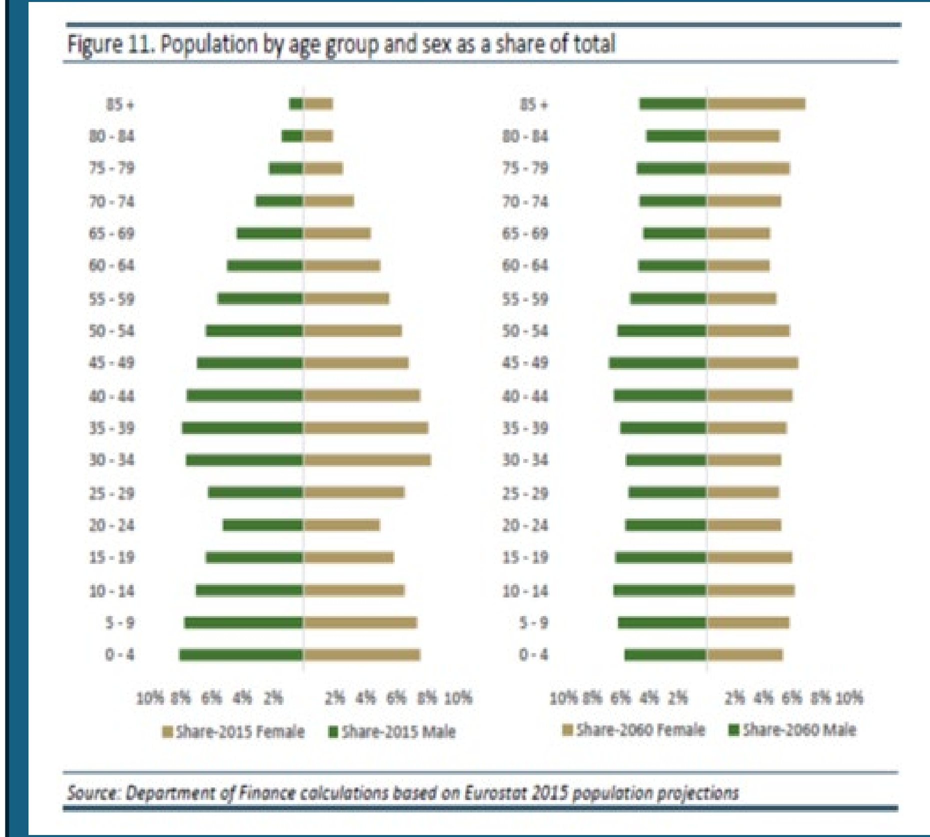


Figure 11. Population by age group and sex as a share of total
85 +
80 - 84
75 - 79
70 - 74
65 - 69
60 - 64
55 - 59
50 - 54
45 - 49
40 - 44
35 - 39
30 - 34
25 - 29
20 - 24
15 - 19
10 - 14
5 - 9
0 - 4
10% 8% 6% 4% 2% 2% 4% 6% 8% 10%
Share-2015 Female
Share-2015 Male
10% 8% 6% 4% 2% 2% 4% 6% 8% 10%
Share-2060 Female
Share-2060 Male
Source: Department of Finance calculations based on Eurostat 2015 population projections


The Economist
The Don's world order
Can Europe defend itself?
Nvidia's vulnerabilities
How to dodge tariffs
THE NEW INHERITOCRACY
The alarming rise of hereditary wealth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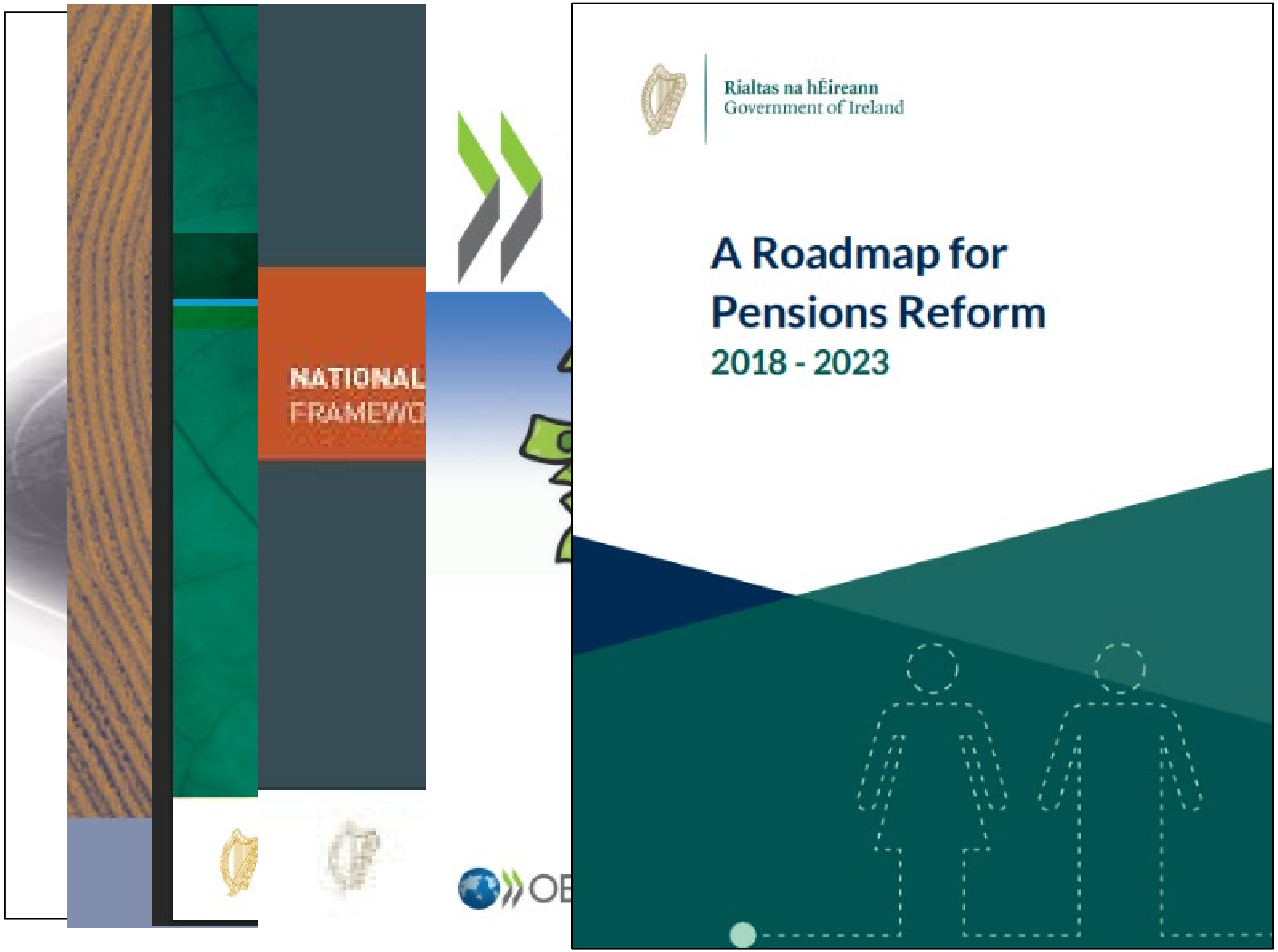
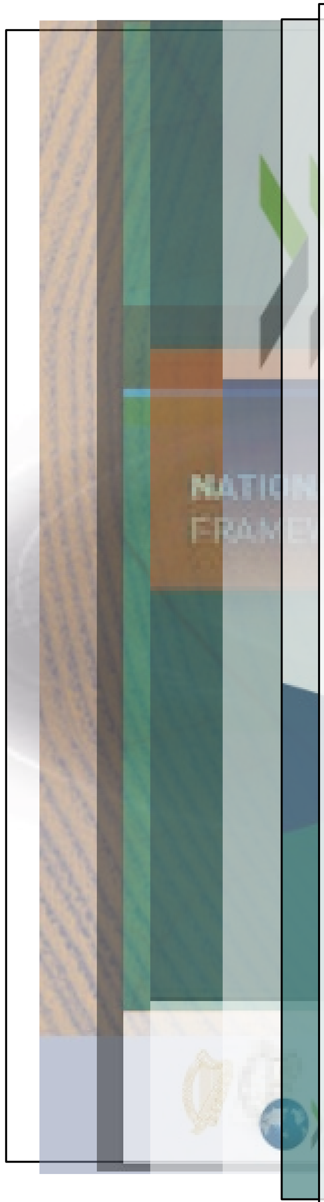
1998 – 2018: 6 Major Reports on Pension Reform



- Reduce Cost to Improve Sustainability
  - Increase pension age
    - 67 in 2021, 68 in 2028
  - Change calculation method
    - Change averaging bands
    - Move from 'average' to 'Total Contributions'
  - Tighten Eligibility
    - From 5 to 10 years to establish eligibility
- Improve coverage
  - Homecaring credits/periods
  - Increase 2nd/3rd tier options
    - PRSAs
    - Obligation on employers to support PRSAs
    - Auto-enrolment
- Benchmark to earnings for adequacy



- **Reduce Cost to Improve Sustainability**
  - Increase pension age
    - 67 in 2021, 68 in 2028
  - **Change calculation method**
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    - **Move from 'average' to 'Total Contributions'**
  - **Tighten Eligibility**
    - **From 5 to 10 years to establish eligibility**
- **Improve coverage**
  - **Homecaring credits/periods**
  - **Increase 2nd/3rd tier options**
    - **PRSAs**
    - **Obligation on employers to support PRSAs**
    - **Auto-enrolment**
- **Benchmark to earnings for adequacy**

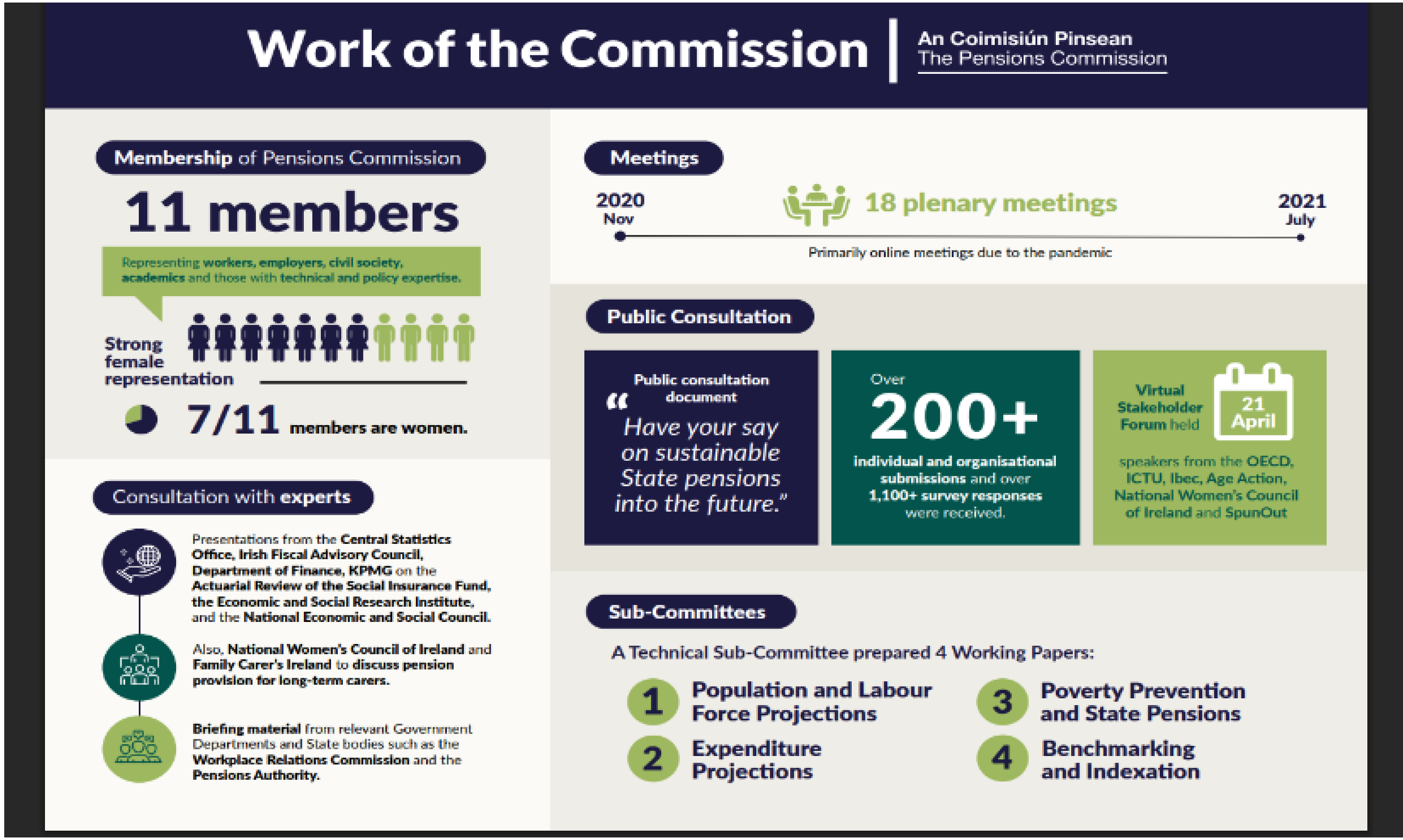
Position End 2020

Legislation from 2011 revoked 2020 ✗

-Averaging bands changed 2012 ✓
-'Best of' TCA option introduced 2018 ✗

- Tighten Eligibility
  - Increase to 10 years from 2012 ✓
- Improve coverage
  - Homecaring disregards replaced by homemaker credits ✓
  - Increase 2nd/3rd tier options
    - Auto-enrolment ✗
    - PRSAs ✓
    - Obligation on employers to support PRSAs ✓
- Informal benchmark to GAIE of 34% ✗✓

To reflect on concerns and map a way forward the Government established a Commission on Pensions…



4 Options for addressing financing challenge

1. PRSI rate increase only
2. PRSI increases plus pension age increase
3. PRSI increases plus an earmarked state contribution
4. Combination of all 3

Plus

a) Phasing in of full TCA over 10 years
b) Formalise benchmarking pension rates under an independent body
c) Introduce pension age flexibility
d) Introduce long-term caring contributions to improve coverage of carers (mainly women)

4 Options for addressing financing challenge

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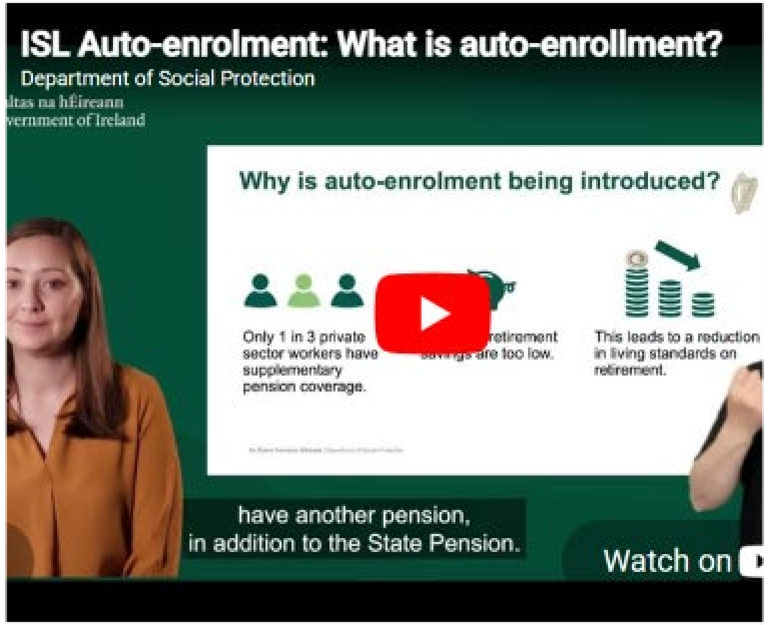
Oifig an Aire Coimirce Sóisialaí
MEMORANDUM FOR GOVERNMENT
Response to Pensions Commission Recommendations and Implementation Plan

1. Pension age to remain at 66
2. PRSI Rates to increase by 0.7pp between 2024 and 2028 with further increases to be determined based on 5 yearly actuarial reviews
3. Full TCA to be phased in over 10 years
4. Pension age flexibility (66 – 70) to be introduced from 2024
5. Benchmarking to 34% of average wage to be performed by DSP as an input to annual budget process
6. Long-term carer contributions to be introduced from 2024

In parallel - a very lengthy and detailed consultation process was undertaken to design an auto-enrolment system

.... hundreds of in-person and online engagements with stakeholders and workers.



Leading to this since 1st January 2026

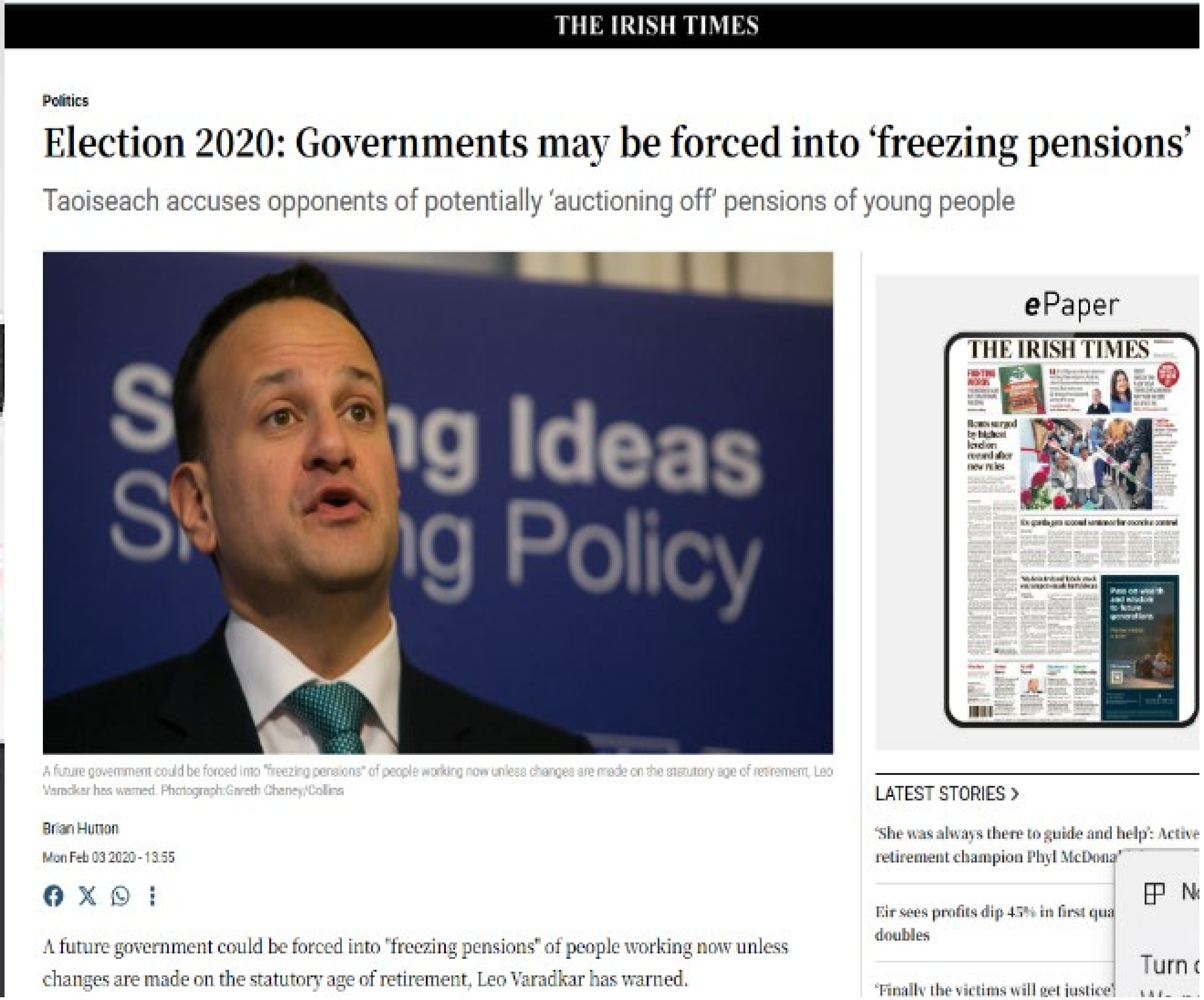
790,000 workers enrolled

99% of employers registered with payment details

€156m invested

New state body – NAERSA – established and Headquarted in Letterkenny

……*a parting observation*


THE IRISH TIMES

Politics

Election 2020: Governments may be forced into ‘freezing pensions’

Taoiseach accuses opponents of potentially ‘auctioning off’ pensions of young people

A future government could be forced into "freezing pensions" of people working now unless changes are made on the statutory age of retirement, Leo Varadkar has warned. Photograph:Gareth Chaney/Collins

Brian Hutton

Mon Feb 03 2020 - 13:55

A future government could be forced into "freezing pensions" of people working now unless changes are made on the statutory age of retirement, Leo Varadkar has warned.

ePaper

THE IRISH TIMES

LATEST STORIES >

'She was always there to guide and help': Active retirement champion Phyl McDona

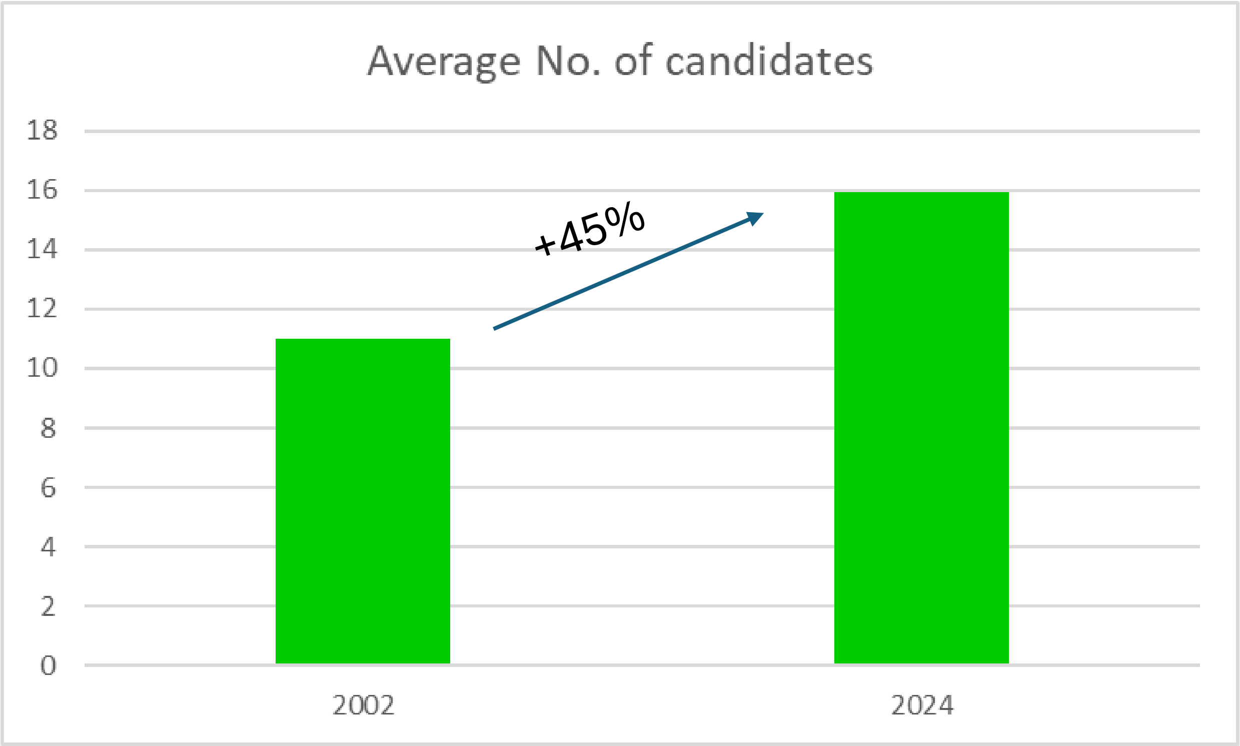
Eir sees profits dip 45% in first qua doubles

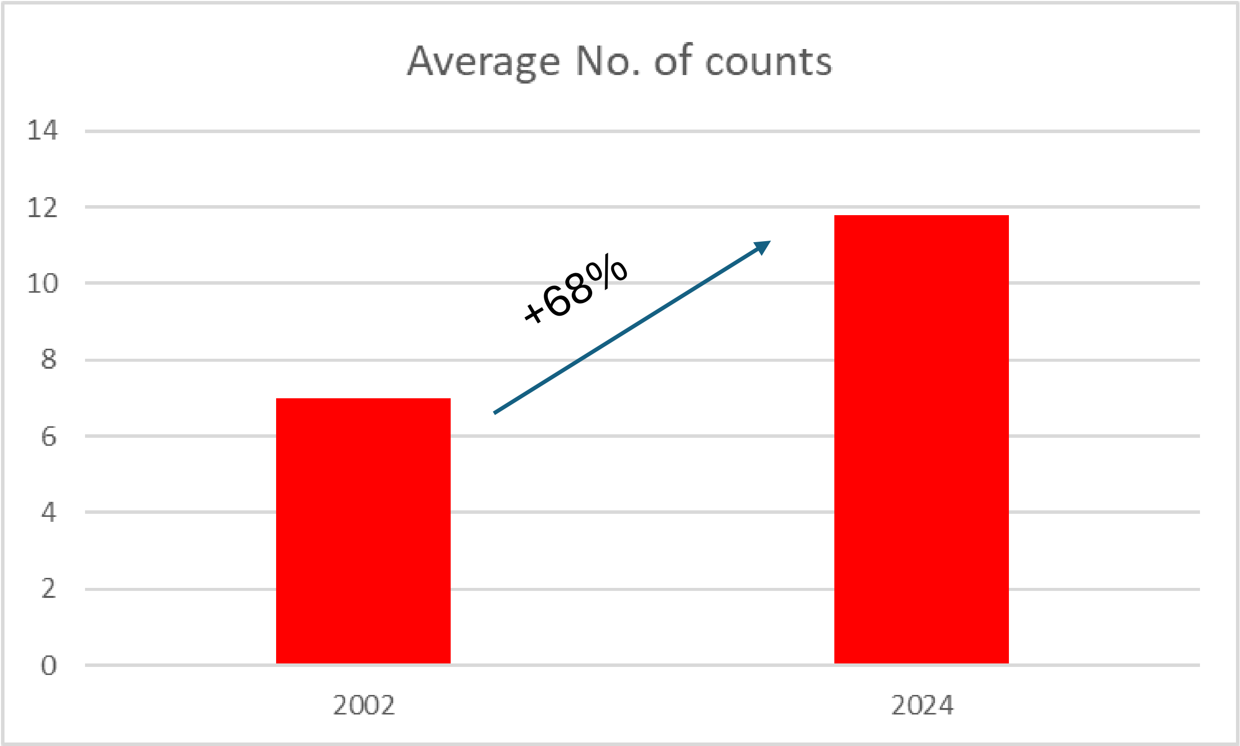
'Finally the victims will get justice'

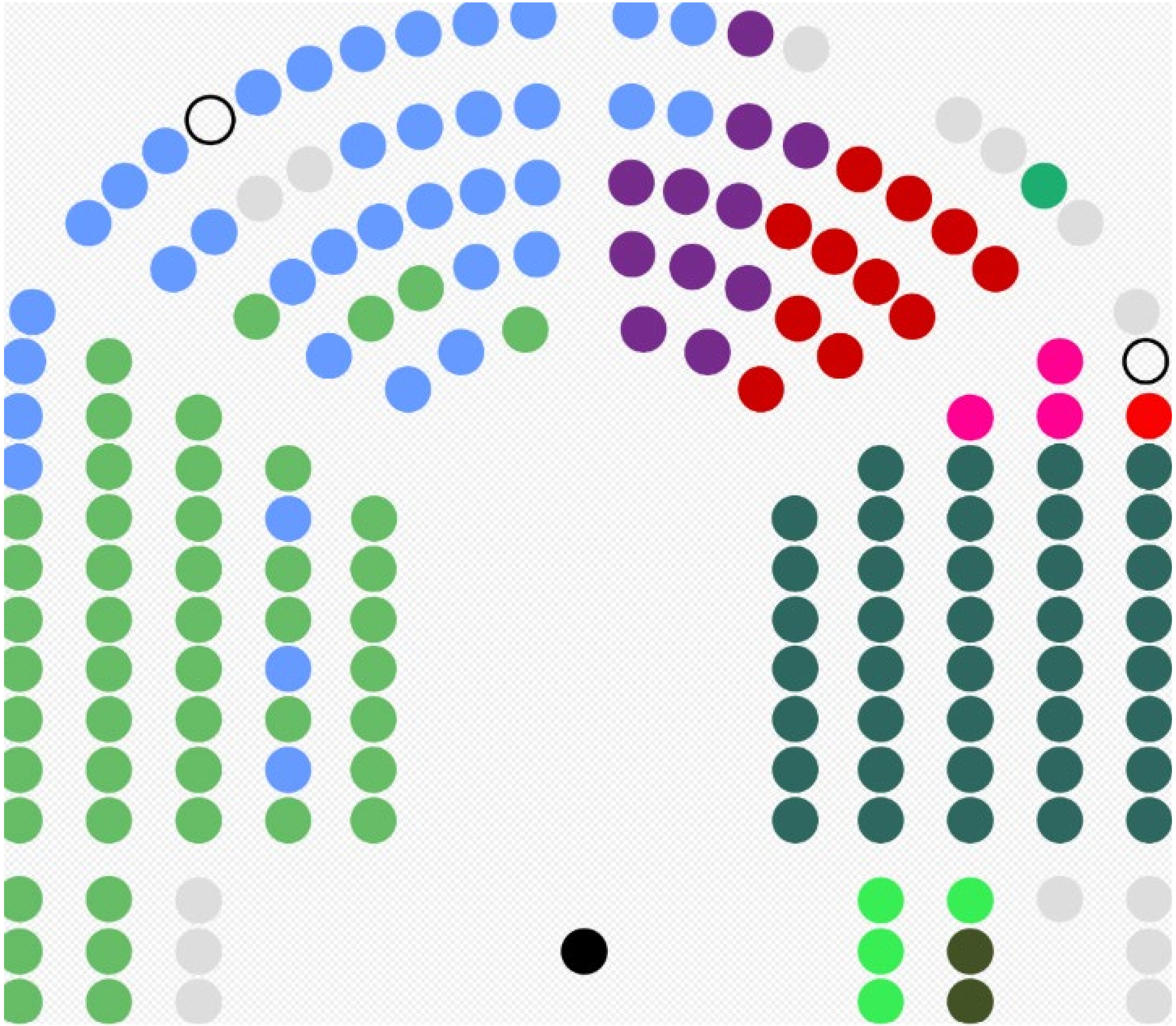
Which one of these was most important to you in deciding how to vote today?

THE IRISH TIMES Ipsos MRBI Exit poll

Health	Housing & Homelessness	Pension age	Climate change
32%	26%	8%	6%


Average No. of candidates
18
16
14
12
10
8
6
4
2
0
+45%
2002
2024


Average No. of counts
14
12
10
8
6
4
2
0
+68%
2002
2024



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“Only a fool learns from his mistakes.... a wise man learns from the mistakes of others".