



## **SUBMISSION TO OECD ON REVIEW OF PENSION POLICY IN IRELAND**

**JULY 26 2012**

### **INTRODUCTION**

Older & Bolder is an alliance of 8 NGOs in the age sector in Ireland. Our member organisations are : Active Retirement Ireland, Age & Opportunity, Alzheimer Society of Ireland, Carers Association, Irish Hospice Foundation, Irish Senior Citizens Parliament, Older Women's Network and Senior Help Line. We welcomed the opportunity to meet with representatives of the OECD at a consultation meeting convened by the Department of Social Protection on July 6 2012 in the context of the OECD Review of Pension Policy in Ireland.

### **A SECURE PENSION SYSTEM FOR ALL?**

Older & Bolder's baseline position on the National Pensions Framework is set out in our paper "A Secure Pension System for All?" a copy of which has been provided to the OECD. As with all Older & Bolder's policy positions, this paper has been completed following proactive and direct consultation with older people.<sup>1</sup>

### **STATE PENSION**

Irish people place a high value on the State Pension. With regard to the current cohort of older people, 88% are at risk of poverty before they receive social transfers, including the State Pension. Older & Bolder believes that protecting and extending the coverage of the State Pension should be a priority in Irish pension policy.

Citizens must be supported to plan for their pensions in retirement. One of the tools citizens need to do this is clear and accessible information. Qualifying criteria for State Pension are complex and people frequently report to Older & Bolder that they find it hard to work out what level of State Pension they will be entitled to on retirement; the implications of any contribution records provided to them by Dept of Social Protection; what options are open to them if there are gaps in their PRSI contributions record that they wish to close

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<sup>1</sup> We can provide additional information on our approach to outreach and consultation with older people on policy issues on request.

before they reach retirement age; and what the costs are of those options.<sup>2</sup> Citizens need clearer and more accessible information and reliable support to assist them in planning for their pensions, of which the State Pension will be a valued component for a majority.

The view of the alliance is that access to a basic State Pension should be universal. We remain concerned by the failure of the National Pensions Framework to address legacy issues, notably for older women. Individuals (more usually female) should not be penalised by a pension system for making a contribution to societal caring and child-rearing needs. If, in their design, pension systems fail to take account of individuals' roles in meeting societal caring and child-rearing needs, those systems are not meeting the criterion of modernity.

Budget 2012, announced last December, introduced very significant changes to the eligibility criteria for a full State Pension (Contributory) which will take effect in September 2012. These changes affect people now on the cusp of retirement. There has been no lead-in period. We believe that a five year lead-in period is warranted in the circumstances. Our experience in Older & Bolder is that many people are not aware of the planned changes to their entitlements and our view is that the Minister for Social Protection needs to lead a much more proactive public information campaign to highlight the changes and their implications for citizens. As it stands, just over half (52%) of those receiving the State Pension (Contributory) receive the full rate.

The establishment of the National Pension Reserve Fund was a progressive step in terms of protecting the sustainability of the Social Welfare Pension system. The Fund has been diverted from its core purpose in the context of the current economic crisis. Older & Bolder would like to see the Minister for Social Protection take a lead in highlighting the core purpose of the Fund and in building public awareness of and appreciation for that core purpose.

### **INCREASE IN QUALIFYING AGE FOR STATE PENSION**

The legislation abolishing the Transition Pension and increasing the qualifying age for State Pension to 66 in 2014 has now been passed. Older & Bolder recommends that the Minister for Social Protection provide strong leadership on the issue of later retirement from work. People need data to visibly demonstrate how increasing the qualifying age for State Pension in 2014, 2021 and 2028 will enhance the sustainability of the State Pension system. Citizens also need re-assurance that they can trust the political and public administration systems to deliver on the State Pension promise if citizens play their part by working later.

The legislative change to qualifying age for State Pension needs to be accompanied by other changes. Currently, employment contracts specifying a retirement age of 65 are exempt

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<sup>2</sup> These tend to be people in their 50s and early 60s who are now trying to plan for the future.

from national equality legislation. This exemption should be removed. With the abolition of the Transition Pension, the only avenue open to people forced to retire at 65 who wish to sustain a full PRSI record between the ages of 65 and 66 is to sign on for Job-Seekers Benefit. Requiring individuals who have been forced to retire from work to declare themselves unemployed to sustain their PRSI records (for State Pension purposes) will simply evoke public anger and generate negative energy and debate. The Minister has to provide another avenue for people to sustain their PRSI records between ages 65 and 66.

The promise of the Minister for Older People to publish a National Positive Ageing Strategy in 2012 provides an immediate opportunity to encourage the relevant Government departments (Education, Enterprise and Employment, Social Protection, Health) to plan together within the framework of a life-span approach to late life working. Joint planning within a lifespan framework is a practical approach to addressing concerns about generational equity and the potential for intergenerational conflict which are sometimes put forward in the context of debates on pension policy.

## **SECOND TIER PENSION PROVISION**

The National Pensions Framework provides for auto-enrolment in supplementary pension schemes provided by the private sector. Older & Bolder is strongly of the view that citizens should have the option of investing their pension contributions in a public pension scheme that is led, provided, managed and guaranteed by the State.

Our concerns about sole reliance on private sector operated second tier pension provision relate to: levels of fees and charges; unreliability of investment returns; carriage of risk which in Defined Contribution schemes will sit on the shoulders of individuals. We believe that a State-backed second tier pension would have the added merit of offering greater risk pooling and contributing to social solidarity.

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