

**COUNTRY SPOTLIGHT IRELAND**

# Thought for the day



Adam Cadle quizzes Irish Association of Pension Funds director of policy Jerry Moriarty about the Irish pensions landscape

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## How would you describe the current state of the DB, DC and Irish state pensions sectors compared to the rest of Europe?

Clearly conditions for the pensions sector have been difficult in recent years as a result of the low interest environment. Ireland has a relatively strong funded sector, which is more developed than many countries. However coverage is low with fewer than half the working population having any pension savings and that is an issue that needs to be tackled by government. The state pension provides a solid foundation in helping people to avoid poverty in retirement. There has been a tightening of the conditions required to receive the full state pension and the age at which people can receive it will rise to 67 in 2021 and 68 in 2028. There also questions about the sustainability of it, particularly when the National Pensions Reserve Fund, which was set up to pre-fund the costs, has been abandoned. There are also sustainability and costs issues around public-sector pensions, which are also unfunded.

## How important is it for The Pensions Authority to review Irish pensions regulation as a result of QE impact?

It is important that the authority recognises the current unprecedented conditions brought on by QE in the context of the long-term nature of

pension provision. Funding levels of DB schemes are very correlated to interest rates. During 2016, those funding levels rose and fell sharply as a result of relatively small changes in bond yields. Establishing the funding position of a scheme at a particular point in time gives a snapshot of the scheme but is not the whole picture, which could be very different a week later. Where tough decisions have to be made on the back of those snapshots, it is crucial that the whole picture is also considered. The focus needs to be on the ability of a scheme to pay benefits over the long term.

## At the end of last year, Irish politician Enda Kenny, when challenged about the government's protections for pensioners where schemes are closed down on a whim, said pension scheme operations are a matter for the trustees of the particular scheme. What are your views on this?

In the absence of debt on employer provisions or a Pension Protection Fund, trustees are often quite limited in the powers they have. The Minister for Social Protection has indicated that he will address this issue in the forthcoming Pensions & Social Welfare Bill to ensure that employers cannot terminate contributions to schemes without 12 months' notice and ensure negotiations have to take place to

agree a funding proposal to restore minimum solvency. The regulator will also have powers to impose a schedule of contributions on employers where a proposal cannot be agreed. This additional layer of protection for members has the potential to allow an easing of the funding requirements.

## How can average employee contributions be increased in the Irish DC space?

We have seen many schemes make good strides in this area, especially from the Pensions Quality Standard with Merit recipients. Schemes are using matching of contributions as an incentive and also auto-enrolling members at higher contribution levels. Employers are starting to understand the need for employees to have well-funded pension pots at retirement age, in order to be able to retire. Where having a natural staff turnover is important, employers are ensuring that members are engaged with the scheme and making the savings they will need.

## What are the IAPF's main aims for this year?

Our aim is to support trustees so that we can have a strong pension sector that will allow Irish people to have pensions that are secure, fair and simple. We will be focusing on many day-to-day issues for trustees and schemes as well as the implementation of the IORP II Directive, the government's proposals for pensions reform and simplification, Brexit and data protection issues. ■