

Cabinet to examine pension tax relief

Only 30% say Government is proactive on savings issue

CIARA O'BRIEN
and DOMINIC COYLE

ONLY THREE in 10 people believe the Government is actively trying to encourage people to save for retirement, according to a survey. Details of the study, carried out by Amárach for pension provider Irish Life, were published yesterday at a pensions conference run by the company.

Addressing the conference, Minister for Social Protection Joan Burton stressed that the Government supported retirement and pensions planning and would continue to do so.

"We want more people to save for their retirement and we want people to save more," she said. "In fact, the Government is committed to progressively achieving universal coverage, with a particular focus on lower-paid workers."

However, she conceded there had been a number of different signals in relation to the tax relief on pension contributions over the past year or so.

"I know how frustrating that can be, particularly when trying to plan for the future. I am very aware too of the concerns that many people have about the potential impact that any changes in this regard might have on pension savings."

But there is little prospect of the Government rowing back on the reduction in pension tax relief signalled by the previous administration.

Ms Burton said the Government was committed to an examination of pension tax relief in the context of the comprehensive spending review, as announced by Minister for Finance Michael Noonan when he imposed the 0.6 per cent levy

on accrued pension funds. But she said tax breaks were under the IMF microscope.

"We're not masters of our own financial sovereignty at the moment," she said. The terms of the State's EU-IMF bailout deal had to be met, and it was important for the country's recovery to get a good report from the IMF.

"Significant savings must be found in this area. While there may be some flexibility on the mechanisms we use to achieve those savings, there is, unfortunately, absolutely no room for manoeuvre on the level of savings needed."

Irish Life chief executive Gerry Hassett said there was a danger of a crisis of confidence in pensions policy which could dissuade middle income earners from saving to fund their retirement.

He noted that 85 per cent of his company's pensions customers earn less than €70,000 a year and were trying to provide "for relatively modest incomes in retirement". He noted that the pension of the average public servant in Ireland "costs five times the amount that the average private sector worker has saved for their retirement".

On the pension levy, Mr Hassett said the pensions industry was happy to play a role in addressing the current economic challenges, but it was being asked to do too much.

"Even without the pension levy, the industry was targeted to finance €1 billion of the total €15 billion fiscal adjustment for the public finances."

"Having signed up for that adjustment, the additional imposition of the pension levy has had a devastating impact."



Minister for Social Protection Joan Burton speaking at the Irish Life pensions policy conference at the National Convention Centre in Dublin yesterday. Photograph: Frank Miller