

Details of pension fund due 'shortly'

by Geoff Percival

SOCIAL Protection Minister Joan Burton has said the Government will publish final details of its much anticipated sovereign annuity pension initiative "shortly".

Initially proposed by the Irish Association of Pension Funds and the Society of Actuaries in Ireland, the relevant legislation for the scheme — which lifts investment restrictions for Irish-managed pension funds and allows them to invest more in the domestic economy — was passed last December, but the regulations still haven't been finalised.

Addressing an Irish Life conference on pensions yesterday, Ms Burton said: "This is another area where a lot of work has been done over the past year or so. This work is ongoing, but I expect the final details to be concluded shortly."

Currently, Irish pension funds hold less than 5% of their assets in Irish Government bonds and usually have little alternative in guaranteeing their payments than to invest in higher-rated German bonds.

Ms Burton also used her appearance at the conference to defend the Government's pensions stance; despite many believing that Government isn't doing enough to encourage people to save for their retirement.

"Government does support retirement and pensions planning and we will continue to do that," she said.

"The future holds a society where people are living longer and that is something to be welcomed. To support this, we need a sustainable, fair and adequate pension system. In order to achieve this, a number of reforms are necessary."

Ms Burton also defended the pension levy, which came in for stern criticism at yesterday's event.

"The imposition of the levy is for a relatively short period — four years — and its purpose is to improve the pension environment by providing the means to encourage job creation in those areas of our economy most likely to deliver that employment quickly."

Ms Burton added the Government is continuing to consider "various options" and "how best to proceed" surrounding the future for private sector pensions; while the new single pension scheme for the public sector will provide "a major opportunity for improvements" there.



Gerry Hassett, chief executive of Irish Life and Social Protection Minister Joan Burton at a major conference on pensions policy organised by Irish Life.

Picture: Shane O'Neill

Irish Life fears earners will be dissuaded from saving for future

by Geoff Percival

THE head of the country's largest pensions provider has warned of a "crisis in confidence" in the sector and of a real possibility of earners being dissuaded from saving for the future.

Irish Life's chief executive, Gerry Hassett told delegates at a pensions conference, organised by his company, that 70% of Irish adults believe that the Government is not currently actively trying to encourage people to save for their retirement.

He added that the Government's plan to end tax relief for pensions at the marginal rate will make it hard to persuade middle income customers to put money away for 20 or 30 years. As much as 85% of Irish Life pension customers earn less than €70,000 per year.

"The private pensions industry is built on the people of middle Ireland and they need to be sup-

ported in their efforts to make provision for retirement. There's a real danger that this noble objective could be forgotten because of the previous abuse of the system by a tiny minority of people," Mr Hassett said at yesterday's conference.

He added that the pensions industry was happy to play a role in addressing the economic challenges, but said that it is being asked to do too much.

"Even without the pension levy, the industry was targeted to finance €1 billion of the total €15bn fiscal adjustment for the public finances. Having signed up for that adjustment, the additional imposition of the pension levy has had a devastating impact."

The Irish Brokers' Association (IBA) agreed that the last cut in pension tax relief (from 52% to 41%), coupled with the levy, has already persuaded thousands of private sector pension savers to reduce or halt their pension con-

tributions. Data suggests that funding the average public sector worker's pension costs five times the amount that the average private sector worker has saved for their retirement.

"The Government has repeatedly said that there would be no new income taxes in the upcoming budget, but by introducing the pension levy and by enforcing the planned reduction of pension tax relief, the Government may persuade a huge proportion of private sector pension savers to abandon their pensions and achieve much of its deficit reduction by stealth," said IBA chief executive Ciarán Phelan yesterday.

Meanwhile, Mr Hassett also said that more support is needed for lower paid workers and women; stating that the latter, in particular, have "less opportunity to build a pension pot, given the more stop-start nature of their working lives".

Irish Examiner, 22.09.11