



Launch of an Irish association of pension funds report on attitudes of employees in the services sector to pensions -Maurice Whymys (IAPF Benefits Committee) and Derek Wogan (Commercial Manager, Smurfit Marketing Development Programme at UCD).

IF YOU SIMPLIFY IT, THEY WILL JOIN

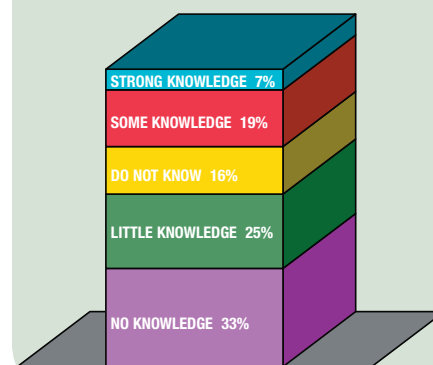
A new study of butchers, florists and hairdressers has found that they are more likely to set up a pension if the monetary benefits were simplified. The study, commissioned by the Irish Association of Pension Funds (IAPF), was conducted by the Smurfit Graduate School of Business at UCD amongst 170 respondents.

Almost 60% of those surveyed said they had little or no knowledge of how current tax incentives worked for pensions. The survey also found a split down the middle in support for a mandatory pensions option. The sample of butchers, florists and hairdressers was selected because it was found that the services sector is under represented in pensions coverage.

The survey found that 86% of those without a pension would start one if the Government introduced a simple scheme whereby it contributed €1 for every €1 saved. 91% of those with a pension said that they would increase their contributions. Almost 40% of those without a pension contributed to an SSIA.

The survey also suggests that pensions coverage would increase significantly if tax relief on pension contributions was available at the higher tax band for all. Almost two thirds (62%) of those without a pension said they would be more likely to establish a pension if tax relief was available at the higher rate of 41%. At present, those on lower incomes only get tax relief at the 20% band.

Figure 1
Respondents Knowledge of Current Tax Incentives for Pensions



"The results suggest that there is a lot that can be achieved to boost pensions coverage by simplifying the current voluntary system rather than introducing mandatory pensions," commented Patrick Burke, Chairman, IAPF. "It also shows that there are sector specific needs for improvements in coverage levels and that these sectors should be monitored to determine whether a simplified incentivisation basis can achieve pre-determined targets."

He added, "We have very strong examples of sector specific solutions to low pensions coverage illustrated for example by the construction industry's arrangements, and it may be preferable to target our responses on a sectoral basis rather than introducing a response across the board that would bring the better pensioned sectors down to the level of the lowest common denominator."

HOT POTATO

"There is a deep split in attitudes to the introduction of mandatory pensions," commented Derek Wogan of UCD. "This study suggests that it could be a hot political potato to introduce. The recent controversy in the UK following the former Chancellor's earlier changes to the pension system there demonstrates the importance of achieving consensus amongst the social partners in any pensions developments and the proposed Green Paper will be a first step towards that."

The report states, "There was an even split between those who approve and those who disapprove of a compulsory pension contribution of five percent. Although there was an even split between these positive and negative responses, there is a higher

proportion of respondents who strongly disapprove than those who strongly approve. This would therefore indicate that this type of incentive could come up against some strong opposition from the public".

The survey found that the main reason for not having a pension was that respondents 'have not got around to setting one up'. "It could not be inferred that the majority reject the concept of a pension but rather it is not a high priority at their current life stage," states the report. Almost one in ten (9%) said they could not afford a pension.

A quarter of all respondents said they expected their source of income in retirement would come from the sale of property while 15% said they intended to rely on other savings or assets.

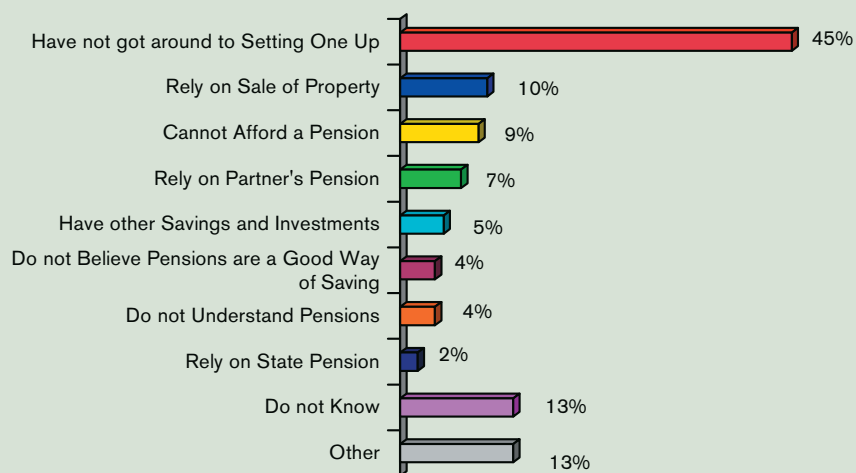
Patrick Burke of the IAPF said that the services sector study emphasised that solving the pensions problem was not just about delivering greater coverage but adequate pensions. Almost a quarter (23%) of those with pensions save 5% or less of income.

He said that when it is considered that the greatest number of respondents (35%) said that they plan to use their personal pension as their main source of income in retirement, this level of contribution is unlikely to meet their expectations of an adequate income. "Alarming, 27% don't know what proportion of salary they are saving. There is a risk that people are lulled into a false sense of security. Just because you contribute to a pension does not mean that you will have sufficient income in retirement."

He said it was also an issue of concern that 16% of respondents expected the State pension to be their main source of income while another 16% did not know how they would fund retirement. Despite this almost half of respondents (49%) would like to retire before they are 60.

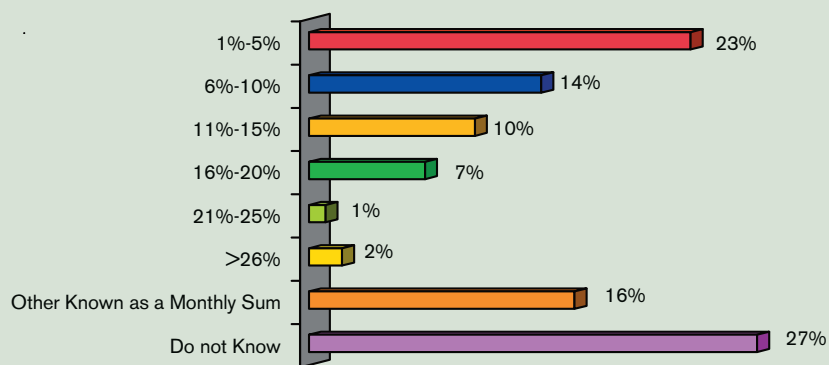
67% of respondents said that they would set up or contribute more to a pension if they were able to draw down a quarter of it at age 45.

Figure 1 Reasons for not Contributing to a Pension



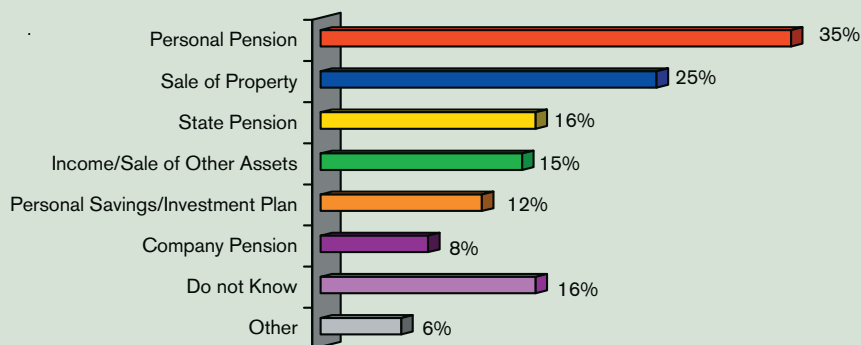
Base: 82 (Respondents who do not have a pension) Multiple Response Allowed

Figure 2 Pension Contribution as a Percentage of Annual Salary



Base: 88 (Respondents who have a pension)

Figure 3 Sources of Income Retirement



Base: 170 (All Respondents) Multiple Response Allowed