Ireland's World Ranking

Peter Burke, Mercer

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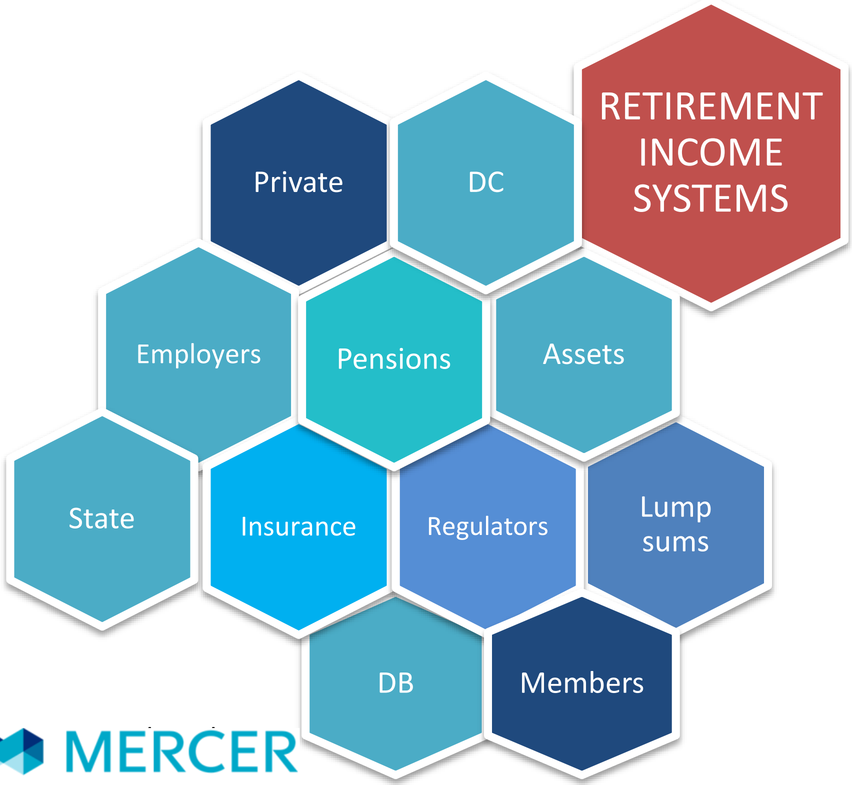
The Challenge



Diverse systems are hard to classify.

Why do we need to compare them?

How would we begin?

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What is the MMGPI?

- Objective comparison of retirement systems for 25 countries
  - Covers 58% of world's population
  - Measures more than 50 indicators

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What is the ideal retirement system?

WORLD BANK | MULTI-PILLAR APPROACH

0	1	2	3	4
Basic public pension	Public mandatory contributory system linked to earnings	Private, mandatory, fully-funded system	Voluntary fully-funded system	Support for the elderly outside pensions

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How is the MMGPI constructed?

“What do you get?”

“Can it keep delivering?”

“Can it be trusted?”

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What were the results?

- No perfect system!
- General challenges shared globally
  - Ageing population
  - High levels of government debt
  - Participation improving among older employees

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What were the results?

- Many common features for better outcomes for individuals
  - Increase retirement age
  - Promote higher participation
  - Encourage or require higher levels of private saving
  - Improve confidence in the system

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What were the results?

- Reform is working
  - Positive effect on global average
  - 61.7 in 2010 vs. 64.3 in 2014

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What were the results?

- Top of the class
  - Denmark, Australia & Netherlands
- Features
  - Well-funded private schemes
  - High participation across all ages
  - Well-developed regulation

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How did Ireland do?

- Overall Score = 62.2 (11^{th})
  - In line with global average for 2014
- To put this in context
  - Denmark = 84 (1^{st})
  - UK = 67.6 (9^{th})
  - Ranked joint 7^{th} out of 12 in Europe

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How did Ireland do?

- Adequacy (ranked 2nd)
  - Minimum income in retirement
  - Favourable tax treatment for contributions
  - Minimum access age

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How did Ireland do?

- Integrity (ranked 15th)
  - Some protection provided to participants
  - Basic communication requirements
  - More can be done to ensure people make informed decisions
    - Leading to greater confidence in the system

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How did Ireland do?

- Sustainability a major issue
  - 20th out of 25 countries
  - Unfunded State Pension with ageing population
  - Level of government debt
- Promising adequate benefits but will these materialise in long term?

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How can we improve?

- Reduce dependence on State benefits
  - Raising state pension age a necessary first step
- Encourage participation in occupational pension schemes
- Reconsider how we view retirement as a society
  - Start planning earlier
  - Working after age 65

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How can we improve?

- Pension Levy does not reappear
  - Encouraging to see confirmation that will cease in 2015
  - Short-sighted policy, significantly reducing confidence

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What does this mean for your scheme?

- Consider changes
  - Improve participation & increase savings
  - Simplify the system
- Understand risks
  - Ageing workforce
  - Transition from DB to DC

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Summary

- Benefits targeted among highest in the world
- Serious questions to be answered on sustainability of our pension system
- Focus on increasing participation & savings
  - Enhancing outcomes
  - Reducing dependence on State Pension

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