

Pension Representatives warn that Budget measures will have a direct and immediate impact on pension values

IAPF Annual Benefits Conference: “Stamp Duty changes will lead to an immediate 3.7 % decrease in the value of Irish commercial property, with obvious knock on implications for the value of pension funds”

“Absolutely vital that the current byzantine retirement tax system is fundamentally reformed and simplified”

Today the Irish Association of Pension Funds (IAPF) hosted their Annual Benefits Conference which saw 300+ attendees from Ireland’s pensions sector come together to examine the macro and practical pension issues that require immediate attention and action. At the event, which was held at The Printworks Dublin Castle, attendees listened to industry experts discuss how these challenges are being addressed in the US and Australia and how lessons can be learned from best practice in other countries.

Speaking at the IAPF event, it’s Chair, Peter Fahy, *“Ireland’s pension landscape is complex and each year brings a raft of challenges but also opportunities. We are making progress – but with the changes and challenges coming quick & fast we may not be keeping pace. Now, rather than having a single Defined Benefit pot, and a guaranteed pension paid to them automatically, retirees now often have multiple pots in a combination of schemes and other vehicles, accumulated over their working lives. Retirement planning has become a very complex area for many scheme members – so it’s more important than ever that moves are made to ensure a simplified process overall. While there are a variety of issues to discuss, I believe today is the time to focus our attention on 4 primary concerns:*

1. The impact of Budget 2018
2. Changes to the funding standard
3. Auto enrolment
4. A comprehensive simplification approach.

Budget 2018

The IAPF say that top of their agenda is to draw the Minister’s attention to the direct impact that the change in commercial Stamp Duty rates will have on individual pension funds.

Mr Fahy went on to say,

“On the plus side, the Budget gave an €5 increase in the State pension, which includes the contributory State pension. This is helpful both generally and, specifically for DB schemes which are integrated with the State pension.

But what the Exchequer giveth with one hand it taketh away with the other, and the introduction of the new 6% rate of stamp duty for all commercial property transactions will have a negative effect on any pension funds with exposure to Irish commercial property. It is estimated that this 4% increase in Transaction Costs will lead to an immediate 3.7 % decrease in the value of Irish commercial property, with obvious knock on implications for the value of our members’ pension funds”.

Funding Standards

The IAPF told attendees that while they welcome the Minister’s indication that she will look favourably on measures to introduce more flexibility into the application of the funding standard, their main concern at this point is that more action and less talking is now needed.

According to Mr Fahy,

“The talking needs to stop, and the legislation needs to be finalised and enacted, so that the current state of uncertainty can be resolved. So we would call on the Minister to implement the legislation as soon as practicable”.

Auto enrolment

The IAPF reiterated their support for the introduction of an appropriate auto-enrolment system but cautioned that the system must enhance rather than detract from the existing private pensions system in which we are all participants.

Mr Fahy explained,

“It is very important that it is introduced in a way that simplifies rather than adds additional layers of complexity to the existing system.

We have existing structures in place such as well governed trust based schemes and PRSAs that can easily be used to facilitate an auto enrolment system and we would call on the Government to introduce the proposed auto enrolment system in a way which works within existing structures and promotes simplification rather than creating a new layer of complexity”.

Overall Simplification

To conclude Mr Fahy shared his views on one of the most important issues that needs to be tackled for the sustainability of the Irish pension sectors,

“It is absolutely vital that as part of the introduction of any further reforms, the current byzantine retirement tax system is fundamentally reformed and simplified.

There is absolutely no reason why this cannot be the case and why the current idiosyncrasies between the various available types of pension structures cannot be harmonised, thus eliminating the need to use different structures to access different tax treatments and options.

We should have simplified structures with common tax rules applicable to them. This is an absolute imperative before any further changes are introduced and again we would call on the Government and the Minister for Social Protection to prioritise this”.

Note to the Editor

About the IAPF

Established in 1973, the Irish Association of Pension Funds (IAPF) is a non-profit, non-commercial organisation representing pension savers whose aim is to ensure we have a secure, fair and simple system of pension provision in Ireland.

IAPF Annual Benefit Conference Speakers

- Peter Fahy
Eversheds Sutherland / IAPF Council
- Nigel Aston
State Street Global Advisors
- Munro O'Dwyer
PwC
- Paul Watson
Hostplus
- Willie Barry
Irish Shell Trust Dac
- Joyce Brennan
IPT
- Danny Mansergh
Mercer
- Edward O'Hanlon
Acuvest
- Edel O'Leary
Acuvest
- Dr. Irene Mosca
TILDA