

# IAPF Submission to Political Parties

Current Pension Issues

May 2007

The Irish Association of Pension Funds (IAPF) has prepared this submission to highlight a number of key issues which our membership would like you to consider in developing your pensions agenda. We would welcome the opportunity to meet with you to discuss some of these issues.

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## Approved Retirement Funds (ARF's) for Defined Contribution Pension Schemes

At present a situation exists where Proprietary Directors and Self Employed workers in Defined Contribution (DC) pension arrangements have the option to place their retirement fund in an ARF when they come to retirement. Meanwhile, when a PAYE worker comes to retirement they may take part of their pension savings as a tax free lump sum. However, apart from any funds built up from Additional Voluntary Contributions, the balance of their pension savings must be used to purchase an annuity from a life office. The IAPF believes this discriminates against PAYE workers in Group DC pension arrangements and we would welcome your views regarding same. Click [here](#) to view our submission on ARF's.

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## Tax Issues

Many pension members are affected by inequalities that exist in the tax code and we highlight six groups where inequalities exist. We would welcome your comments on the inequalities we have raised in our pre Budget Submission. Click [here](#) to view the IAPF pre Budget Submission.

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## Towards 2016 : Pensions : Green Paper

IAPF were very happy to be afforded the opportunity to make a presentation to the Partnership Pensions Review Group on 1st November 2006 in connection with the Funding Standard and the operation of the Annuity Market. We await with interest the publication of the Green Paper. We would encourage a full and proper debate of all the many complex issues involved in ensuring adequate income in retirement and the development of a sustainable pension system in the long term. Click [here](#) to view the presentation to the Partnership Pensions Review Group

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## Mandatory Pensions

While IAPF fully support finding a means of increasing pensions coverage, we are not yet convinced that mandatory is the best way of achieving this. We propose that the current voluntary system could be enhanced to support the existing mandatory state pension scheme. The introduction of mandatory pensions could be resented by many people who may be at different stages in their lives have different and competing demands such as new mortgages, child care, business and education costs.

Click [here](#) to view the press release.

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## Other Issues for Consideration

### Review of the Funding Standard

The Pensions Board is reviewing the Funding Standard in light of the continuing difficulties being experienced by many Defined Benefit (DB) schemes. The IAPF believes that the Funding Standard should represent the realistic economic cost of providing the pension benefits through a pension scheme. As a consequence of constraints within the annuity market, the current standard requires many DB schemes to fund benefits on a basis greater than that which might be required in the long term. This is in order to ensure that these schemes will have the capacity to purchase annuity contracts in the event of actual wind up. The reality for a great number of schemes is that the prospect of annuity purchase, due to the constraints in the annuity market, is remote. Consequently, the Funding Standard is placing immense strain on DB schemes.

Click [here](#) to view our submission to the Pensions Board on the Funding Standard

Click [here](#) to see our proposal on the Funding Standard

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## Annuities

Annuities impinge on pensions in two ways. Firstly, Annuities are the benchmark to which the Minimum Funding Standard determines the solvency of DB schemes. This essentially means that pension schemes have to maintain sufficient reserves to buy annuities, even though most elect instead to pay pensions from the fund on an ongoing basis. Secondly, members of DC schemes are forced to buy annuities with part of the proceeds of their pension plan at retirement. As indicated elsewhere, IAPF also believe that DC pension schemes members should have the same option as PRSA holders of choosing either an annuity or an ARF (after meeting certain minimum requirements).

Click [here](#) to view IAPF paper on annuities

## State Annuity Fund

The concept of a State Annuity Fund was raised by the IAPF in our submission to the Pensions Board on their Review of the Funding Standard. In its report to the Minister on the Funding Standard the Pensions Board recommended that the concept be explored thoroughly noting that its introduction would ease the Funding Standard for schemes generally without

reducing the security of scheme members.

Click [here](#) for discussion document on State Annuity Fund

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### **The Irish Association of Pension Funds**

The IAPF was established in 1973 and is a nonprofit organisation. Our members provide retirement security to over 260,000 employees, pay pensions to nearly 90,000 people and are responsible for some €90 billion in retirement savings.

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**IAPF 2007 : <http://www.iapf.ie/> : [info@iapf.ie](mailto:info@iapf.ie)**