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# Pensions Policy

- Issue
  - How much of Framework is still valid?
    - Tax relief?
    - Auto-enrolment?
- IAPF View
  - We can't lose sight of long-term issues. New Government on the way



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# Pensions Policy

- Principles
  - Sustainable
  - Adequate
  - Fair and equitable
  - Simple
  - Flexible



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# Tax Relief

- Issue
  - Budget changes; much more on they way
- IAPF View
  - Economic reality is we need to reform the system but we also need people to save for retirement



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# Tax Relief

- Budget 2011
  - Removal of PRSI and Health Levy relief on employee contributions
  - Employer PRSI exemption on employee contributions reduced by 50%
  - Reduce Standard Fund Threshold to €2.3m
  - Annual earnings limit reduced to €115,000
  - Lump sums over €200,000 to be taxed



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# Tax Relief Proposals

Government	Fine Gael	Labour
<p>Reduce higher rate relief to:</p> <p>34% in 2012 27% in 2013 and 20% in 2014</p> <p>Cumulative reduction of €700m (plus €240m on pension levy)</p> <p>Willing to engage on alternatives</p>	<p>Maintain marginal tax-relief</p> <p>Temporary, annual levy of 0.5% on funds</p> <p>Abolish PRSI relief on employer contributions</p> <p>Cut standard fund threshold to €1.5m, increase notional annuity cost on public and private sector DB schemes</p>	<p>Alternative to standardising the relief</p> <p>Cap the level of relief on ee and er contributions</p> <p>Reduce maximum lump sum</p> <p>Reduce maximum fund</p> <p>Include relief on minimum effective tax rate</p>



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# New DB Model

- Issue
  - Minister announced acceleration of work on this and removed deadline for funding proposals as a result
- IAPF View
  - Need to know objective of a new model and how it will interact with existing schemes



# New DB Model

- New Schemes
  - How does it compare with DC?
- Existing Schemes
  - Will it be feasible to transition?



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# Sovereign Annuities/Bonds

- How it will work
  - Pensions Board will approve annuity contracts which are backed by Member State Bonds
  - Trustees can use these to discharge liabilities on wind-up
  - Trustees can use these to discharge pensioner liabilities by buying annuities in member name – overrides scheme rules and member consent not required
  - In the event of a default, annuity provider can reduce the pension payments



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# Sovereign Annuities/Bonds

- How it will work
  - Ongoing schemes can match their pensioner liabilities with Member State bonds
  - They can take credit for the bond yield in determining their liabilities for the funding standard
  - In the event of a default, scheme cannot reduce the pension payments



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# Sovereign Annuities/Bonds

- How it will work
  - Protection for trustees from breach of trust where they act “honestly and reasonably”
  - Option of sovereign annuity will also be available to DC members



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# Sovereign Annuities/Bonds

- IAPF View
  - Allows the possibility to share the risk more equitably
  - World has changed since original proposal
  - Yield is high for reason and risks must be properly evaluated
  - Could put trustees in a very difficult position



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# Sovereign Annuities/Bonds

Eurozone Government 10 Year Yields 08/12/2010

