



iapf

MIND THE GAP!



Presented by: Eoghan Burns

Chair, IAPF Benefits Committee



Agenda

- What's changing?
- Members & Pensioners
- Trustees
- Employers
- IAPF Recommendations



Background

- State Pension (Transition) is paid between age 65 and 66 if retired and enough Social Insurance contributions. Full rate is €230.30 p.w.
- Discontinued from 1/1/2014 (unless qualified before 1/1/2014 then paid until 66)
- State Pension (Contributory) is currently paid from age 66 *BUT*
 - Born on or after 1/1/1955 minimum age 67 (2021)
 - Born on or after 1/1/1961 minimum age 68 (2028)



Implications



- Awareness



- Fairness



- Consequences



Members/Pensioners

- Awareness deficit
- Retirement income with significant gap
- Very short time to reset expectations
- Overnight big transition
- Will mainly hit private sector workers

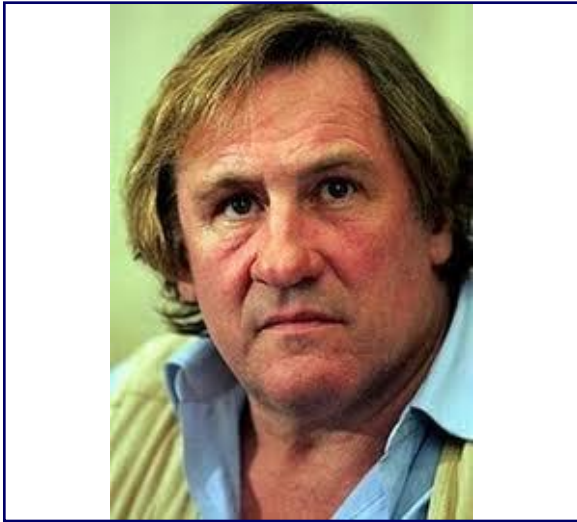


Jobseekers benefit – a poor replacement

- Maximum benefit of €188 p.w. so 18% reduction
- Must be “available for and genuinely seeking work”
- Cannot put unreasonable restrictions on:
 - Hours of work
 - Nature of work
 - Rate of pay
 - Location of employment
- Will Social Welfare offices turn a blind eye?



Cut-Off ⇒ 01/01/1949



Gerard Depardieu
Born 27/12/1948

Versus

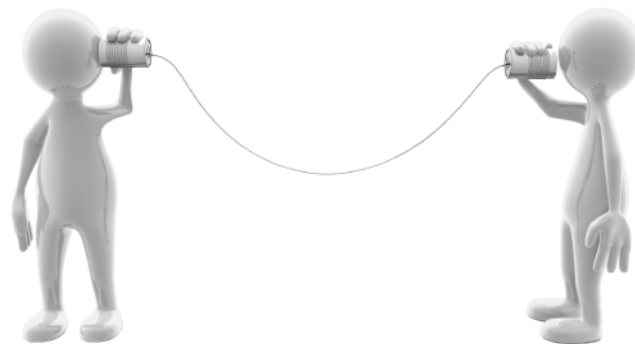


George Foreman
Born 10/1/1949



What has been communicated?

- Very little from the State!
- What do benefit statements/booklets say about State Pension?
- How have benefits under integrated DB schemes been explained?
- Schemes with bridging pensions if NRA is less than 65?





Trustees

- Examine scheme documentation carefully
- Integrated scheme and bridging pensions particularly at risk of unintended extra liabilities
 - Cover for 1 year at age 65 or forever?
 - What do benefit statements show?
- Consider required amendments before 1/1/2014
- Issues with Sect 59(B)



Trustees

- Will employer support increasing NRA or working past contractual retirement age?
- Increase in Normal Retirement Age may not be a simple scheme rule amendment
 - Reduction in benefits for past accrual?
 - Section 50
- Advice will be important to negotiate actuarial and legal pitfalls



Employers

- Decide for own circumstances whether to change NRA in line with State Pension age
- Look beyond pension scheme implications
- Increased risks if maintain mandatory retirement age of 65
 - Irish Law is unclear
 - Guidance is urgently required
- Uncertain impact on associated benefits such as death and income protection for older workers (and costs)
- Costs of voluntary early retirement exercises are likely to increase



IAPF Recommendations

- Allow flexibility on age to draw down State Pension (on cost neutral basis)
- Allow lump sum to be taken before pension payment begins
- Legislative power to allow Trustees fix issues
- Phase in the changes over time and smooth out the 1 year jumps



IAPF Recommendations

- Simplify complex age-related Revenue rules
- Flexibility for ARF eligibility on “lifetime income”
- Communicate, Communicate, Communicate:
 - Government
 - Trustees
 - Employers