



Challenges for Auto-Enrolment – An International Experience

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Behaviours

How do we get workers to save?

- Change behaviour to deferring current expenditure
- Reward behaviour through taxation incentives

...or let individuals decide



Persuasion

Tax incentives for

- contributions and participation on individual basis
- contributions and participation for employers and individuals on group basis

Auto enrolment

- individual and group basis
- individual and group basis with minimum contribution levels and tax incentives



Mandation

- employer level with scaled-back taxation incentives
- on an employer and employee level with scaled back taxation incentives – Minimal opt out



The Debate

As a society what do we feel comfortable with now?
And Government, Treasury, EU, IMF and OECD with respect to the future direction of Irish Pension system?

Debate on pension reform: rapid treatment (Chile and Australia) or prolonged care and remedies (UK and Sweden)



Automatic Enrolment

- Do New Zealand, Australia and the United States have anything to teach Ireland about auto-enrolment?
- UK pension reforms predicated largely on US 401(k) experience
- Expensive UK NEST creation – will they get their money back?
 - Competition: NOW pensions and BC&E
 - US: target dated funds and behavioural finance



Default Funds

- Active investment selection is low: on average 85% of Australian participants going into the default
- UK employers seeking to generate satisfactory solutions
- Target Dated Funds and Life Style
- Competing vested interests in terms of design and investment
- Fees and charges
- Communication & Education



New Zealand

2006 Kiwisaver born to absorb fiscal surplus:

- 8% combined contribution
- 18% previous occupational pension coverage – leveling down for major employers
- Opt out of the system remains a concern – 34% in 2009 and 28% in 2011
- Inland Revenue plays a key role in data matching and taxation reconciliations – hidden cost of the system

New Zealand

- ‘Reasonable costs’ and roulette allocation of default to registered vendors
- Australian bank dominance
- Significant government incentives for individuals
- Government regulatory risk
- Calls for the ‘Western Island Approach’ towards retirement savings

Australia

- Hard compulsion for a ‘harsh, empty land’
- Fees and charges debate
- 91% workforce participant in 9% employer contribution, low threshold environment
- Cooper Review – ‘My Super’: improvements in administration efficiency
- Prescribing the shape and investment considerations around default

Australia

- Banning of commissions for advisers – FOFA Legislation
- 9% > 12% on the back of a mining tax
- \$1.3 trillion in assets for a 21 million population base
- Lost accounts and reduction in the number of pension funds

United States

- Assessment of 401(k) and auto enrolment
 - Auto enrolled IRA structure – portable
 - Coverage scrutiny
 - Performance fees
 - Loans in the recession
- Has auto-enrolment been the panacea for ‘getting Americans to save’? – Auto IRA and the future of social security
- SEC and Congressional Inquiries into default structures

United States

- What is a target dated fund?
- Equity and glide path considerations
- Fees and charges
- Greater levels of fee disclosure – performance fee considerations
- Need to address social security reform
- Higher levels of older workers re-engaging in the job market and seeking valued benefits

Ireland – AE and Default

- Proliferation in small pots under auto enrolment
- Role of government agencies in the collection and administration of funds
- Regulatory strain – ‘conscripted’ new entrants contributing to pensions
- Opt out rates could be higher than the Irish Government and OECD would like

Ireland – AE and Default

- To target date or not to target date that is the question?
- Appropriate default design for all employees
- Government intervention through review – hard compulsion
- Disbursement policy – annuity and drawdown structures





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AUDIENCE Q&A



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Thank You
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