

Irish Association of Pension Funds  
Suite 2 - Slane House  
25 Lower Mount Street - Dublin 2  
Telephone +353 1 661 2427  
Telefax +353 1 662 1196  
Email [info@iapf.ie](mailto:info@iapf.ie)  
Website <http://www.iapf.ie>

Mr. Michael Noonan  
Finance Spokesperson  
Fine Gael National Headquarters  
51 Upper Mount Street  
Dublin 2



**iapf**  
the voice of Irish pensions

11<sup>th</sup> February 2011

Dear Michael,

I am writing to you on behalf of the Irish Association of Pension Funds (IAPF) in relation to your Pensions Taxation policy published in Fine Gael's Fiscal Plan yesterday.

The IAPF is the representative organisation for occupational pension schemes in Ireland. The schemes we represent have been set up by employers to provide retirement benefits for their employees. Those employers have no commercial interest in the schemes and they are governed by trustees who have a legal duty to act in the best interest of the members of the schemes. The schemes we represent provide security in retirement for over 260,000 employees and currently pay pensions to over 90,000 people. These schemes are responsible for approximately €80 billion in retirement savings.

Firstly, we welcome your recognition that the current Government's policy to cut the rate of tax relief will destroy the incentive to save for retirement. This is an issue we have been highlighting for the last few years.

We believe there is scope for reform of the pension system to ensure that it maintains its purpose of incentivising people to save for their retirement to ensure we can all enjoy a reasonable standard of living in retirement and reduce the burden on the State. There have been too many well documented cases of that purpose being abused which has damaged the perception of pension provision.

We do however have serious concerns in relation to your proposal to introduce a levy on pension funds, for a number of reasons.

Firstly, these funds are the retirement savings of individuals, in some case built up over decades. The main pensions problem we have in Ireland is that we don't have enough people saving for their retirement and many of those who are saving are not saving enough. To levy

those who have been prudent enough to save will not encourage more savings and is deeply unfair.

Pension schemes have suffered badly over the last few years from increasing annuity costs and poor investment returns. The Pensions Board estimated that, at the end of 2009, defined benefit schemes had combined deficits of €13 billion. Since then, employers, trustees, trade unions and members have been working to address these deficits and this often involves reducing benefits and increasing employer and employee contributions. To levy schemes that are already in considerable difficulty would be completely inappropriate.

Your document indicated that defined benefit and public sector schemes could reduce benefits accordingly. A large proportion of the assets and liabilities of defined benefit schemes relate to the 65,000 pensioners being paid from those schemes. There is no ability to reduce those pensions so any reductions, under current legislation, could only apply to active and deferred members who are the members currently seeing contributions increases and benefit reductions.


The last estimate for public sector pension liabilities from the Comptroller and Auditor General put these at €116 billion. Would the intention be to reduce those liabilities by 0.5%? If not there is a danger that the levy on private sector pension funds is effectively being used to pay public sector pensions.

There are many other practical issues, including which schemes would be levied. For example, we have had the unfortunate examples of the schemes for Waterford Crystal and SR Technics going into wind-up in recently without sufficient assets to cover the full benefits of the members. Would these members now suffer a further reduction in their already reduced benefits?

You have mentioned on a number of occasions that the levy proposal has the agreement of the pensions industry. While it may have the agreement of those with a commercial interest in pensions, we would like to make it clear that it does not have the agreement of those who are responsible for the management of schemes and whose duties are to ensure members get the benefits to which they are entitled. We believe there is scope to achieve significant savings by examining the limits on funds, contributions and benefits and are working to develop proposals on these issues.

I look forward to hearing from you on these issues and we will be happy to engage further with you on this.

Yours sincerely,



Jerry Moriarty  
Director of Policy