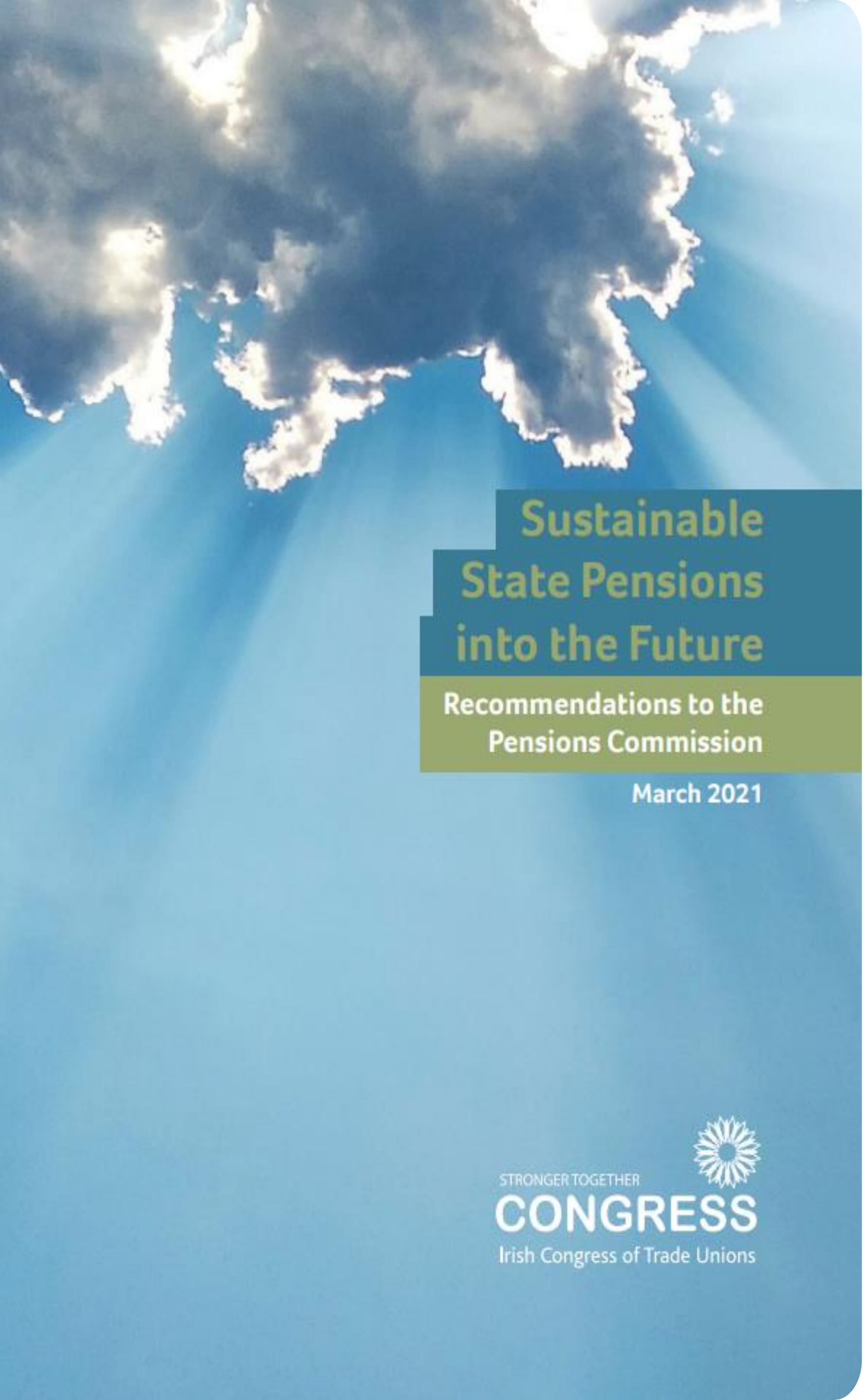

# ITEM 9 RETIREMENT BENEFITS – Chapter 8

## 11TH BIENNIAL CONFERENCE 2022, ATHLONE

# Agenda

1. State Pension Age
2. Pension Trustee
3. PRSI Rates – Coordinated Pension



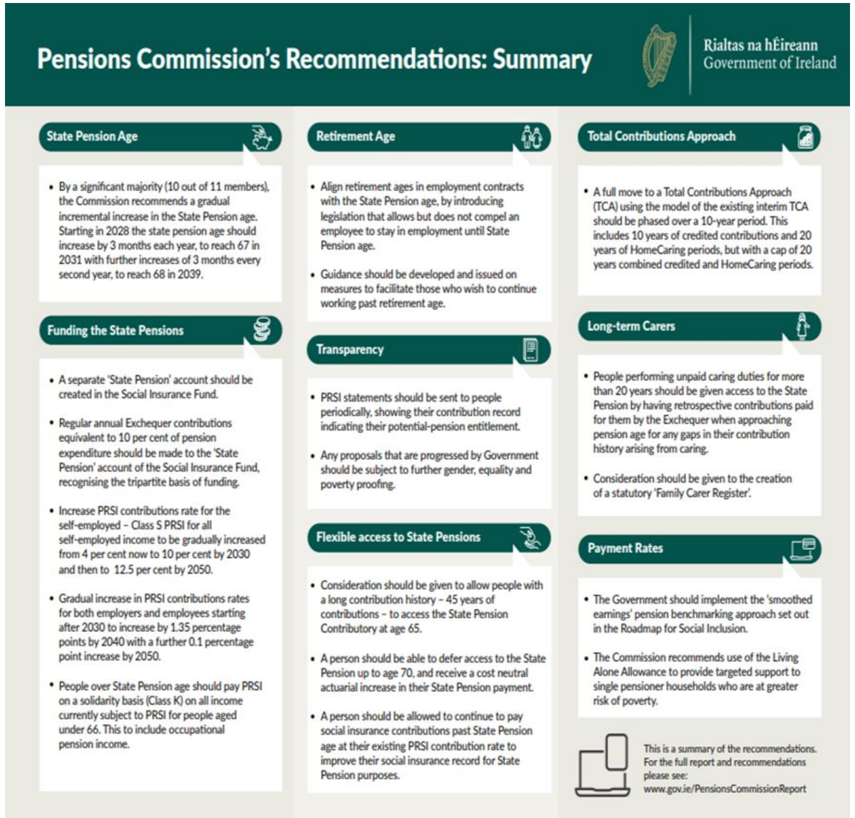

# Pension Commission Submission

**CWU prepared and forwarded** our submission to ICTU

## Congress Position:

- Maintain the State Pension **as the bedrock of the pension system**
- Auto-enrolment contributions be publicly managed and paid out as a **pay-related top-up benefit** on the State Pension (Contributory) to auto-enrolled workers
- Government should deliver on the **commitment to benchmark** and index-link the State Pension payment rate without further delay
- Government should deliver on its commitment to adopt a **Total Contributions Approach**
- **Abolish the paid contribution condition** for the State Pension (Contributory) for applicants providing long-term care
- Amend the Equality Employment Act, **making it illegal to force a worker to retire at an age** earlier than the age at which the State Pension is generally available
- **A lower pension age** should be introduced for workers who entered full-time employment at a young age and have a long contribution record
- Employer contributions should be **aligned to the EU average**

# Pension Commission Recommendations



## Pensions Commission's Recommendations: Summary

Rialtas na hÉireann
Government of Ireland

### State Pension Age

- By a significant majority (10 out of 11 members), the Commission recommends a gradual incremental increase in the State Pension age. Starting in 2028 the state pension age should increase by 3 months each year, to reach 67 in 2031 with further increases of 3 months every second year, to reach 68 in 2039.

### Funding the State Pensions

- A separate 'State Pension' account should be created in the Social Insurance Fund.
- Regular annual Exchequer contributions equivalent to 10 per cent of pension expenditure should be made to the 'State Pension' account of the Social Insurance Fund, recognising the tripartite basis of funding.
- Increase PRSI contributions rate for the self-employed – Class S PRSI for all self-employed income to be gradually increased from 4 per cent now to 10 per cent by 2030 and then to 12.5 per cent by 2050.
- Gradual increase in PRSI contributions rates for both employers and employees starting after 2030 to increase by 1.35 percentage points by 2040 with a further 0.1 percentage point increase by 2050.
- People over State Pension age should pay PRSI on a solidarity basis (Class K) on all income currently subject to PRSI for people aged under 66. This to include occupational pension income.

### Retirement Age

- Align retirement ages in employment contracts with the State Pension age, by introducing legislation that allows but does not compel an employee to stay in employment until State Pension age.
- Guidance should be developed and issued on measures to facilitate those who wish to continue working past retirement age.

### Transparency

- PRSI statements should be sent to people periodically, showing their contribution record indicating their potential-pension entitlement.
- Any proposals that are progressed by Government should be subject to further gender, equality and poverty proofing.

### Flexible access to State Pensions

- Consideration should be given to allow people with a long contribution history – 45 years of contributions – to access the State Pension Contributory at age 65.
- A person should be able to defer access to the State Pension up to age 70, and receive a cost neutral actuarial increase in their State Pension payment.
- A person should be allowed to continue to pay social insurance contributions past State Pension age at their existing PRSI contribution rate to improve their social insurance record for State Pension purposes.

### Total Contributions Approach

- A full move to a Total Contributions Approach (TCA) using the model of the existing interim TCA should be phased over a 10-year period. This includes 10 years of credited contributions and 20 years of HomeCaring periods, but with a cap of 20 years combined credited and HomeCaring periods.

### Long-term Carers

- People performing unpaid caring duties for more than 20 years should be given access to the State Pension by having retrospective contributions paid for them by the Exchequer when approaching pension age for any gaps in their contribution history arising from caring.
- Consideration should be given to the creation of a statutory 'Family Carer Register'.

### Payment Rates

- The Government should implement the 'smoothed earnings' pension benchmarking approach set out in the Roadmap for Social Inclusion.
- The Commission recommends use of the Living Alone Allowance to provide targeted support to single pensioner households who are at greater risk of poverty.

This is a summary of the recommendations. For the full report and recommendations please see: www.gov.ie/PensionsCommissionReport

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The current State Pension is **not sustainable** in its current form and that changes are needed

The deficit in the Social Insurance Fund from which the State Pension is paid could reach **€13 billion in 2050** if no changes are implemented

Pension age **should rise in steps to 67 by 2031 and then to 68 by 2039**

The report also contains a recommendation to introduce **legislation that will allow employees to remain in employment until the State Pension age**, if they wish

# Joint Committee on Social Protection, Community & Rural Development & the Islands

Some of the above Committee's **key recommendations** following the Commission report include:

- The qualifying age for the State Pension **should remain at age 66**
- **Legislation should be developed** to ban the use of mandatory retirement clauses in existing, as well as new, employment contracts
- The proposal to move workers over the age of 66 to **Class K PRSI is rejected**
- Changes to Employers' PRSI contribution rates **should be examined** by the Commission on Welfare & Taxation to determine the fairest way to increase Employers' PRSI contribution rates
- The **cap on credited contributions should be eliminated** in view of the importance of nurturing and caring work in our society

# Duties of the Pension Trustee

## Acknowledgement

Must acknowledge, on behalf of our members, the work of the Trustees – past and present – to the An Post/ eircom/ Vodafone Schemes

- During the economic crisis DB pension Schemes were in serious financial trouble. Difficult decisions were required and the group of Unions and Trustees did not shy away
- Because of that, schemes are now in healthy positions proving the Accords have delivered
- There will always be economic uncertainty (e.g. COVID-19, Ukraine, etc) but through investment and de-risking the schemes are in good shape; however, challenges remain

# Duties of the Pension Trustee

## General Trustee Duties

Covered under Section 59 of the Pension Acts 1990-2018:

- to ensure, insofar as reasonable, that contributions payable by the members and the employer are received
- to provide for the proper investment of the funds
- to make arrangements for the payment of benefits
- to ensure that proper membership and financial records are kept
- to comply with the requirements of the Pension Acts, as they apply to their schemes

# PRSI Classes

| There are 11 different PRSI classes, each one entitling you to certain Social Welfare benefits | The following classes are reckonable for State Pension (Contributory): |
|---|---|
| Class A, Class B, Class C, Class D, Class E, Class H, Class J, Class K, Class M, Class P, Class S | Class A (called Full or Ordinary), Class E, Class H, Class S |

For further information on different PRSI Classes visit **www.gov.ie**

# Coordinated (Integrated) Pension

- PRSI Class D employees **all of their pension** is paid from the pension fund
- PRSI Class A employees who are entitled to State Pension (Contributory) as the Scheme is an integrated scheme, meaning it **takes account of the State Pension (Contributory)** in calculating the overall pension benefits
- Consequently, for PRSI Class A contributors, their pension benefit is determined by reference to **"net pensionable remuneration"** which is made up of full-time equivalent pensionable pay at the time of retirement (plus any pensionable allowances) **less twice the rate** of the State Pension (Contributory) payable to a person
- The reason 2 times the State Pension is deducted from the pensionable pay for PRSI Class A employees is to ensure that **the correct payment between the pension fund and State Pension is paid to the member** and to ensure that the total benefit (An Post / eircom pension and State Pension) payable to the Class A contributor is equivalent to what would have been payable had the employee been a Class D contributor

# Coordinated (Integrated) Pension

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PRSI Class A Employee with 20 Years' Service** | | | | | | | **PRSI Class D Employee with 20 Years' Service** | | | | | | |
| Pensionable Salary | | €36,381.70 | | service | 21.90 Yrs | | Pensionable Salary | | €36,381.70 | | service | 21.90 Yrs | |
| Less Social Welfare deduction | | €25,822.00 | | | | | Less Social Welfare deduction | | €0.00 | | | | |
| | | €10,559.70 | | | | | | | €36,381.70 | | | | |
| **Calculation of Benefits at NRA** | | | | | | | **Calculation of Benefits at NRA** | | | | | | |
| Pension: | €2,890.72 | €10,559.70 | x | €0.27 | | | Pension: | €9,959.49 | €36,381.70 | x | 0.27375 | | |
| Gratuity : | €29,878.47 | €36,381.70 | x | 0.27375 | x | 3 | Gratuity : | €29,878.47 | €36,381.70 | x | 0.27375 | x | 3 |
| An Post | | €2,890.72 | | | | | An Post | | €9,959.49 | | | | |
| State Pension | | €7,068.77 | =12911*21.9/40 | | | | State Pension | | €0.00 | | | | |
| | | **€9,959.49** | | | | | | | **€9,959.49** | | | | |

Thank you

# 11th Biennial Conference

Sheraton Hotel, Athlone

Wednesday 4th May 2022