



*A Universal Pension for Ireland:
A roadmap to change*

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Introduction



“A universal pension, based on citizenship and residency which would replace the current PRSI-entitlement”

Objectives

- Income for older citizens regardless of PRSI contribution
- Universal coverage - a stated goal of the system
- Added certainty in retirement
- More egalitarian society
- Long-term sustainability

Introduction



“A universal pension, based on citizenship and residency which would replace the current PRSI-entitlement”

- Feasible and sustainable
- Reform of the current system of tax reliefs
- One of the options recommended by the OECD
- Improving economic landscape

Key Characteristics



- Would replace all other State Pension payments
- Would replace Qualified Adult payments
- Paid at the current rate of €233.30 per week
- Residency-based
- All pensioners move to the Universal Pension
- Qualified increases to continue
- Frozen until 2018, gradually rise to 40% of average earnings
- Inclusion of pre-April 1995 public servants, with claw-back for those with significant public service pensions

Costing Overview



- Cost an extra €700m approximately in 2017

Funded by a reform of the structure of tax relief for private pension contributions

- Reducing the marginal rate to 20% - save €560m per year

Strongly progressive change

- Reduce the earnings cap to €75,000, saving €133m
- SFT reduced to €622,500, saving over €200 million
- Total saved in one year: approx €900 million

The Policy Context:

Private Pension Coverage



The Aim

- National Pensions Policy Initiative – by 2008, 66% of workers 30-65 have supplementary coverage
- Ultimately 70% would have some form of private coverage

The Reality

- 2009, 58% of workers 30-65 have supp coverage
 - 51% of workers 20-69 ...and falling!!!
 - 41.3% of workers 20-69 in the private sector were enrolled in a funded pension plan

Coverage by Decile

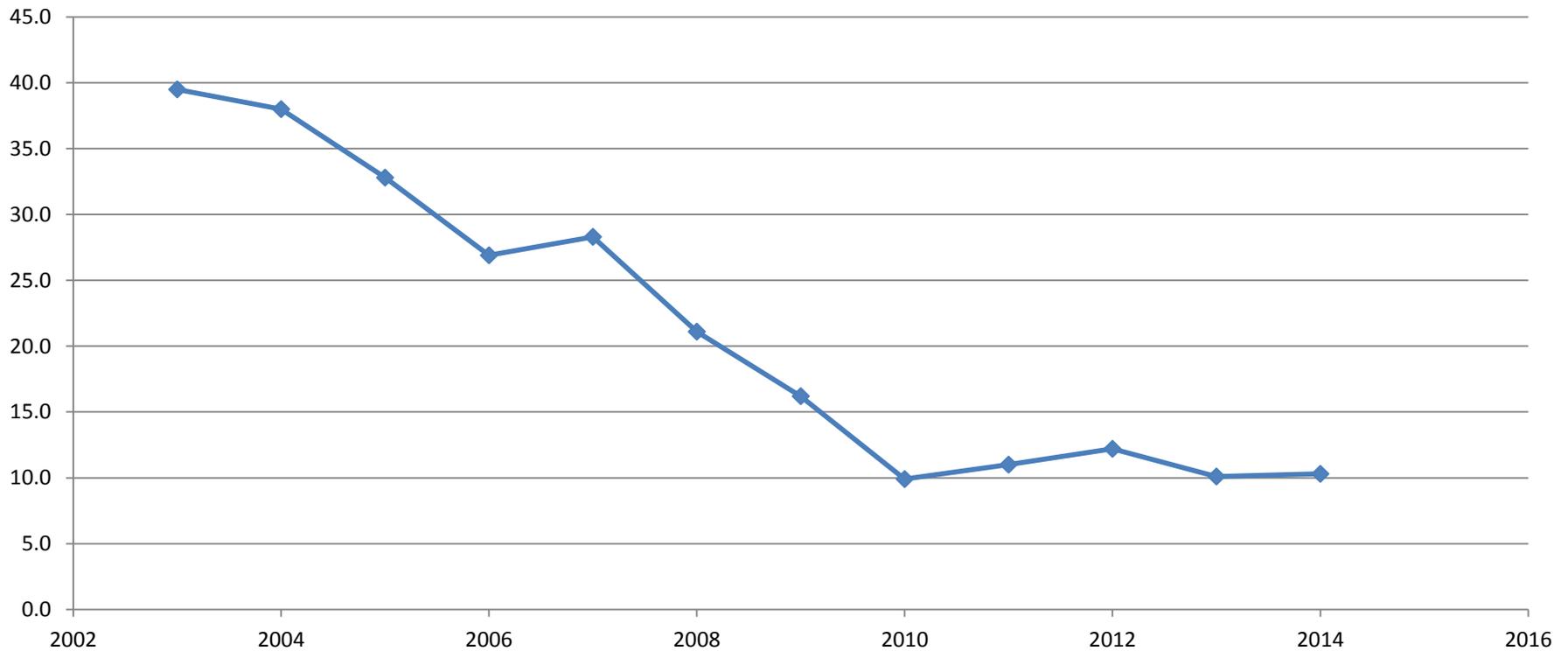
<u>Decile</u>	<u>Coverage Rate</u>
Lowest	20%
2	18%
3	23%
4	34%
5	45%
6	55%
7	63%
8	75%
9	84%
Highest	94%
Overall	51%

The Policy Context:

The Importance of the State Pension



At-risk-of poverty rate in Ireland - Over 65s

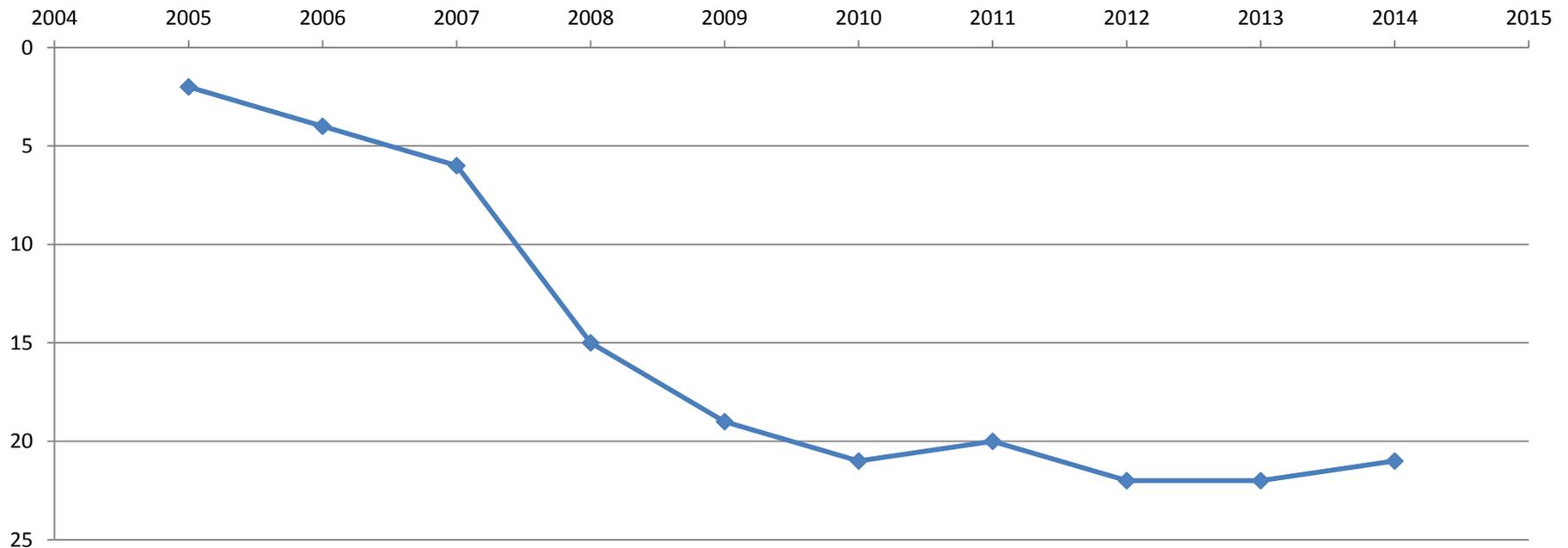


The Policy Context:

The Importance of the State Pension



At-risk-of poverty rate for over 65s - Ireland's EU ranking



The Policy Context:

The Importance of the State Pension



- Main source of income for over 80% of those aged 65
- Largest single source for the majority of others

*“The protection offered by social transfers against the risk of poverty was most evident among the older age groups. This reflects the relative importance of the state pension and other state allowances for these age groups. **When social transfers were excluded, the ‘at risk of poverty’ rate of persons aged 65 and over was 88%. When social transfers were included this rate fell to 9.6%”***

- CSO’s Survey on Income and Living Conditions

Current Problems – Solved!



- Substantial subsidising of high earners by lower earners under the current tax relief system
- Limited coverage and adequacy
- Anomalies in the state pension coverage
- The shifting of risk from employers to employees

Benefits of the new system



- Security
- Equity
- Clarity
- Solidarity
- Social Justice
- Administrative Efficiency
- Predictability

Definition



- A universal flat-rate entitlement
- Paid as a matter of right to all residents of a certain age
- Regardless of SI contributions or income
- Dependant on years of residency in Ireland.
- Would replace the State Pension (Contributory) and the State Pension (Non-Contributory)

Universal Pension Design



- Removal of the contributory principal
- Residency requirement
- $1/40^{\text{th}}$ of the Universal Pension amount for each year of residency between age 16 and the state retirement age
- Current amounts initially payable – can apply for higher amounts
- No existing pensioner would lose out, and many would gain
- The would also be supplementary assistance for elderly residents with inadequate income.

Conclusion



- Stability and sustainability
- What defines a “contribution”?
- Administrative challenges?

- The moral argument: A responsibility to be met