
PENSIONS COUNCIL

Meeting on Thursday, 1 July 2021 at 3.00pm
Virtual meeting

Attendance: Jim Murray (Chair)
Eoin Dormer
Tim O'Hanrahan
Munro O'Dwyer
Brendan Kennedy
Stephen Gillick
Roshin Sen
Roma Burke

Apologies: Joanne Roche

Also present: Joseph Mhlanga (Note taker)
Brian Purcell
Des Henry (DSP)
Ciaran Diamond (DSP)
Anne Nolan (ESRI)
Rachel Slaymaker (ESRI)
Barra Roantree (ESRI)

Quorum: Quorum present
9 of 11 Council Members present (6 required)

Minutes

1. Adoption of agenda

The proposed agenda for this meeting was agreed.

2. Conflict of interest

No conflicts of interest were declared.

3. Approval of draft minutes

The minutes of the meeting held on 19 May 2021 were approved by the Council.

4. Review of Recent Developments

Roshin provided an update on the recent developments from the Pensions Commission.

- At its most recent meeting, the Commission agreed to finalise a report to be sent to the Minister.
- **Auto-enrolment:** The design will be finalised in 2021, with implementation in 2023 at the earliest.
- Danish seminar on Denmark's approach to total cost reporting included attendees from the Council and the DSP.
- She contacted a UK counterpart regarding Cost Transparency initiative. The counterpart is willing to speak to the Pensions Council on a date to be agreed.
- DSP Minister working on Pensions Council appointments.

Brendan provided an update on the Authority's Fees consultation and the Inter-departmental Group.

- 23 responses were received and there is an ongoing review of the submissions. Ultimately, it is the Minister's prerogative to approve an increase in fees.
- There are no milestones reached at this point, but he noted the progress made.

Brendan stated that there was no significant consolidation of schemes as a result of the transposition of IORP II expected until 2022. However, all schemes expected to be compliant by 2023. Munro anticipated that a delayed decision in implementing the IORP II Directive would be a barrier to consolidation. Brendan said further discussions are required with regards to bulk transfers.

5. Update on housing survey

Anne Nolan, Rachel Slaymaker and Barra Roantree from the ESRI, joined the meeting to present an update on the Housing and Pensions research. Anne Nolan stated that the research started in October 2020, and a final report was due in March 2022. Rachel Slaymaker gave an analysis on Tenure and Housing Cost Descriptives and noted a fall in home ownership rates among different age groups because most are in the private rental sector (data up to 2015). Causal factors included the labour market, access to credit, etc. She explained the Static Tenure Assignment Method and how different variables were used to draw baseline assumptions.

Council members made comments, asked questions and received responses from the ESRI team regarding different aspects of the presentation. The ESRI will take these on board in the next phase of the research. The next steps are:

- To have the current work stage largely completed over the next few months;
- To begin the income adequacy analysis in the autumn, and;
- To schedule a further meeting for later this year to present interim results from the income adequacy analysis.

6. Letter from the Minister – Gender gap

Jim prepared a note based on responses to the public consultation on the gender gap. The note included areas for the Council to discuss. 9 responses were received. Overall, members were happy with responses and issues raised.

Extend coverage / improve access to pensions

In relation to Auto-enrolment, members discussed the following items - reduction of income threshold, using full-time equivalent for part-time workers, reducing waiting periods for entrance to scheme and reducing vesting periods.

Roshin noted that the impact on lower earnings of reducing the income threshold would improve uptake, e.g. €14k would improve enrolment, rather than the proposed €20k. Evidence from the UK suggests that options to opt-in keeps people in Auto-enrolment. Gender-proofing ensures people can opt in and stay in because the system is designed for that outcome.

Service breaks / Maintaining contributions

Among other issues, discussions included whether to allow spousal contributions, roll over contribution limits and tax relief / credits during and after service breaks, respectively. Brendan stated that contribution limits were not a problem for most people, although there was no formal process for women coming back to work from breaks. However, this was contingent on having the money, and not structural factors. He added that AVCs were a legal right for those able to contribute more. The employer is not obliged to make any additional contribution. Roma posited that not too many people would consider taking the AVC route. Therefore, the significant gap meant women would want to make up for the shortfalls in pension contributions.

Jim wondered whether tax relief for people on low income would be significantly beneficial. Stephen observed that women in the private sector take a bigger hit when they return to work. Tim pointed that structural inequalities in incomes would reduce pension inequalities, (e.g. New Zealand and Australia). Sweden has shared parental leave options. He suggested that these are models that could be considered.

Roshin argued that spousal contributions would be effective, but wealthy people could potentially use this to benefit from tax incentives. However, Roma noted that this would transfer wealth between spouses. RS stated that while employers were not obliged to match contributions in Auto-enrolment, the issue was being looked into.

On incentives to return to work, Brendan commented that income is the biggest incentive, and that any incentive for pension contributions is usually second or third order. Munro noted there were difficulties in finding solutions to women who are in tenuous employment. He added that a pension tax relief would be appropriate

Regarding allowing voluntary opt-in from those living at home, Jim expressed how this would impact women who have been in and out of employment. Roshin said a state contribution would be a possibility, although employers may have issues with this system. Brendan stated that the law would have to be changed especially in DC for this to happen.

Brendan and Roshin agreed that the portability of pensions would not affect the gender gap because Auto-enrolment pension savings can follow the employee even when they change employers. If not, there is a risk of pensions getting lost.

Roma suggested that integrating state pensions in DB for small incomes was not feasible. Brendan noted that currently, DB schemes are a small and shrinking in the pensions landscape. There are some DB schemes where members are getting next to nothing.

Promotion / Education

Jim questioned whether consumers were not educated, noting that awareness of Auto-enrolment would benefit pension savers. Roma noted that big insurance companies already invest a lot of money educating savers. Brendan informed the meeting that the Authority used to conduct awareness campaigns in the past, although the objective was to increase pension coverage. He asserted that education does not necessarily yield the desired results. Munro suggested that an approach which includes an agreed set of criteria to educate the public would be worth looking into.

Enhance position of women in couples, on break-up, widowhood and in decumulation

Munro said that promoting decumulation and pay-out options to provide a separate income to spouses would be an interesting idea because pensions would be equitably redistributed as a result. Regarding separate pensions between spouses in Pension Adjustment Orders (PAO), BK pointed that pensions are counted as one entity when marriages break-up. There is no huge cost incurred when a PAO is made. Therefore, he queried how this would close the gender gap. Jim responded by suggesting that maybe it would give women more control over their PAO-pension.

7. Other Business

None.

8. Next Meeting:

The next meeting of the Pensions Council will take place on Wednesday, 21 July 2021.

9. To-do list

Arrange Jim Murray's access to the office on 21/07/2021

Joseph Mhlanga
