

IRELAND



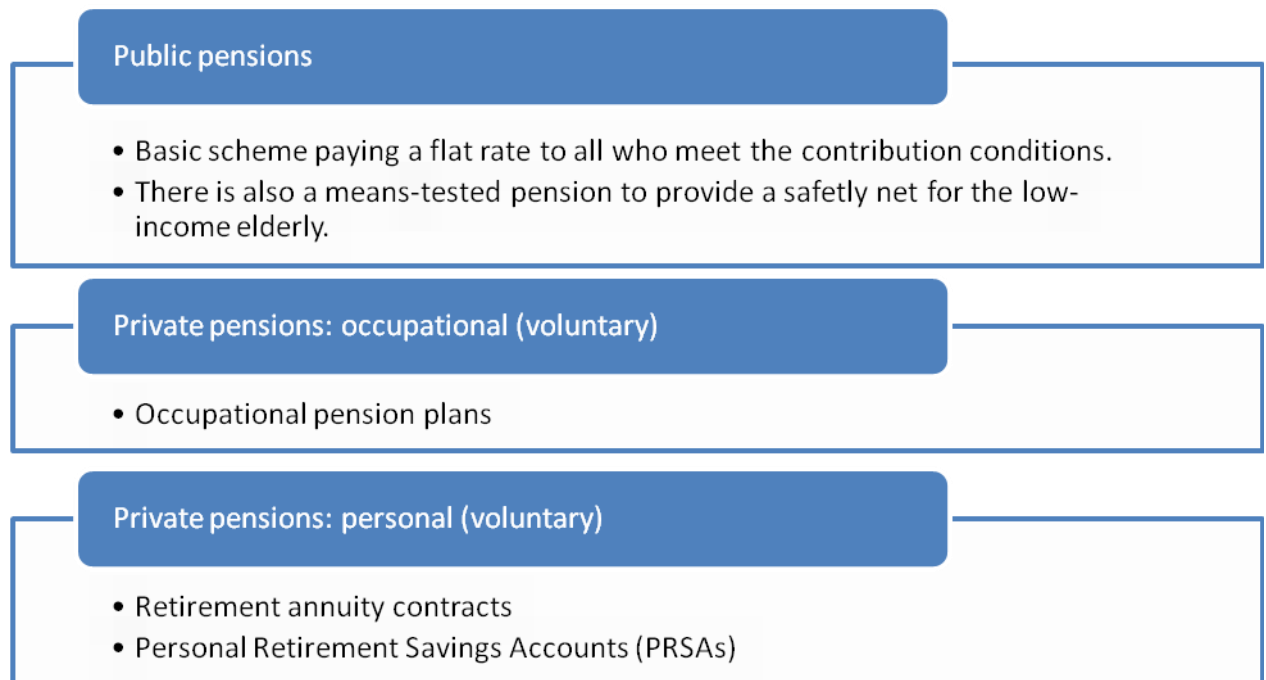
DEMOGRAPHICS AND MACROECONOMICS

Nominal GDP (EUR bn)	181 815
GDP per capita (USD)	59 944
Population (000s)	4 422
Labour force (000s)	2 224
Employment rate	94.82
Population over 65 (%)	10.9
Dependency ratio ¹	21.66

Data from 2008 or latest available year.
 1. Ratio of over 65-year-olds the labour force.
 Source: OECD

COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM



Source: OECD Global Pension Statistic.

PENSION FUNDS DATA OVERVIEW

	2001	2002	2003	2004	2005	2006	2007	2008
Assets								
Total investments (National currency millions)	51,149	44,810	55,451	62,334	77,933	87,744	86,602	63,519
Total investments, as a % of GDP	43.74	34.40	39.67	41.81	48.08	49.64	45.64	34.94
Of which Assets overseas, as a % of Total investment:								
• Issued by entities located abroad	ND	ND	ND	ND	ND	ND	ND	ND
• Issued in foreign currencies	ND	ND	ND	ND	ND	ND	ND	ND
By financing vehicle (as a % of Total investments)								
• Pension funds	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
• Book reserves	NA	NA	NA	NA	NA	NA	NA	NA
• Pension insurance contracts	ND	ND	ND	ND	ND	ND	ND	ND
• Other financing vehicle	ND	ND	ND	ND	ND	ND	ND	ND
By pension plan type								
• Occupational assets	51,149	44,810	55,451	62,334	77,933	87,744	86,602	63,519
• % of DB assets	ND	ND	ND	ND	ND	ND	ND	ND
• % of DC (protected and unprotected) assets	ND	ND	ND	ND	ND	ND	ND	ND
• Personal assets	ND	ND	ND	ND	ND	ND	ND	ND
Structure of Assets (as a % of Total investments)								
Cash and Deposits	2.76	4.44	3.83	4.72	4.54	5.50	3.77	10.87
Fixed Income	21.71	27.00	23.51	23.54	21.53	19.71	18.48	26.12
Of which:								
• Bills and Bonds issued by the public and private sector	21.71	27.00	23.51	23.54	21.53	19.71	18.48	26.12
• Loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shares	64.96	58.04	62.96	63.14	65.04	63.36	66.30	52.25
Land and Buildings	8.83	9.72	8.68	7.37	8.04	9.03	9.11	8.38
Other Investments	1.73	0.80	1.02	1.23	0.84	2.39	2.34	2.38
Contributions and Benefits								
Total Contributions, as a % of GDP	ND	ND	ND	ND	ND	ND	ND	ND
• Employer Contributions, as a % of Total contributions	ND	ND	ND	ND	ND	ND	ND	ND
• Employee Contributions, as a % of Total contributions	ND	ND	ND	ND	ND	ND	ND	ND
Total Benefits, as a % of GDP	ND	ND	ND	ND	ND	ND	ND	ND
• % of benefits paid as a Lump sum	ND	ND	ND	ND	ND	ND	ND	ND
• % of benefits paid as a Pension	ND	ND	ND	ND	ND	ND	ND	ND
Membership (in thousands of persons)¹								
Total membership	671	709	724	726	735	ND	ND	ND
• % of Active membership	ND	ND	ND	ND	ND	ND	ND	ND
Of which: % of Deferred membership	ND	ND	ND	ND	ND	ND	ND	ND
• % of Passive membership	ND	ND	ND	ND	ND	ND	ND	ND
Other beneficiaries	ND	ND	ND	ND	ND	ND	ND	ND
Number of Pension Funds/Plans								
Total number of funds	ND	ND	ND	ND	ND	ND	ND	ND
Total number of plans	ND	ND	ND	ND	ND	ND	ND	ND

Note: Data refer only to occupational pension funds.

1. Membership figures reflect 'membership' rather than 'people'. Therefore a person may be a member of more than one types of plan at any one time, particularly if the person has a number of employments in the year.

ND = data not available

NA = data not applicable

Source: OECD, Global Pension Statistics

IRELAND: THE PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

The public old-age pension system covers all employees (private and public) aged 16 to 65 with €38 or more in weekly earnings and self-employed persons with annual earnings of €3,174 or more. Part-time employees earning less than €38 a week are excluded.

Those who earn less than €300 a week pay no contributions, while those who earn more than €300 a week pay 4% over all earnings from €127 up to €46,600. Employers pay 8.5% of wages for those employees whose weekly earnings amount to €356 or less, and 10.75% of wages for employees who earn more than that amount. There are no maximum earnings for contribution purposes for employers. The self-employed pay annual contributions of 3% of gross income for those who earn up to €22,800 a year and 5% for those with an annual income higher than €22,800. Contributions made by employers and employees also pay for sickness, maternity, disability and unemployment benefits, while the self-employed contributions pay for maternity, adoptive and medical benefits.

Persons qualify for a retirement pension at age 65 if they were covered before age 55 and have at least 260 weeks of contributions, with an annual average of at least 24 weeks contributions. Maximum pension benefits are payable where the insured person has contributed an average of 48 weeks per year.

The old-age contributory pension is available from age 66. Entitlement to maximum benefits requires an annual average contribution of 48 weeks per year. Entitlements are reduced pro rata for shorter contribution averages, while a minimum annual average of 10 weeks of contributions is required for minimum benefits.

Maximum weekly pension benefits, both for a retirement pension and an old-age contributory pensions, amount to €193.30, while it is reduced to €189.50 a week for those with an annual average of between 24 and 47 weeks of contributions. Where a person has an annual average of between 10 and 14 weeks of contributions, the old-age contributory pension amounts to €96.70.

Early or deferred retirement is not possible, though work and pension can be combined provided the person earns no more than €38 per week.

A means-tested non-contributory pension of up to €182 a week is paid from age 66 to those with limited means, with different additional benefits available according to the household situation of the retiree.

A National Pensions Reserve Fund was established for the purpose of partially pre-funding the cost of public old age pensions and public sector pensions.

OCCUPATIONAL VOLUNTARY

Coverage

Company pension plans lay down eligibility criteria. Those enrolled in an occupational pension plan cannot take out a retirement annuity contract (RAC) or a personal retirement savings account (PRSA), unless the PRSA is funded by additional voluntary contributions (AVC), or the person has a separate source of earnings, *e.g.* a separate job or income. In 2006 around 55% of the employed population was covered.

Typical Plan Design

Occupational pension plans can be defined benefit or defined contribution in nature.

A typical defined benefit pension plan would be tied to final average earnings and may have an accrual of 1/60 for each year of service. Employees are generally required to contribute to defined benefit plans.

Average contribution rates to defined contribution plans are approximately 10% of earnings, with employers and employees contributing half each.

Additional voluntary employee contributions are only permitted if the rules of the plan permit AVC. If they do not, then a member has the right to pay AVC to a PRSA.

Benefits usually become payable upon reaching the normal retirement age of 65. Many company pension plans allow employees to take early retirement benefits from age 50. Benefits are paid out as a regular pension, or as a tax-free lump sum and a reduced pension. A plan member with AVC may, if the rules of the plan permit, use their AVC to provide:

- All or part of the tax-free lump sum
- Additional pension
- A payment to certain types of pension funds
- A taxable lump sum.

All benefits paid from a company plan are subject to maximum limits set by Revenue. Benefits at the normal retirement age may amount to:

- A maximum two-thirds of the member's final salary if he or she has completed 10 years of service
- A tax-free lump sum of 1.5 times the final salary, if the member has completed 20 years of service and supplemented a reduced pension.

Taxation

Both employers and scheme members receive tax relief on their contributions as they pay them. In addition, the amount the employer pays is not treated as employee earnings for tax purposes. The pension fund pays no tax on the investment income that it makes in the shape of dividend income and capital gains. Most of the benefits are taxed under the PAYE system. To qualify for beneficial tax treatment, a scheme must be approved by the Revenue Commissioners, who police the maximum benefits that can be provided.

The maximum contribution rate (as a percentage of total pay) on which one can receive tax relief is 15% of total pay for those under age 30, increasing up to 40% of total pay for those aged 60 and over, with the maximum earnings cap set at EUR 262 382. Pensions in payment are taxable as income. National health insurance levies must also be paid.

PERSONAL VOLUNTARY

Coverage

Any individual under the age of 75 can take out a PRSA, irrespective of whether he or she has taxable earnings. This includes employees who are excluded from joining a company pension plan. The PRSA contract may stipulate a minimum age. The normal retirement age is 65 for both men and women. Most pension plans (*i.e.* 82% of direct benefit and 64% of direct contribution plans) set a normal retirement age of 65.

Contributions

Contributions are made by individuals, employers, or both. In the case of “excluded employees”, the employee makes contributions via the employer’s payroll. Employees who participate in a company pension plan may only make contributions to a PRSA if company pension plan rules prohibit them from making additional voluntary contributions.

Benefits

Benefits normally become available between the ages of 60 and 75. They can be claimed upon retirement from employment at age 50 or over, or at any time in the event of serious ill-health. Twenty-five percent of the PRSA accrued benefits can be paid as a tax-free lump sum (non-AVC PRSAs only). The balance of the fund can be used to purchase a lifetime annuity, receive a tax-free lump sum, or to take benefits from the PRSA and continue to make further contributions.

Taxations

Individual contributions benefit from income tax relief, as do employee contributions made via the employer’s payroll. The tax relief limit varies from 15% of net relevant earnings for those under 30 to 40% of net relevant earnings to those aged 60 and over, with the earnings cap set at EUR 262 382. Limits for tax relief include AVCs to a company pension plan and any contributions paid to an RAC. Investment income is tax exempt. Annuities are subject to PAYE tax. Apart from the tax-free lump sum, benefits are subject to PAYE tax and health levies. Benefits of AVC PRSAs are subject to the rules of the company pension plan, including the tax rules applicable to it.

PERSONAL VOLUNTARY (OTHERS)

Coverage

Anyone with earnings can open a Retirement Annuity Contracts (RAC), except those who are enrolled in a company pension plan.

Contributions

The RAC policy determines a minimum contribution level for the insured person. Employers may choose to contribute to the RAC.

Benefits

Benefits are payable at any time after age 60 but before age 75. Retirement is not a prerequisite. Upon retirement, 25% of the funds can be paid as a tax-free lump sum, with the remaining funds used to purchase an annuity or paid out as a taxable lump sum.

Taxations

Contributions are tax-exempt up to 15% of net relevant earnings for those under age 30, and up to 40% for those aged 60 and over. The net relevant earnings cap stands at EUR 262 382 and covers both RAC and PRSAs. Employer contributions are taxable on the part of the employee as “benefits in kind”. The employee can then claim income tax relief on these contributions as if he or she had paid them. Investment income is exempted from income tax and capital gains tax. Benefits in payment are subject to PAYE tax and health insurance levies.

MARKET INFORMATION

Occupational voluntary

Occupational pension schemes take the form of trusts. Upon leaving a company pension plan with a preserved benefit, members may move the value of their benefits to their new employer’s pension plan. This plan may be a PRSA for an employee with less than 15 years of service in the company pension plan, and subject to its acceptance by the PRSA provider. Alternatively, an employee may purchase a buy-out bond, which is a life assurance policy designed to receive transfer values from company pension plans. In December 2007 occupational pension plans managed assets worth EUR 86.6 billion (USD 118.6 billion). As of 2007, there was a total active membership of 800 398 in occupational pension plans.

Personal voluntary

Each PRSA offers several investment options, including a legally required default investment option. There are two types of PRSA contract: a standard PRSA, which is a contract that has a maximum fee of 5% on the contributions paid and 1% on assets under management (AUM). Investments are only allowed in pooled funds which include unit trusts and life company unit funds. A non-standard PRSA is a contract that does not have maximum limits on fees and/or allows investments in funds other than pooled funds. PRSAs are transferable and can also be transferred to a company pension plan. Switching fees are prohibited. The total number of PRSA contracts was 130 709. The total value of assets amounted to EUR 1.25 billion.

RACs are offered by insurance companies, which offer different investment options. All RACs taken out after 6 April 1999 can be transferred to another RAC, or paid into a PRSA by mutual agreement between the person and the insurance company concerned.

As of 2005, around 287 000 Irish people were covered by a personal voluntary plan.

POTENTIAL REFORM

The Minister for Social and Family Affairs has published a Green Paper, which looks at the pension situation and its implications for the economy and the social implications. It does not yet propose any concrete reforms but investigates the possible alternatives.

There have been calls to encourage a growth of industry-wide pension arrangements, a review of the state pensionable age and the level of contributions to the National Pensions Reserve Fund.

REFERENCE INFORMATION

KEY LEGISLATION

2002/1990: The Pensions Acts 1990 and 2002 relative to occupational pension plans and personal retirement savings accounts (PRSAs)

1993: the Trust Act, relative to occupational pension plans.

KEY REGULATORY AND SUPERVISORY AUTHORITIES

Pensions Board: responsible for occupational pension plans, including civil and public service arrangements and personal retirement savings account (PRSA) products

www.pensionsboard.ie.

Revenue Commissioners: approve retirement annuity policies

www.revenue.ie/.

Irish Financial Services Regulatory Authority (IFSRA): responsible for prudential supervision of providers of personal retirement savings account (PRSA) products

www.isfra.ie.

KEY OFFICIAL STATISTICAL REFERENCE AND SOURCES ON PRIVATE PENSIONS

Irish Association of Pension Funds.

OECD, Global Pension Statistics project, www.oecd.org/daf/pensions/gps.

OECD Est. Gross Replacement Rate Mandatory Pensions, Average Earner 2009

