

ISME's PENSION EQUITY CAMPAIGN Q&A



Thursday 10th FEBRUARY, 12 noon

iSME
Irish SME Association

ISME's Pension Equity Campaign Q&A Panel



Vincent Wall,
Presenter,
The Business Breakfast, Newstalk



Eamonn Kiely
Managing Director,
Money Plus



Neil McDonnell,
Chief Executive, ISME

Q & A CONTENT

- Introduction & Background
- Real risk of negative change in less than three years
- Brokers Ireland technical paper
- Our key asks



An
Phríomh-Oifig
Staidrimh

Central
Statistics
Office

Pension Coverage 2019

60%

of workers aged 20 to 69
have some form of
pension, of which



62%
Occupational
pension only



23%
Both

15%
Personal
pension
only

Of workers who
don't have a
pension

60%
expect to rely
on the State
Pension on
retirement



Employees who are part of
their **employers' pension
scheme**



2%

Hybrid



36%

Defined benefit



62%

Defined contribution

Main reason why **workers have no pension**



36%

never got around
to organising it



33%

can't afford it

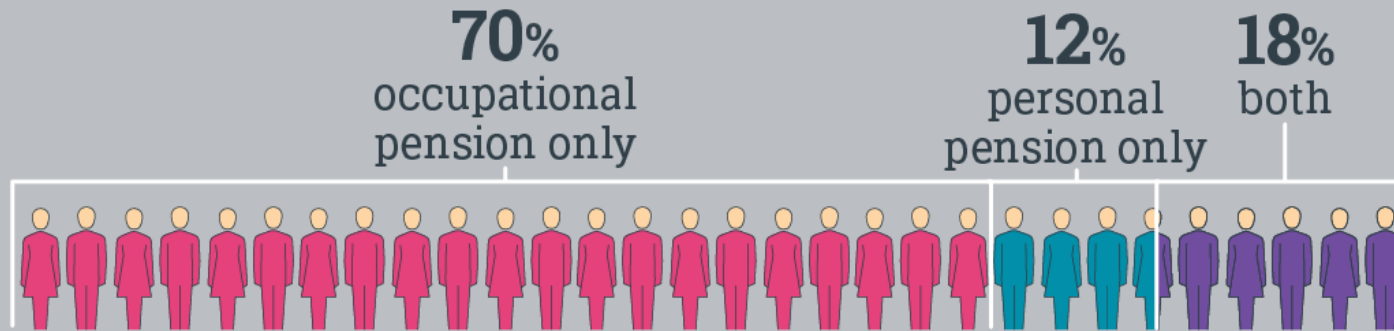


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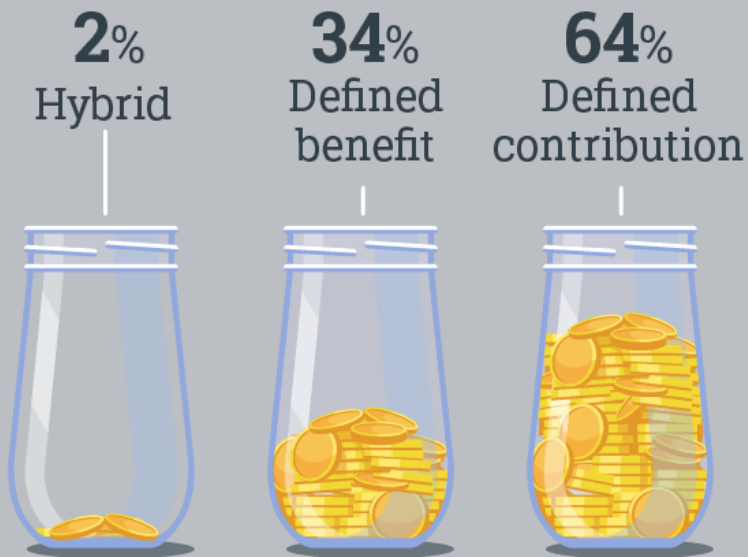
Central
Statistics
Office

Pension Coverage 2020

65% of workers aged 20-69 have pension coverage of some form (outside of State pension) of which



Employees who are part of their employer's pension scheme



86% of Professionals have pension cover

compared to only



34% of workers in Sales and Customer Service

Main reason why employees have no pension



37% never got around to organising it



35% can't afford it



State pension expected source of income on retirement for **58%** of workers with no pension



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Pension Coverage 2021

66% of workers aged 20-69 have pension coverage of some form (outside of State pension) of which



Expected main source of income on retirement for workers with no pension

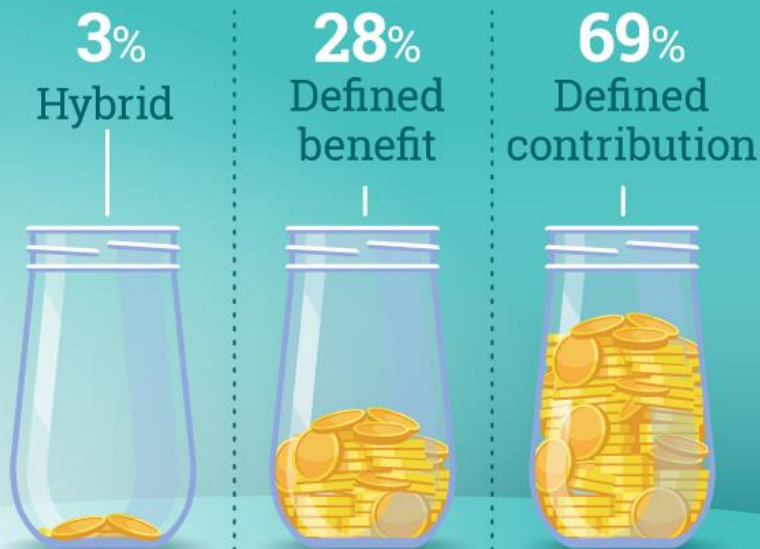


50%
State pension



31%
Not decided

Employees who are part of their employer's pension scheme



81% of
Professionals
have pension
cover

compared
to only



43% of
Skilled trade
workers

Main reason why
employees have no
pension



45%
never got
around to
organising it



40%
can't
afford it



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Pension Coverage 2021

66% of workers aged 20-69 have pension coverage of some form (outside of State pension) of which



Expected main source of income on retirement for workers with no pension

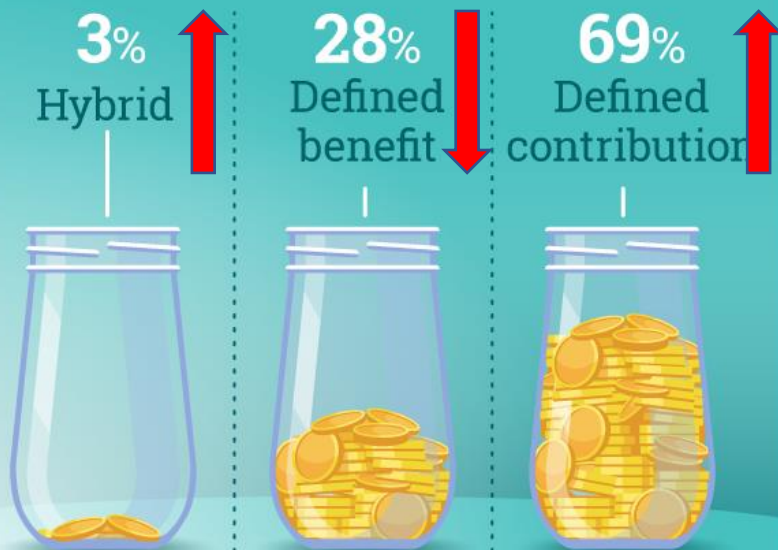


50%
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Employees who are part of their employer's pension scheme



81% of Professionals have pension cover compared to only

43% of Skilled trade workers

Main reason why employees have no pension



45%
never got around to organising it



40%
can't afford it



SO THE STATE IS WORKING TO IMPROVE COVERAGE?

SPOILER- IT ISN'T!



Revenue Ready Reckoner

Changes to Income Tax relief on pensions

Cost of decreasing/increasing the ceiling for occupational pension schemes, RACs and PRSAs and / or reducing the marginal effective rate applicable to these reliefs.

	€ million	Rate					
		40%	39%	34%	33%	30%	20%
Ceiling	€200,000	-34	-12	98	120	186	406
	€150,000	-24	-2	106	128	193	411
	€120,000	-11	11	118	139	203	417
	€115,000	*	21	127	148	211	423
	€110,000	12	32	137	157	220	428
	€105,000	24	44	147	167	229	434
	€100,000	37	57	158	178	237	441
	€95,000	51	71	170	190	250	448
	€90,000	66	86	183	202	261	456
	€85,000	82	101	197	216	273	464
	€80,000	100	119	212	230	286	473
	€75,000	119	137	228	246	301	482
	€70,000	140	158	246	263	316	493
	€65,000	162	180	265	282	333	504
	€60,000	187	203	286	302	352	516

*Current rate and ceiling

Sinn Féin solutions include:

- ⚙️ Funding our public services and strengthening economic solidarity by introducing a 3% Solidarity Tax in 2022 on individual incomes above €140,000 and removing tax credits on a tapered basis from individual incomes above €100,000 - **€408 million**
- ⚙️ The introduction of higher rates of unemployment support at the outbreak of COVID-19 revealed a social insurance system that was not fit for purpose. We must transform our social insurance system; including how we fund it. We would begin by introducing a new rate of Employers' PRSI for incomes above €100,000; starting at 13.25% in 2022 as we move towards a more progressive, sustainable model - **€128 million**
- ⚙️ Reduce tax subsidies to gold plated pensions by reducing the Standard Fund Threshold to €1.5 million and lowering the earnings contributions cap for allowable reliefs to €60,000 - **€387 million**
- ⚙️ Abolish the Special Assignee Relief Programme, a tax break given to the richest multinational employees but denied to ordinary workers and earners - **€42 million**
- ⚙️ Extend the levy on banks which is due to expire at the end of 2021 - **€150 million**
- ⚙️ Phase out the unfair Local Property Tax commencing with a 20% reduction in 2022 while replacing the income for local authorities - **€97 million**

Political Rich List: Dáil now houses 68 millionaires as TDs' properties, pension pots and a range of assets are revealed



Micheál Martin

Phillip Ryan, Amy Molloy and Flonnan Sheahan

September 25 2021 02:30 AM



THE €181m wealth of the country's most powerful politicians can be revealed in an exclusive analysis of the assets and lucrative pension pots held by TDs.

The *Irish Independent's* Political Rich List established there are 68 millionaires in the Dáil based on a detailed examination of the value of their properties, land, businesses, shareholdings and pensions.

The two-month long research project, in conjunction with financial analyst Karl Deeter, provides voters with a unique insight into the wealth of the politicians elected to run the country.

NB:

The Irish
Independent
Pensions Rich
List was
compiled using
an **annuity rate
of 3.3%**

OPTIONS FOR RAISING TAX REVENUE IN IRELAND

THEANO KAKOULIDOU AND BARRA ROANTREE

5.3 RESTRICTING PENSION TAX SUBSIDIES

Ireland – in common with most other advanced economies – taxes pensions under a regime that can be broadly characterised as ‘exempt-exempt-taxed’ (EET), whereby income is exempt from tax when first received and paid into a pension; exempt from tax as the returns accrue, and taxed when funds are withdrawn from the pension (Yoo and de Serres, 2004). Mirrlees et al. (2011) argue that, by exempting from taxation the normal return to savings, this regime comes close to avoiding distorting the timing of individuals’ consumption decisions towards either spending more now and less in the future, or *vice versa*.

However, there are some important exceptions to this broadly EET regime in Ireland:

- Employee pension contributions are (since 2011) subject to both employee PRSI and the USC.

NET CURRENT ASSETS		231,117	277,611
TOTAL ASSETS less CURRENT LIABILITIES		<u>11,213,334</u>	<u>11,627,886</u>
Long Term Loans (Amounts falling due after one year)	12	6,776,316	7,211,855
Long Term Pension Liability	17	(74,604,000)	(68,323,000)
Less Deferred Pension Asset	17	74,604,000	68,323,000
NET ASSETS		<u>4,437,018</u>	<u>4,416,031</u>

€74,604,000 pension liability

117 staff

Equates to an average Exchequer liability of €637,641 per head

THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

(A Company limited by Guarantee and not having a Share Capital)

Actuarial Assumptions

The principal Financial Assumptions used at 31 December 2020 and 31 December 2019 are shown in the table below.

The assumptions as at the reporting date are used to determine the Pension Asset/Liability at that date and the pension expense for the following year.

Valuation Date	31/12/2020	31/12/2019
Discount Rate	0.95%	1.3%
Salary Increase	1.85%	1.9%
Pension Increase	1.85%/1.35%	1.9%/1.4%
Inflation (CPI)	1.35%	1.4%

A Levelling of the Pensions Taxation Playing Field in Ireland to Everyone's Benefit

September 2021

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BROKERS
I R E L A N D

BROKERS IRELAND SUBMISSION

- Available on ISME website- Lobbying page
- Outlines the tax inequalities between public and private sector
- This is a technical paper which will not be explained today!
- Proposes solutions to key inequities between public and private sector workers

TAX FREE LUMP SUM

PUBLIC SECTOR

- Up to €200,000 tax free
- Ex-gratia payment by the state
- Has no effect on pension paid

PRIVATE SECTOR

- Up to €200,000 tax free
- Reduces pension pot by the total of the lump sum
- Therefore, reduces pension

RELIEF RATE & INCOMETHRESHOLD

PUBLIC SECTOR

- Tax relief on ASCs not limited by age
- Tax relief on ASCs not limited by the €115,000 earnings limit

PRIVATE SECTOR

- Tax relief currently at marginal (40%) rate
- Tax relief on AVCs limited by age
- Tax relief on AVCs limited to income of €115,000
- Self-employed can avail of no income relief beyond €115,000
- Income threshold fixed since 2011

RELIEF RATE & INCOMETHRESHOLD

Age	Tax relief on contributions	Max contribution at €115,000	Max contribution at €60,000
Under 30	15%	17,250	9,000
30-39	20%	23,000	12,000
40-49	25%	28,750	15,000
50-54	30%	34,500	18,000
55-59	35%	40,250	21,000
60 or over	40%	46,000	24,000

STANDARD FUND THRESHOLD

PUBLIC SECTOR

- Exists for public sector, BUT:
- Post-2014 entrants have capitalisation factors applied which are not realistic in the private sector: annuity rates of ~3.5%
- Pre-2014 entrants have fund values calculated using a 5% discount rate.

PRIVATE SECTOR

- Was €5m up to 2005
- Reduced to €2m in 2009
- Not indexed since then

“CHARGEABLE EXCESS TAX (CET)”

(WHEN SFT IS EXCEEDED)

PUBLIC SECTOR

- Liable for CET where fund exceeds €2m/€2.3m
- Worker may use up to 20% of net gratuity to settle, OR
- Worker may convert liability to a 20-year liability to Revenue, deducted from gross pension
- If worker dies during 20 years, so does liability

PRIVATE SECTOR

- Liable for CET where fund exceeds €2m/€2.3m
- No similar facilities exist
- Worker must settle liability in full within three months

“BENEFIT CRYSTALLISATION EVENT” (WHEN SFT IS EXCEEDED)

PUBLIC SECTOR

- Where person is over 60
- Option to encash private pension (in whole or in part)
- In order to avoid breach of SFT
- The encashment amount is taxed at 42%

PRIVATE SECTOR

- No similar facility exists

SUMMARY: FIVE KEY ASKS

- ***Maintain marginal rate*** tax relief (40%) on contributions
- ***Retrospective indexation of the €115k income limit*** from 2011, using the public sector pay index
- ***Retrospective indexation of the €2m SFT from 2009***, using the public sector pay index
- ***Allow income limit to flex***, based on a five-year rolling average, reconciled annually (for the self-employed)
- ***Allow private sector workers pay Chargeable Excess Tax*** the same way as a public sector worker

WHAT NEXT

- We have to “convert” the Brokers Ireland technical paper into a High Court paper
- This will require external legal and actuarial expertise
- Please support our GoFundMe campaign
- Unused funds go to three charities: ***Social Entrepreneurs; Jack & Jill Foundation; Friends of the Royal Hospital Donnybrook***
- (We can also take refundable donations outside the GoFundMe)
- ***It will be too late if this Government (or the next one) restricts our pension rights further...***

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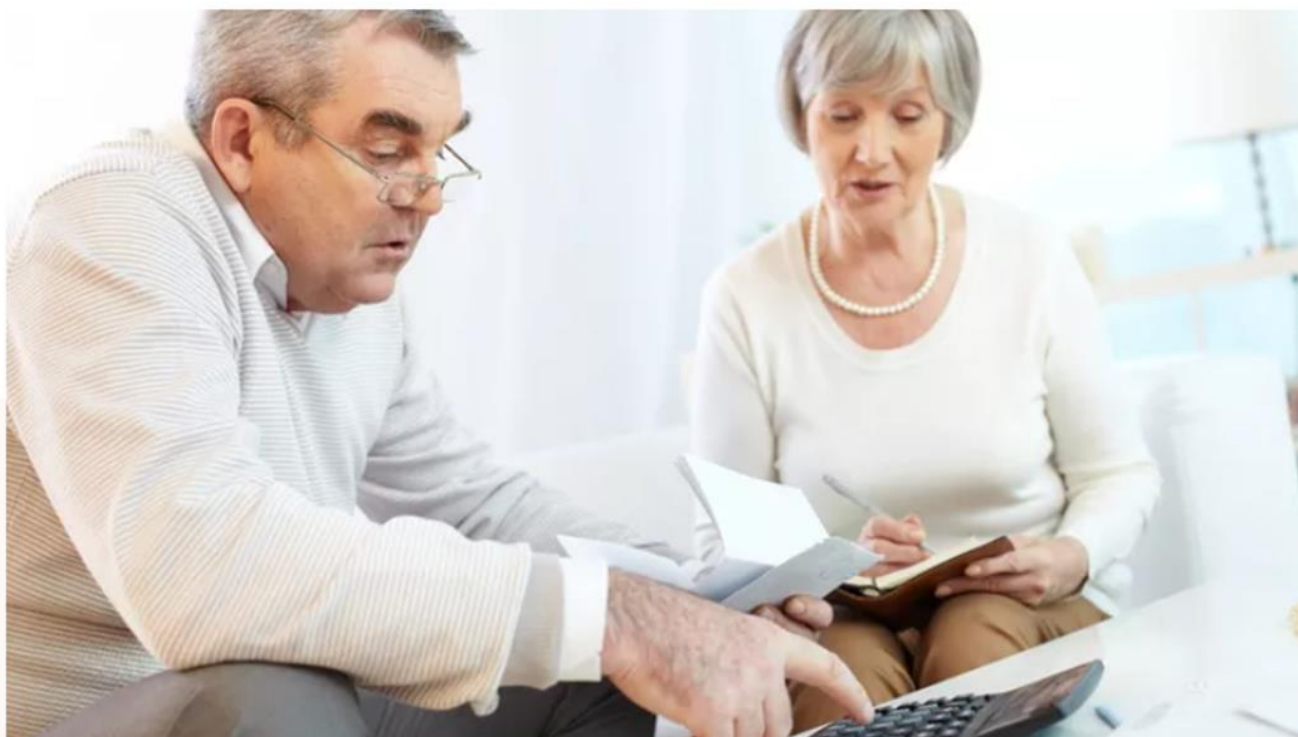


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Pensions Equity Challenge



€11,590 raised of €50,000 goal

105 donations

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[Donate now](#)



Eddie O'Connor
€100 • a month ago



Anonymous
€20 • a month ago



Hugh O'Connor

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