

IAPF

BUDGET 2015
SUBMISSION



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IAPF Budget 2015 Submission

The IAPF represents pension savers and is working to ensure that those savers can have pensions that are secure, fair and simple.

In our Budget Submission last September, the IAPF welcomed the clarity that the Minister for Finance had brought to the pensions sector in Budget 2013. In his speech in December 2013, the Minister highlighted the importance of the sector and acknowledged that it is in everyone's best interest that the Government wishes to encourage as many citizens as possible to continue to invest in pension schemes. The Minister confirmed that tax relief on pension contributions would remain at the marginal rate and that the pensions levy would not be renewed after 2014.

It was therefore disappointing that the Minister, last October, announced an increase in the levy on private sector pensions of 0.15% in 2014. This brought the levy for 2014 to 0.75% of private sector retirement savings which will result in a payment of approximately €700m from those savings by the end of September. This levy is now more than the management fees paid by the majority of pension schemes we represent.

This will bring the total payment from the levy for the 4 years of its existence to well over €2bn. This is a significant contribution from retirement savings, at a time when those savings are not enough to provide most people with an adequate income in retirement.

It is essential that the original levy of 0.6% ceases this year, as previously promised. We also question the rationale for the additional levy of 0.15% announced last year. The announcement indicated the additional payment was to cover the cost of potential State liabilities which may emerge from pre-existing or future pension fund difficulties. No details have been provided as to what these liabilities might be or whether the funds collected will be specifically earmarked for such liabilities. In any case, it is completely inequitable to ask those with defined contribution retirement savings to make a contribution to State liabilities in defined benefit schemes.

The Government has also signalled its intention, in the recently published Statement of Priorities, to "address the pensions gap between men and women, the old and the young, and the public and private sectors". The levy, which only applies to private sector pensions, widens the pensions gap. Furthermore, the Statement of Priorities indicated an intention that "during 2015, we will agree a roadmap and timeline for the introduction of a new, universal supplementary pension saving scheme". It will be extremely difficult to persuade people of the benefits of pension savings if the Government does not discontinue the levy. People need to know their savings are secure. The experience of the levy and the fate of the National Pensions Reserve Fund do not indicate that pension savings in Ireland are secure.

The areas that we believe should be addressed in the forthcoming budget are as follows:

1. The pensions levy needs to be discontinued as originally promised when introduced.
2. The State pension should be maintained at its current level. This is the foundation stone of the pension system and needs to continue its role of providing protection

from poverty. With the re-emergence of price inflation, the Government should set out the timing for the likely re-establishment of the link with price inflation for the State Pension.

3. The pension system needs to be simplified. There are too many rules, both taxation and regulatory, that have been added over the years without any examination of the total need or impact. Addressing this would reduce the costs faced by individual pension savers and there would be much greater efficiencies within the pensions system.

We would therefore urge the establishment of a working group involving representatives from the sector and the various Government departments and agencies to simplify the pensions taxation and regulatory system and remove the many anomalies that currently exist.

Addressing these issues will ensure that pensions in Ireland will be secure, fair and simple.