**LAHIFFE & ASSOCIATES  
 Public Affairs & Political Communications** 

**OIREACHTAS REPORT FOR APTI**

**March 12 - 14, 2019**

**PENSION ISSUES**

**Dail**

Tuesday, March 12.

**Written Questions**

**IORP II**

***Deputy Noel Grealish****asked the Minister for Finance his views on a derogation in the proposed transposition process of IORP II for small single member pension schemes as was provided in the previous directive on this issue; and if he will make a statement on the matter.*

[**Minister for Finance**](https://www.oireachtas.ie/en/members/member/Paschal-Donohoe.S.2007-07-23/)**:** The Taxes Consolidation Act 1997 provides that the investment income and gains of pension schemes and pension saving arrangements, approved by the Revenue Commissioners, are generally exempt from taxation while they remain in the scheme or arrangement. This tax exempt treatment of investment growth together with the exemption from tax on ongoing contributions paid into pension funds are intended to encourage individuals to provide themselves with an adequate income in retirement.

In relation to the transposition of the Directive (EU) 2016/2341, on the activities and supervision of institutions for occupational retirement provision (IORPs), also known as IORP II, this matter is a policy matter for the Minister for Social Protection and her Department. Many of the provisions being implemented by IORP II will support positive reform of the Irish occupational pension sector with aims to ensure good governance, the provision of information to scheme members and the transparency and safety of occupational retirement provision. Given the level of incentives available and the importance of individuals having sufficient savings to adequately provide for their retirement, I believe it's imperative that all pension schemes are subject to sound protections for pensions and consumers, to ensure that money saved for pension purposes is properly protected.

I am aware on implementation of IORP II, that single member schemes, including SSAPS, previously outside of the scope of the investment and borrowing IORP I provisions, will be subject to IORP II provisions. I have been informed by DEASP that the application of the Directive is not retrospective, but prospective, so those changes will not affect existing investments and borrowings by schemes. However, from transposition onwards, single member schemes will no longer be permitted to enter into new borrowing agreements, except for short term and liquidity purposes, and all future investments will have to be carried out in accordance with the Directive rules. I am supportive of the principle of improved regulation and consumer protection for pension savers as reflected in IORP II. Also, given that the State incentivises pension savings, I believe it is appropriate that limits are placed on the nature and riskiness of assets held by pension savers.

**Supplementary Pension**

***Deputy Michael Healy-Rae****asked the Minister for Public Expenditure and Reform the reason for the refusal of a supplementary pension for a person (details supplied); and if he will make a statement on the matter.*

[**Minister for Public Expenditure and Reform**](https://www.oireachtas.ie/en/members/member/Paschal-Donohoe.S.2007-07-23/)**:** Pensions for established civil servants who are not members of the Single Public Service Pension Scheme (SPSPS) were provided for under Section 2 of the Superannuation Act 1859 (as amended by section 2 of the Superannuation Act 1909). The Act provides for payment of an annual pension equivalent to 1/80th of salary for each year of service capped at forty years’ service.In 1995, the Government decided that full social welfare cover should be extended to all newly appointed civil servants and that they should pay the full Class A social insurance contribution. This change was introduced under the Social Welfare (Modifications of Insurance) (Amendment) Regulations 1995 (S.I. No 77/1995) whereby, with effect from 6 April 1995, all newly recruited civil servants are subject to Class A PRSI.

The new rules were notified to civil servants under Circular 6/1995 – Revised Social Insurance Status and Conditions of Service of Certain Civil Servants. In accordance with paragraph 3 of the Circular, and consistent with the Social Welfare Regulations, the new rules apply to persons appointed to established civil service positions on or after 6 April 1995. The revised superannuation arrangements are set out at paragraph 13, which provides that:

" ... In the case of officers covered by Class A insurance, the following arrangements will apply:

(a) no change will be made in the occupational lump sum; and

(b) the occupational pension will be calculated on the basis of 1/80th of net pensionable remuneration per year service. (Net pensionable remuneration means the amount by which pensionable remuneration exceeds twice the annual rate of social insurance State contributory pension payable at the maximum rate to a person with no adult dependent or qualified children.) In the case of staff to whom the terms of the Superannuation (Prison Officers) Act, 1919 apply, the pension benefit for each year of service in excess of twenty will be 2/80ths of net pensionable remuneration.

Paragraph 18 of the Circular provides for payment of a supplementary pension as follows:

"18. The revised superannuation arrangements include provisions for the payment of a supplementary pension in certain circumstances to pensioners in respect of periods during which the pensioner is not employed in any capacity which involves a social insurance contribution and, due to causes outside his/her own control, fails to qualify for social insurance benefit [1] or qualifies for such benefit at less than the maximum personal rate. The supplementary pension will be equal to the difference between:

(i) the occupational pension which would have been payable if it had been based on pensionable remuneration instead of net pensionable remuneration and

(ii) aggregate of the actual occupational pension payable and the actual rate of social insurance benefit payable (including any payments for dependents)."

It is understood that similar rules apply across the wider public service. The grant of a supplementary pension under paragraph 18 of the Circular is not automatic and is conditional upon a number conditions as follows:

1. the individual must not be engaged in paid employment;

2. he or she does not qualify for social insurance benefit or fail to qualify for such benefit at the maximum rate; and

3. his or her failure to qualify must be due to causes outside his or her control.

Any queries in respect of the individual mentioned should be directed to the relevant pension paying authority.

[1] Social Welfare Benefit is defined in the Rules as State Pension (Contributory), State Pension (Transition); Illness Benefit, Invalidity Pension or Jobseekers Benefit payable under the Social Welfare Acts or any equivalent contributory benefit, by whatever name called, substituted for any of those benefits in any future enactment amending the Social Welfare Acts.

**IORP II**

***Deputy Noel Grealish****asked the Minister for Employment Affairs and Social Protection her views on the need for mediation between the Department of Finance and her Department over differences in the proposed transposition of the IORP II directive regarding a derogation for small single member pension schemes as was provided in the previous Directive on this issue.*

[**Minister for Employment Affairs and Social Protection**](https://www.oireachtas.ie/en/members/member/Regina-Doherty.D.2011-03-09/)**:** The IORP II Directive will be transposed into Irish law in accordance with the Government Decision of 9 January 2019. Government approved the approach of applying the requirements of the Directive to all funded occupational pension schemes to enhance pension scheme governance and the consumer protection of pensioners, members and future members. Responsibility for the transposition of the Directive lies with my Department.The over-arching objective of IORP II Directive is to facilitate the development of occupational retirement savings in the EU. The transposition of the Directive will result in significant improvements to the regulation of funded occupational pension schemes in Ireland. Transposition will raise governance standards, improve trustee qualification and suitability, and increase supervision through enhanced powers for the Pensions Authority.

It had been suggested that single person pension schemes should be exempt from the application of IORP II rules on the basis that the scheme members are competent in the management of their own affairs and that the governance requirements are unduly onerous. However, the value of investments held in many schemes fell substantially during the financial crisis. This highlighted the need for stricter supervision and regulation of schemes, especially for small schemes investing in unregulated markets. Money saved for pension purposes should be properly protected to ensure that people have adequate income for their retirement years.

Pension policy comes within my remit and in carrying out this role, I consult with the Minister for Finance on various matters. Given that the State incentivises and supports pension savings through tax relief, my officials consulted with Department of Finance officials on this transposition, where the merit of the principle of improved regulation and consumer protection for pension savers as provided for in the IORP II Directive was agreed. The application of the Directive is prospective, not retrospective. This means that existing investments and borrowings can remain in place. After transposition all single member schemes, including Small Self-Administered Schemes, who are the only schemes currently allowed to borrow, will not be allowed to enter into new borrowing arrangements, except for short term and liquidity purposes. All of their future investments will have to be made in accordance with the investment rules in the Directive. Transposition of the Directive is also a key part of the Government’s Roadmap for Pensions Reform 2018-2023. The Roadmap was launched by the Government in February 2018 and details specific measures that will modernise our pension system.

Officials in my Department, supported by the Pensions Authority, are managing the transposition process for this Directive. This is a substantial Directive and preparation of regulations to transpose it is at an advanced stage. Codes of practice will also be issued by the Pensions Authority. Furthermore, to ensure that trustees of schemes are informed of their obligations under the Directive, the Authority will also undertake a communication campaign on the implementation of the Directive. The emphasis of this engagement will be on providing sufficient support, time and information in order for industry and trustees to plan for and make the changes needed.

Wednesday, March 13

**Written Questions**

**TCA**

***Deputy John Brady****asked the Minister for Employment Affairs and Social Protection the process in place for new pension applicants; if they are calculated under the TCA; and if she will make a statement on the matter.*

***Deputy Eoin Ó Broin****asked the Minister for Employment Affairs and Social Protection if consideration is being given to allowing applicants to combine work-related PRSI contributions and home care time credits in cases in which the period of time working at home was extended due to additional caring responsibilities which prevented the applicant from returning to the workforce in the context of the new TCA for calculating entitlements to the State Pension Contributory.*

***Deputy Willie O'Dea****asked the Minister for Employment Affairs and Social Protection the number of reviews conducted and completed to date in respect of the changes made to the contributory pension in 2012; the number of outstanding reviews that remain to be conducted; and if she will make a statement on the matter.*

[**Minister for Employment Affairs and Social Protection**](https://www.oireachtas.ie/en/members/member/Regina-Doherty.D.2011-03-09/)**:** Since late September 2018, my Department has been examining the social insurance records of approximately 90,000 pensioners, born on or after 1 September 1946, who have a reduced rate State Pension Contributory entitlement on post Budget 2012 rate-bands. These payments are being reviewed under a new TCA to pension calculation which includes provision for homecaring periods.Over 100 temporary resources have been recruited to separately process the pension reviews of existing claimants. In some cases, additional information about gap periods in their social insurance record is required from claimants in order to assess their eligibility for homecaring periods and then review their payment under the new calculation.

New claimants who have a reduced rate pension entitlement under existing legislation are being paid at this rate with a subsequent review under the new arrangements legislated to follow in Q1 2019, to assess if they qualify for a higher rate under TCP assessment. For some of those recently awarded, additional information about gap periods in their social insurance record is required, while others can be reviewed based on information already held by my Department. It is expected that arrangements for an integrated process for new claimants (to assess homecaring period entitlement, including requests for additional information in some cases, and the calculation under the TCA) will be implemented in Q 2 2019.

The legislation introduced provides for the new homecaring periods and calculation method. The qualifying conditions for the state pension (contributory) scheme have not changed. For example, a minimum requirement of 520 paid social insurance contributions remains a condition of the scheme.

Reviews commenced from 13 February 2019, the date I signed the necessary regulations which, together with provisions in the Social Welfare, Pensions and Civil Registrations Act 2018, allow the increased payments to be made. By week ending Friday 8 March 2019, 4,254 reviews have been completed. Outcomes will issue to all pensioners in writing when their review is completed. It will take a number of months to complete all the reviews due to the numbers involved. Over 100 temporary staff have been recruited to help with this work.

Regardless of whether a review is conducted, where an increase in payment is due, it will be made without delay and will include arrears of pension backdated to 30 March 2018, or the pensioner’s 66th birthday if later. Where pension rates do not increase following a review, the person will continue to be paid at their existing rate of payment. Reviews will continue to be processed until all identified pensioners receive their review outcome in writing.

**Pension Data**

***Deputy Willie O'Dea****asked the Minister for Employment Affairs and Social Protection the number of persons in receipt of a pension-related payment by county in tabular form; and if she will make a statement on the matter.*

[**Minister for Employment Affairs and Social Protection**](https://www.oireachtas.ie/en/members/member/Regina-Doherty.D.2011-03-09/)**:** The information requested in respect of pension-related payment is detailed below.

***Recipients of a pension-related payment by county at the end of February 2019***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***County*** | ***State Pension (Non-Contributory)*** | ***State Pension (Contributory)*** | ***Widow/er's or Surviving Civil Partner's Contributory Pension*** | ***Invalidity Pension*** |
| Carlow | 1,237 | 4,654 | 1,489 | 1,111 |
| Cavan | 2,342 | 5,326 | 1,731 | 834 |
| Clare | 3,279 | 9,687 | 2,873 | 1,281 |
| Cork | 9,762 | 43,415 | 13,656 | 7,659 |
| Donegal | 7,082 | 11,274 | 3,493 | 1,611 |
| Dublin | 14,489 | 103,949 | 30,502 | 13,686 |
| Galway | 7,303 | 17,783 | 5,623 | 2,227 |
| Kerry | 4,859 | 12,277 | 3,868 | 1,679 |
| Kildare | 2,276 | 14,619 | 4,596 | 2,492 |
| Kilkenny | 1,985 | 7,345 | 2,208 | 1,107 |
| Laois | 1,527 | 4,912 | 1,658 | 937 |
| Leitrim | 1,164 | 2,743 | 1,026 | 495 |
| Limerick | 3,977 | 16,494 | 5,226 | 3,452 |
| Longford | 1,265 | 3,316 | 1,035 | 630 |
| Louth | 2,421 | 10,283 | 3,082 | 1,837 |
| Mayo | 5,466 | 10,698 | 3,535 | 1,480 |
| Meath | 2,621 | 12,623 | 4,020 | 1,940 |
| Monaghan | 1,828 | 4,590 | 1,527 | 576 |
| Offaly | 1,529 | 5,736 | 1,906 | 1,141 |
| Roscommon | 2,150 | 5,117 | 1,699 | 888 |
| Sligo | 1,865 | 5,840 | 1,800 | 878 |
| Tipperary | 4,200 | 13,671 | 4,541 | 2,366 |
| Waterford | 2,521 | 10,115 | 3,176 | 1,664 |
| Westmeath | 1,686 | 6,884 | 2,334 | 1,309 |
| Wexford | 4,041 | 12,560 | 3,977 | 2,144 |
| Wicklow | 2,178 | 12,069 | 3,422 | 1,517 |
| Others | 21 | 46,455 | 7,691 | 1,180 |
| ***Total*** | ***95,074*** | ***414,435*** | ***121,694*** | ***58,121*** |

Thursday, March 14

Adjourned

**Seanad**

Tuesday, March 12

No relevant business

Wednesday, March 13

No relevant business

Thursday, March 14

No relevant business

**Oireachtas Committee**

No relevant business

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