



*A Universal Pension for Ireland:
A roadmap to change*

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Why a Universal Pension?



“A universal pension, based on residency which would replace the current PRSI-entitlement”

Objectives

- Income for older citizens regardless of PRSI contribution
- Universal coverage - a stated goal of the system
- Added certainty in retirement
- More egalitarian society
- Long-term sustainability

One of the options recommended by the OECD:

“a much simpler, more transparent and less costly public pension scheme”

Key Characteristics



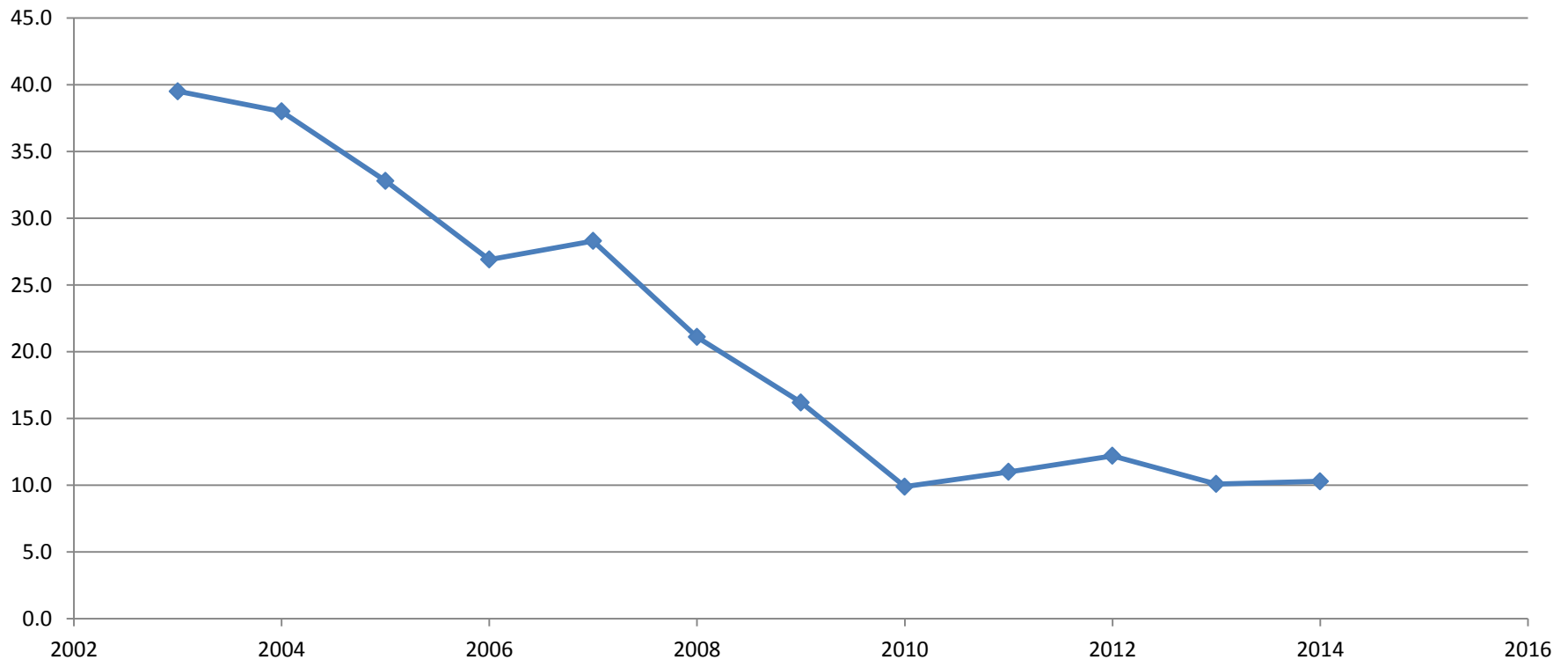
- Would replace all other State Pension payments
- Would replace Qualified Adult payments
- Paid at a rate of €233.30 per week
- Residency-based
- All pensioners move to the Universal Pension
- Qualified increases to continue
- Gradually rise to 40% of average earnings
- Inclusion of pre-April 1995 public servants, with claw-back for those with significant public service pensions

The Policy Context:

The Importance of the State Pension



At-risk-of poverty rate in Ireland - Over 65s

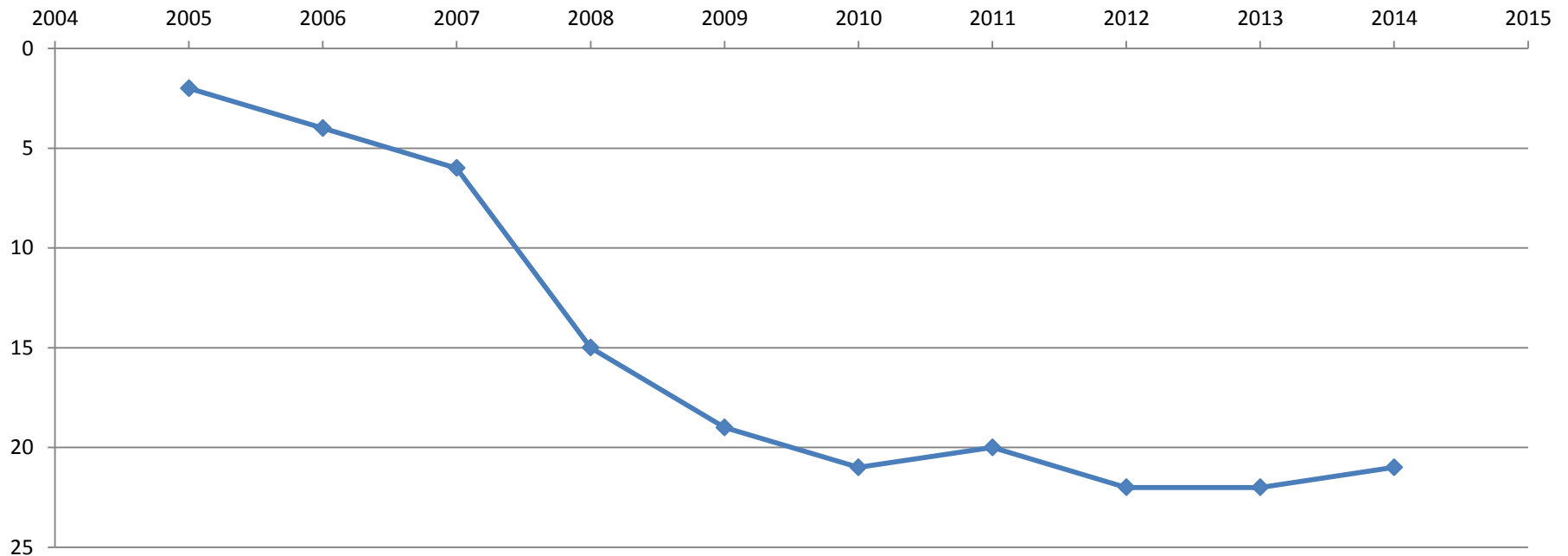


The Policy Context:

The Importance of the State Pension



At-risk-of poverty rate for over 65s - Ireland's EU ranking



The Policy Context:

The Importance of the State Pension



- Main source of income for over 80% of those aged 65
- Largest single source for the majority of others

*“The protection offered by social transfers against the risk of poverty was most evident among the older age groups. This reflects the relative importance of the state pension and other state allowances for these age groups. **When social transfers were excluded, the ‘at risk of poverty’ rate of persons aged 65 and over was 88%. When social transfers were included this rate fell to 9.6%”***

- CSO’s Survey on Income and Living Conditions

Costing Overview



- Cost an extra €700m approximately in 2017

<u>Reform type</u>	<u>Potential Savings</u> <u>€m</u>
Reduce rate of tax relief to 20%	560
Reduce earnings cap to €75,000	133
Reduce SFT to €622,500	200
Total	893

- Proposal is cost-neutral or better in initial stage

The Policy Context:

Private Pension Coverage



<u>Category</u>	<u>Coverage</u>
<i>Target Rate</i>	70%
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Private Sector (age 20-69)	41.3%

The Policy Context:

Private Pension Coverage



<u>Decile</u>	<u>Coverage Rate</u>
Lowest	20%
2	18%
3	23%
4	34%
5	45%
6	55%
7	63%
8	75%
9	84%
Highest	94%
Overall	51%

Figures from ESRI

Universal Pension Design



- Removal of the contributory principal
- Residency requirement
- $1/40^{\text{th}}$ of the Universal Pension amount for each year of residency between age 16 and the state retirement age
- Current amounts initially payable – can apply for higher amounts
- No existing pensioner would lose out, and many would gain
- The would also be supplementary assistance for elderly residents with inadequate income.

Some interesting numbers



<u>Estimate</u>	<u>Numbers</u>
Projected number of beneficiaries	600,249
<i>Green Paper</i> Projected Cost	€1,175m
Social Justice Ireland Projected Cost	€700m

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Savings over <i>Green Paper</i> proposal	€475m

Conclusion



- Stability and sustainability?
- What defines a “contribution”?
- Administrative challenges?

A fair and sustainable pension system