Pensions and the New Aging

TILDA 2015 – Evidence for Policymakers
Perspective

Chairwoman of the Pensions Authority – Regulating Pensions.

Vision – Pensions are secure, well-managed and understandable.

Mission – support public confidence through regulation – Inform and Support Trustees and the public about pensions – Advise the Minister and Department of Social Protection on pensions.

Chair of the Dublin City Age Friendly Alliance

Vision – Dublin City is a great city in which to grow old, where everyone is valued and respected.

Mission – Including older people in decisions, providing opportunities and supports, providing a framework to coordinate services to meet the needs of older people.

Informed by the above experiences – these are my personal views as a user of research in strategy development and implementation.
Strategic Challenges for Pensions

- Demographics
- Great recession
- Investment decisions
- Confidence in pensions
- Understanding of pensions
- Expectations and promises
- The gift of longevity
- Original concept of pensions – 3 years
- Supplementary pensions
- Based on civil service model of work
- Retirement today
Strategic Challenges and Opportunities for Dublin City Age Friendly Alliance

- Implementing through others
- Understanding the profile and segments through social, economic, environmental lens
- Resource constraints
- Retirees today – Active, Articulate, Resourced, Influential
- Influencing across a wide range of delivery channels
- Social expectations
- WHO programme; EU Policy context
- Person centred – strong and continuing consultation
Strategic Questions - Pensions

How impactful is regulation?

Are we doing the right regulation?

How informed are members of pensions schemes?

Are trustees trained and able?

Is the supplementary pensions model fit for the next 40 years?

What is the impact of a sustained low interest rate and low investment return environment?

Is the tax incentive for pensions savings effective?

What are the pensions expectations of the Irish population? Will this be delivered by the current model? What alternatives are there and how viable are they?

To what degree do older people rely on their occupational pension in retirement?

How to measure impact in Regulation?
Strategic Questions – DCC AFA

What policy and action is currently supporting an age friendly city?

To what degree is this about doing the current things differently or doing new things?

How will we monitor progress and identify levers and barriers in implementation?

How to capture the intangible elements of a successful alliance?

How do we compare with good practice elsewhere?
Sources and Gaps

- In house information
- TILDA and other large studies
- Specifying our own bespoke research
- Lots of data. Insight less easy to source
Coverage

- Pension coverage for people in employment aged 20 to 69

<table>
<thead>
<tr>
<th>Q1 2005</th>
<th>Q4 2005</th>
<th>Q1 2007</th>
<th>Q1 2008</th>
<th>Q4 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>52%</td>
<td>55%</td>
<td>52%</td>
<td>54%</td>
<td>51%</td>
</tr>
</tbody>
</table>

- Q4 2009 breakdown of coverage
  - Public administration and defence 93%
  - Private sector only 41.3%*
  - Employees 54%
  - Self-employed workers 36%

Source: CSO Quarterly National Household Survey, Quarter 4 2009
*OECD Reviews of Pensions Systems: Ireland, 2014
# Active schemes and membership*

<table>
<thead>
<tr>
<th>Year</th>
<th>Defined contribution</th>
<th>Funded defined benefit</th>
<th>Public sector DB</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Schemes</td>
<td>Membership</td>
<td>Schemes</td>
</tr>
<tr>
<td>2013</td>
<td>61,123</td>
<td>241,317</td>
<td>890</td>
</tr>
<tr>
<td>2012</td>
<td>60,192</td>
<td>232,939</td>
<td>933</td>
</tr>
<tr>
<td>2011</td>
<td>65,770</td>
<td>239,150</td>
<td>993</td>
</tr>
<tr>
<td>2010</td>
<td>75,183</td>
<td>259,732</td>
<td>1,013</td>
</tr>
<tr>
<td>2009</td>
<td>82,939</td>
<td>266,909</td>
<td>1,212</td>
</tr>
</tbody>
</table>

*Source: Pensions Authority Annual Reports*

*Does not include frozen schemes where contributions are no longer being made, AVC schemes or death benefit only schemes*
Assets

<table>
<thead>
<tr>
<th></th>
<th>Assets</th>
<th>DB</th>
<th>DC</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>€73bn</td>
<td>€48.5bn</td>
<td>€24.5bn</td>
</tr>
<tr>
<td>2011</td>
<td>€63bn</td>
<td>€41.5bn</td>
<td>€21.5bn</td>
</tr>
</tbody>
</table>

Source: Pension Authority Annual Scheme Information

- Assets in PRSAs Q4 2014 €4.7bn
- Assets in RACs estimated at €10bn
## Scheme size*

<table>
<thead>
<tr>
<th>Status/size</th>
<th>Number of schemes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frozen (contributions currently not being made)</td>
<td>82,974</td>
</tr>
<tr>
<td>Single member schemes</td>
<td>49,603</td>
</tr>
<tr>
<td>1-100 members</td>
<td>11,237</td>
</tr>
<tr>
<td>101-1000 members</td>
<td>467</td>
</tr>
<tr>
<td>1001+ members</td>
<td>68</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>144,349</strong></td>
</tr>
</tbody>
</table>

*Source: Pensions Authority register of schemes February 2015*

*Does not include AVC or death benefit only schemes*
Identifies Trends and Issues

- Limited coverage
- Shift from DB to DC
- Scale and costs
- Significant assets under management
- With enhancements to IT system, greater efficiencies and intelligence from in-house data
- Limitations of scheme based data
- Regulatory and policy focus rather than research = continue to work with outside sources
- Complexities and anomalies
- Investment risk management
- Member communications and understanding
- Governance and regulation
Retirement and Pensions
TILDA Themes

• Importance of Supplementary pensions
• Pensions knowledge
• Determinates of supplementary pensions cover
• Effect of increasing State Pension Age
• Numeracy and financial literacy
• Created an appetite for more!
Dublin City Age Friendly Alliance

Challenge is to guide and support implementation

Issues are:

- monitoring the model in action
- measuring progress
- identifying impacts and
- capturing the opening position

Key questions are: What are the key levers to effective implementation? In an intangible network, how to identify effectiveness and blockages and then to intervening successfully.
Conclusions

- Insight and understanding essential for regulation pensions and supporting positive aging – even with different focus and stage in work.
- Challenges require understanding and innovation, including realising the limits of intervention.
- Dust has not yet settled on the new era – makes policy even more challenging.

Continuing the old models is as disconcerting as innovating new!