

# Global People Solutions

## ***Irish government launches the “Roadmap for Pensions Reform 2018-2023”***

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Ireland is planning fundamental changes to the pensions system. On 28 February 2018, the Irish government launched the “Roadmap for Pensions Reform 2018-2023,” which is a detailed program to reform and update the pension system in Ireland for a fast growing and evolving economy. Changed employment patterns and affordability of retirement act as backdrops to the reforms.

### **Key details**

There are six main strands that, taken together, will modernize Ireland’s pension system while continuing to target resources at those most in need. These six strands are:

1. A new automatic enrollment retirement savings system.

The auto-enrollment to a state-sponsored supplementary retirement savings system would apply to private sector employees without private pension coverage. It is hoped that the auto-enrollment system will supplement the level of financial adequacy post retirement for those not in receipt of any supplementary pension or on very low pension provision. The new system should be introduced by 2022, and a draft will be released in 2018 for consultation.

2. Reform of the state pension.

The Irish government proposes to replace the “yearly average” approach with a Total Contributions Approach (TCA) by 2020 to include nonworking periods related to caring duties. Other reforms are also planned to align Ireland’s state pension age with current life expectancy and to establish a 34 percent of average earnings target for benefits paid by the contributory state pension.

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### 3. Improving governance and regulation.

The Irish government plans to transpose the European Union's (EU) IORP II Pensions Directive into law by 2019 to ensure better governance and transparency. Changes include:

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- The obligation to obtain an authorization from the Pension Authority for new and existing occupational plans.
- The introduction of professional standards for trustees and the possibility to remove them if the standards are not met.
- The establishment of an interdepartmental pensions and reform taxation group in charge of reviewing the cost of occupational pensions.

### 4. Measures to support defined benefits scheme sustainability.

The government will explore regulatory changes to ensure defined benefit plans are well-managed and meet the statutory minimum funding requirements.

### 5. Public service pension reform.

The Irish government plans to introduce an additional superannuation contribution for public servants and to review their retirement age when it falls prior to the state pension age.

### 6. Supporting fuller working lives.

The government plans to make the following changes to support and encourage fuller working lives:

- Allow the deferral of state pension scheme on an annual basis, and increase the rate received when the pension is claimed.
- Introduce retirement age measures to support longer working in employment contracts.
- Review pension drawdown rules and discrepancies related to tax treatment of various pension plans and age requirements for drawdown.

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## Implications for employers

The introduction of an auto-enrollment system is welcome. Among the proposed reforms, it will have the greatest impact on employers and likely become the go-to pension solution for smaller employers. In addition, some of the governance and regulatory initiatives may have an impact on the operation of existing and larger pension plans in the private sector and may result in a general increase in

governance costs.

## Next steps

The proposed reforms are far-reaching and may be a challenge to deliver in the proposed five-year timeframe without broad political support. From the six strands stem many individual actions, each action having a specified owner and date of delivery. Given the wide breadth of actions, many government departments are tasked with actions under the reform program, all being coordinated by the Taoiseach (prime minister), who has a personal interest having formally been the minister in charge of pensions.

## Useful resources

[Full text](#) of the Roadmap for Pensions Reform

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