

Opening Statement by Dr. David Begg, Chairperson, Pensions Authority
to the Committee on Social Protection, Community & Rural Development and the
Islands

On The Draft Heads & General Scheme of the Auto Enrolment Retirement Savings
Scheme Bill 2022

Good morning,

I would like to thank the Committee for the opportunity to discuss the draft heads and general scheme of the Automatic Enrolment Retirement Savings Scheme Bill.

I am joined by Mr Brendan Kennedy, the Pensions Regulator and CEO of the Pensions Authority and by Mr. Andrew Nugent, Head of Policy and by Ms Gillian Smith, Assistant Head of Policy.

I might briefly outline the role of the Pensions Authority.

The Pensions Authority is a statutory body set up under the Pensions Act, 1990.

The Authority:

- supervises compliance with the requirements of the Act by trustees of occupational pension schemes and trust Retirement Annuity Accounts (RACs), personal retirement savings account (PRSA) providers, registered administrators (RAs) and employers,
- investigates suspected breaches of the Act
- conducts on-site inspections and compliance audits,
- instigates prosecutions and other sanctions where breaches of the Act are found to have occurred,
- provides policy advice and technical support to the work of the Minister and Department of Social Protection,
- provides relevant information and guidance to the public and those involved with pensions, and
- deals with enquiries received from scheme members, trustees, employers, the pensions industry, the general public and the media.

Turning to the matter of Automatic Enrolment, we in the Pensions Authority welcome the publication of the general scheme of the AE bill. The introduction of AE in Ireland is a welcome step and the Authority is very supportive of this Government policy. In welcoming AE, it might be useful to stress to the Committee that the Pensions Authority does not have a direct role in the development of this policy but the Authority has given technical assistance to officials in the Department of Social Protection. So clearly we will not be able to comment directly on the policy choices made to date.

As you will be aware pension provision in Ireland consists of three broad pillars:

Pillar 1: the State pension

Pillar 2: occupational pension provision

Pillar 3: personal pension and additional voluntary pension savings.

This approach is similar to that in many countries and a multi-pillar approach to retirement savings is advocated by the OECD and the World Bank. The use of multi-pillar systems is a widely accepted model for pension system design and reform. Bodies such as the World Bank, the Organisation for Economic Co-operation and Development (OECD) and the International Labour Organisation, advocate a multi-pillar approach with each pillar complementing the others to reduce risk and improve total retirement income.

Currently there is no obligation on employers to offer an occupational pension, though since 2003 employers are obliged to make a Personal Retirement Savings Account (PRSA) available for employees where there is no occupational pension provided, but there is no obligation on an employer to contribute to a PRSA.

As a result of the voluntary nature of occupational pension provision, pension coverage in Ireland is low. In its latest publication the Central Statistics Office estimates that (56%) of all workers have a workplace or private pension to supplement their State pension - 90% of public sector workers do, compared to just over one in three workers (35%) in the private sector. This low coverage will mean that many workers will face a significant drop in living standards in retirement.

By far the greatest predictor of whether a worker will have a pension or not is if their employer offers one. Therefore, in our view, it is vitally important that Government enacts this legislation and introduces automatic enrolment as quickly as possible to ensure that the pension coverage rate in Ireland increases.

The international experience in most countries that have introduced AE shows that AE can overcome the inertia of people not getting around starting a pension and leads to an increase in pension coverage.

The introduction of AE will be a welcome and important part of the Irish pension system for the coming decades. It will help address the problems that arise from the changing demographics facing Ireland where an increasingly greater proportion of our population will be over the age of 65.

Turning to the draft bill, I note that the draft heads provide that the Authority will be appointed as the competent authority responsible for the prudential supervision of the Central Processing Authority, pursuant to the provisions set out in Part II A of the Pensions Act 1990.

We think that this is right and fitting and that the CPA as envisioned by the draft legislation will be treated like any other Institute of Occupational Retirement Provision (IORP) and regulated as any other pension scheme will be. This will include matters like governance and disclosure to members and will mirror the responsibilities on pension scheme trustees set out in the Pensions Act. It is important that those people enrolled in the AE system will have the same levels of protection that are afforded to members of other pension schemes.

Thank you again for the opportunity to appear before the Committee. Myself and my colleagues are happy to assist the Committee in their deliberations by answering any questions you might have.