

## ✿ Time to make auto-enrolment a reality



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*Brian Sexton calls for action instead of further reports and investigations into auto-enrolment systems.*

Not long after he took office the Minister for Social Protection, Leo Varadkar, addressed the Pensions Authority's Pensions Reform Consultation Forum where he declared his support for universal supplementary pensions.

*"A majority of our citizens will rely solely on the State pension in retirement", Minister Varadkar said. "For some, it will be enough to maintain their standard of living into old age. But for many, it will not. That's why I view the development of a universal retirement saving system for people without supplementary pensions as an essential objective."*

The Minister cited the systems in New Zealand, Australia and Singapore as examples which this country can learn from. This should be good news not just for those without supplementary pension coverage but for all involved in pensions in Ireland.

Unfortunately, Minister Varadkar went on to say that the development of a new, universal workplace retirement saving system will *"require a substantial multi-year programme of work and will have to be agreed, legislated for and phased in."*

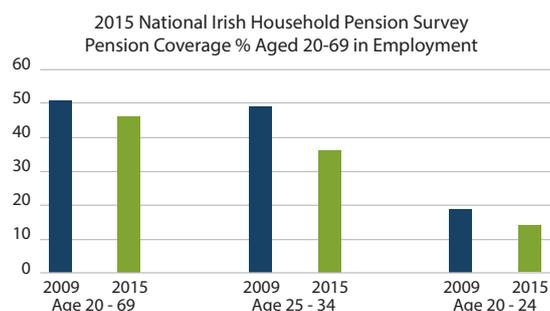
He added that work was ongoing on the potential model to be employed in this country. The question is, however, how many times that work needs to be repeated before action is finally taken.

The issue of inadequate supplementary pension coverage has been debated for decades and the concept of auto-enrolment has been under discussion since at least 2007 and the publication of the Government Pensions Green Paper that year.

That was followed in 2010 by the National Pensions Framework which set out "the Government's intentions for radical and wide-scale reform of the Irish pension system." In 2014, the commitment to introducing some form of universal scheme was restated with auto-enrolment the preferred option. This has been followed by an Interdepartmental Working Group which is also looking at the issue.

The overall situation has been deteriorating while these deliberations have been taking place. According to the CSO Quarterly National Household Survey overall supplementary pension coverage nationally was 51% in 2009 but had fallen to 46% in 2015. The figures for younger age groups are even more disturbing with coverage for 25-34 year olds standing

at 36% and a quite alarming 14% for the 20-24 year old cohort.



Source: Central Statistics Office, 30 May 2016

To date, there have been no indications of any reversal in this trend. But the problem is by no means intractable as the experiences of our nearest neighbour have shown. The UK had much the same issues as Ireland before it decided to establish a national auto-enrolment pension scheme.

When the scheme was introduced in 2012 coverage stood at just 47%. By the end of 2015 it had risen to 59%. This was quite a dramatic improvement experienced against the background of national austerity policies and stagnant wage growth; meanwhile Ireland's coverage was going in the opposite direction.

We should learn from the positive experience of the UK and waste no more time on further reports and investigations into auto-enrolment systems. In the UK the committee to investigate the matter took three years to complete its work and reported in 2005. The report was accepted in 2006 and it took a further six years to introduce the system.

We do not have the luxury of being able to wait any longer in Ireland. By learning from the UK experience we could reduce significantly the design and implementation phase and potentially have a universal national supplementary pension scheme in place within the next three to four years, or even earlier if the political will exists to drive the agenda.

The words of President Theodore Roosevelt are worth recalling when it comes to deciding what to do when faced with great problems: *"In any moment of decision, the best thing you can do is the right thing, the next best thing is the wrong thing, and the worst thing you can do is nothing."*