

RETIREMENT MATTERS

OCTOBER 2016

LIFT OFF

What next for
pension schemes?

UNIVERSAL PENSIONS ON THE AGENDA

Interview with Minister Leo Varadkar T.D.

RETIREMENT

A disruption to income

THE RETIREMENT
LANDSCAPE OF THE FUTURE


ZURICH[®]

Pensions Timeline



2016

“Over the years we’ve had multiple papers published on the topic of pension simplification and the possible future implementation of a mandatory pension scheme in Ireland. Now finally, it looks as though this may really happen.”

Niall Fitzgerald, Zurich Life

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Welcome

to the first issue of Retirement Matters. At Zurich, we recognise that this time of the year is an incredibly busy time for retirement planning and we want to take the opportunity to discuss some of the challenges associated with retirement in Ireland.



Anthony Brennan
CEO
Zurich

Over the years there have been many papers published with recommendations on how to solve the retirement problem in Ireland. With the very real external pressures on the existing State Pension, the move from DB to DC and an increasingly aging population – it’s imperative that our industry does everything it can to encourage greater pension coverage.

The Pension Authority consultation document on reform and simplification is a welcome next step on the journey. The proposed reforms are wide-ranging, and it may take some time for the Pension Authority to develop and progress the required reforms. It is essential that the focus of any reforms is on delivering better outcomes for pension savers, and on encouraging more people to save, rather than on technical issues which make little difference to savers. We know that the millennial generation realise that they are responsible for their own retirement, and want to save, but the industry and the regulator need to make it easy for them to do so. It is likely to take some time to introduce a universal pension system, and we cannot afford to wait for its introduction before making efforts to improve pension coverage from its current 47%.

Minister Leo Varadkar, in a recent interview with Zurich, outlines his desire for a new universal workplace retirement system as a way of increasing coverage. The impact of a similar auto enrolment system in the UK has been positive, they have seen pension coverage rise from a low 47% in 2012 to 66% in just four years – with greater increases predicted in the near future as more employers come on board.

At Zurich, we will continue to work with advisors, industry partners and regulators to ensure that we have the very best solution in place for customers. As always I welcome your feedback and I thank you for the continued support that you have shown to Zurich.

Lift off – what next for pension schemes?



Niall Fitzgerald
Business Development Director,
Pensions, Zurich Life

In July the Pensions Authority published its consultation document “Reform and Simplification of Supplementary Funded Private Pensions” which proposed reforms that are intended to change the pension landscape.

Reform and simplification

The consultation document outlines proposals by the Pensions Authority to reform and simplify the landscape for the provision of supplementary funded private pensions in Ireland with a view to improving outcomes for pension savers and increasing public confidence and understanding. The Pensions Authority invited submissions from all stakeholders and interested parties on the proposals as set out in their document and the deadline was earlier this month.

The document sets out a vision for the simplification of Irish pensions that will eventually assist in enabling the smooth introduction of an auto enrolment scheme, which is seen as the longer-term aspiration for the pension system in Ireland. The focus of this document is private pension provision and therefore does not consider issues relating to social welfare and public sector pensions. It is nevertheless an important step in developing a coherent roadmap for pensions into the future.

The Pensions Authority’s objective for this process is the development of “a pension system which is fit for purpose, reliable and well managed, and which participants understand and trust. Such a system will greatly contribute to policy initiatives to encourage broader retirement savings such as universal pensions and is arguably a foundation for the success of such initiatives”.

Simplification of the system is an important element of this objective, while improving outcomes for pension savers and increasing public confidence in the pensions system sit at the heart of the process.

Financial Brokers need to be aware of the proposed reforms. While some of the reforms will have an impact on employers and trustees, some of the proposals will change the pensions landscape and will impact the advice and selling of pensions.

Reducing the number of smaller schemes

There are currently over 66,000 active single member and small schemes (less than 100 members), with roughly the same number again of deferred schemes. There is a stated desire to reduce the number of schemes. In this respect the Pensions Authority plans to introduce a new authorisation process whereby potential new schemes must be able to demonstrate that they meet set criteria in a number of key areas.

Stricter requirements for trustees

In order to develop a pension system that is reliable and well managed, and also to improve governance standards of schemes, the Pensions Authority also wants to introduce “higher standards for trustees of occupational schemes”. It believes that trustees should adhere to the following:

- The introduction of an enhanced trustee qualification which will apply to a trustee board on a collective basis.

- A minimum trustee experience requirement which will apply to a trustee board on a collective basis.
- A minimum of two trustees per trustee board and two directors for a corporate entity.
- Mandatory continuous professional development for all trustees.
- Additional eligibility restrictions.

There has been much discussion on this issue, particularly with the IORPS II directive emerging from Europe and the possible demise of the lay trustee. With these proposals the Pensions Authority has stated that there is still a place for lay trustees, but only if they undertake their role in a way that ensures better governance for the scheme and better outcomes for its members.

Other important proposed reforms

The consultation document also proposes to get rid of Retirement Annuity Contracts (RACs) and Buy-out Bonds (BOBs) and replace them with PRSAs. Their rationale for this is that it would simplify the pension landscape for consumers.

Going forward the options for retirement savings would be trust-based occupational schemes and PRSAs. The Pensions Authority has proposed changes to the requirements for transfers into a PRSA, and from RACs into schemes. If implemented these changes will make the route less onerous.

Summary of reforms

Apart from the stricter trustee requirements mentioned above, the main areas in the consultation document can be summarised as follows:

1. Scheme authorisation

Pension schemes to require prior authorisation from the Pensions Authority before they can be established.

2. Supervisory and enforcement processes

The Pensions Authority is seeking greater powers including the power to create binding codes of practice and the power to intervene in the management of a scheme, where necessary, to protect members.

3. Rationalisation of pension vehicles

The Pensions Authority view is that a reduction in the types of pension vehicles will lead to a reduction in their complexity. They are proposing that BOBs be phased out with PRSAs used in their place.

4. Master trusts/multi-employer pension schemes

These could become a new alternative in the Irish market if the objective is to reduce the number of pension schemes and/or pension scheme trustees.

Timing

In terms of timings, there are also two main external drivers of reform:

1. the EU IORP II Directive which will need to be implemented by late 2018/early 2019; and
2. the OECD’s Report on the Irish pension system published in 2014.

The Pensions Authority would like to see a late 2018/early 2019 deadline in line with a possible transposition of the IORPS II directive, but it is also suggesting flexibility up to January 2021. Of course this is a consultation document and there is likely to be some changes along the way. We will need to monitor developments carefully, but at least we have lift off!

To view the consultation document in full go to www.pensionsauthority.ie

[but please note that the closing date for submissions (3rd October 2016) has already expired].



Universal pensions on the agenda

In a recent interview with Zurich, the Minister for Social Protection, Leo Varadkar, T.D. highlighted the challenges for State pension provision and put forward suggestions that could bridge the pension divide.



Ireland, like many developed countries, is facing a retirement challenge. Minister, what are your views on this and what does Ireland need to do to resolve it?

Our pension system was set up over a century ago to provide an adequate and sustainable standard of living, and to prevent an unwanted reduction in living standards when people retire. It works through a combination of direct State support through the State pension and other benefits, and also by encouraging people to put aside supplementary savings when in employment through generous tax reliefs. The State pension will continue to be the bedrock of the Irish pension system, which aims to guarantee an appropriate minimum level of income for retirees and to prevent poverty in old age. It's important that the value of the State pension is protected in the years to come and any second-tier pension is exactly that, second tier and supplementary.

I think some of the demographic projections are pessimistic, greater immigration and people working later in life whether part-time or full time, can change dependency ratios pretty dramatically. We are also in better shape than most European countries with a young population and higher pension age. Nonetheless, we must all be aware of the challenges we face with regard to the sustainability of the State pension. Each year more people are living to pension age and living longer in retirement, and of course this is a good thing. State pensions already account for the single largest block of social welfare expenditure. In 2016, approximately €7 billion will be spent on pensions, which represents 35% of my Department's total current expenditure. Currently there are 5.3 people of working age for every pensioner. This ratio is expected to decrease by half by 2040.

As a result of this demographic trend, the number of State pension recipients is rising by around 17,000 every year. It has significant implications for the future cost of State pension provision, which is currently increasing by close to €200m every year and that is before any increase in the weekly rate. Some significant reforms were introduced over the last few years to improve sustainability. This began in January 2014 by standardising the State pension age for everyone at 66 and will increase to 67 in 2021 and 68 in 2028. There are no plans to go further, but it's worth recalling that in the 1970's, the pension age was 70, and that was at a time when 70 was old and many people did not live that long.

Without change, a majority of our citizens will rely largely on the State pension in retirement. Unless the overall pension system is reformed, its long term adequacy and sustainability could be compromised. That's why I support the development of a new, universal, retirement saving system for people without supplementary retirement provision.

Minister for Social Protection, Leo Varadkar, T.D. speaking at the Zurich sponsored Sunday Business Post Pensions & Investment Summit in September. [photocredit] Finbarr O'Rourke (Photographer) www.forphoto.ie

Our nearest neighbour, the UK, recently tackled their own pension problem by introducing auto enrolment. Are there lessons to be learned from the UK experience when considering how best to introduce auto enrolment in Ireland?

There are lessons to be learned from the experiences of many countries that have introduced pension reforms of this nature. Last year, the Universal Retirement Savings Group was set up to examine the issue. The group is chaired by the Department of Social Protection and comprises senior officials from a range of public bodies, along with international representatives with pension reform expertise. The group includes the head of the UK's auto enrolment programme from the Department of Work and Pensions and the Chief Economist from the OECD.

Our primary aim is to develop a system that provides universal coverage, and which also significantly improves the adequacy of retirement provision. Initial work has concentrated on whether to develop a mandatory scheme for all workers currently without supplementary retirement savings coverage, or a scheme which automatically enrolls anyone without supplementary retirement savings coverage, with an optional opt-out, as is the case in the UK. We will need a strong evidence base to find the best solution for Ireland. That's why various international examples are being studied, including the UK. I think it would be a mistake to take a system from another country and try to shoe-horn it into Ireland. We need to learn from experience elsewhere and use that knowledge to inform policy here. Other good examples, I think, are Singapore, Australia and New Zealand.

Do you have a broad timetable at this stage for the implementation of auto enrolment?

It's essential that we choose a system which is best suited to Ireland. All the evidence indicates that introducing a new system will be hugely complex, involving numerous policies, and legislative, administrative and technical matters. It will take a number of years to implement, and will need to be phased in.

Detailed consultations have already been held with consumers, employer representatives, trade unions, the pensions industry and advocate/interest groups, as well as a range of Irish and international experts in this field. International experience makes it clear that building consensus across political, business and civil society is essential for any new universal supplementary pensions system to work. My first priority on appointment was the successful introduction of paternity benefit. At the moment, my priority is the Budget and extending more social protections and social insurance to the self-employed (payers of PRSI at class S). In the New Year, my main focus will be on pension reform and developing the Working Family Payment. So, I'd like to make real progress on it in 2017 and, if possible, to agree a multi-annual timelined way forward.

Minister, are you confident that there is widespread stakeholder support for the introduction of auto enrolment as a key plank of the solution to address Ireland's pension coverage challenges?

There are good examples from other countries of strong co-operation between employers,

trade unions and Government helping to drive success in this type of reform. For instance, in Australia, which is often cited as a case study of good practice, the introduction of the mandatory superannuation arrangements was facilitated through a tripartite agreement between the Government, employers and the trade unions. The Nordic countries also focused significant efforts on promoting a broad support and consensus amongst the social partners. Last July I chaired a meeting on this subject at the National Economic Dialogue. There was widespread support for the need to increase retirement provision. Since then we have included a pension framework in the work programme for the recently established 'Labour Employer Economic Forum'. This initiative is supported by Government and provides a forum for IBEC and ICTU to exchange views on the economy, employment and the workplace.

Finally, I believe there is a need to reform and simplify the existing pension environment to deliver a universal system. Reform and simplification is key to developing a pension system that is more coherent and easier to understand, which will in turn increase confidence and engagement among pension savers. That's why I recently launched an open consultation process on the Pensions Authority's proposals for reform of private pensions. I encourage everyone in the sector to consider these proposals and to share their views and insights with the Authority and my Department. You can help us to develop new policy initiatives and build the foundation for a universal system. The details of the final model will be determined by this process.

Do you envisage any further changes to the State pension age or qualification criteria? Can a person paying PRSI contributions today remain fully confident that they will receive a State pension when they retire?

I think it's very important to state that a new universal system is designed to supplement the State pension provision, and not replace it.

When the State faced enormous pressures from 2008 onwards and was required to make very significant cutbacks across a range of areas, the core rates of the State pension actually increased, by over 3% in 2009 – a year that saw negative inflation of 4.5%. This rate was maintained, and increased in last year's Budget. I obviously can't speak for future Governments, but I do not detect any enthusiasm for reversing this policy among any of the parties that might make up such Governments. The State pension is an important benefit for people across the spectrum.

Over the last number of years a range of significant reforms were introduced to help improve the sustainability of the State pension. This began in January 2014 with the abolition of the State Pension (Transition) available from 65 which standardised the State pension age for all at 66 years. There is already legislation in place to further increase pension age in 2021 (to 67) and in 2028 (to 68). There still remains, of course, significant challenges in ensuring it remains affordable, and also that it be adequate. I intend to continue this process, through promotion of longer working for those who want to, and also by encouraging additional personal provision by middle-income workers, for whom the State pension on its own may represent a significant drop in income.

Amendments are also planned to the qualification requirements for the State Pension (Contributory) notably the 'Total Contributions Approach' as set out in the National Pensions Framework. This is to ensure that payment rates more accurately reflect the social insurance history of a person and ensure that those who have contributed during their working lives will benefit more in retirement. This will mean that your pension is calculated based on how many contributions you made throughout the course of your working life not when you made them. It is important to note that the State pension is, and will continue to be, the bedrock of the Irish pension system.



Joe Creegan & Rose Leonard, Zurich & Minister Leo Varadkar, T.D.

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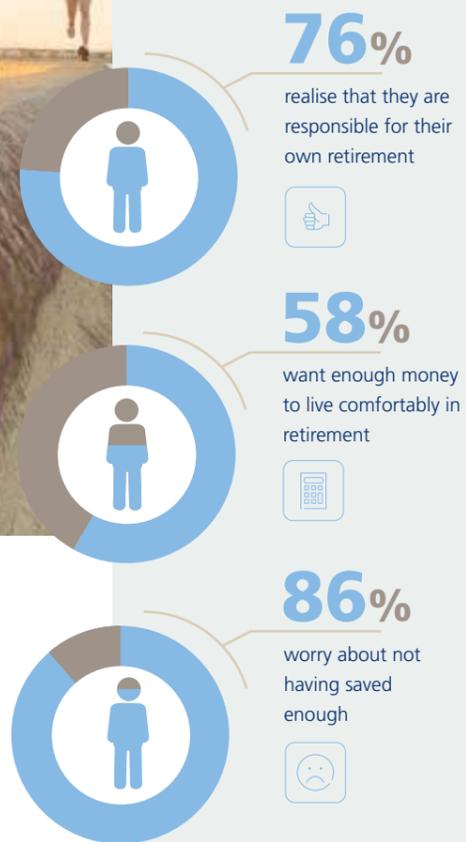
I support the development of a new, universal, workplace retirement saving system for workers without supplementary retirement provision.”

Leo Varadkar, T.D. Minister for Social Protection

Retiring on Millennial Way



Millennials have a good understanding of what's required



Source: Zurich Life/Behaviour & Attitudes Consumer Research, August 2016

At Zurich's recent retirement conferences in Dublin and Cork, we heard that for millennials (those born 1980 to 1994), taking personal responsibility for their retirement is more important than ever. No other generation is facing such seismic change – legislative, demographic and societal. And this is coupled with the move from DB to DC and the very real demographic pressure on the future provision of the State pension.

The challenge for the retirement industry is providing a personalised solution to the problem. With a stellar line-up of speakers including Dan O'Brien, Chief Economist, IIEA and Ken Hughes, a leading consumer behaviourist, we heard about the challenges, the opportunities and, most importantly, the solutions necessary to engage millennials. If you didn't make it to one of our conferences, just ask your Zurich Life Broker Consultant for more details.

“ Millennials, like it or not, are going to have to accept that unless they have saved and put an awful lot of it into pensions, the likelihood is that they are going to be working for a lot longer.”

Dan O'Brien, Chief Economist, IIEA



Anthony Brennan, CEO, Zurich

“ We need to engage millennials earlier and more effectively than ever before and Zurich's new Personalised GuidePath investment strategy is designed to do that. Rather than relegating investments to a tick box, Personalised GuidePath involves customers from the start.”

Ronan O'Neill, Zurich



Neil Herlihy, Willis Towers Watson, Gerry Winters, Invesco & Ross Mitchell, Zurich



Dan O'Brien, Chief Economist, IIEA



Ronan O'Neill, Zurich

“ Pension providers should be asking their customers – where are you now, how do you want to work in the future, what kind of work would your dream job be? Then you can start to create and personalise a pension around their lifestyle choices or dreams.”

Ken Hughes, Consumer Behaviourist



Ken Hughes, Consumer Behaviourist



Ben Lewis, Ben Lewis & Co. & Margaret Casey, Zurich



A thoroughly engaged audience

Is retirement simply a disruption to income?

Pension provision in Ireland, or the lack of it, gets a lot of media coverage and has been the topic of many government and industry papers and discussion.



Rose Leonard
Head of Customer Relationship Management, Zurich Life

The forecasted increase in life expectancy, along with reducing birth rates has a knock-on impact on the cost of supporting the retired population.

Despite much effort by the Pensions Authority and others to increase pension awareness, the situation remains the same - pension coverage is still at relatively low levels in Ireland.

There's no doubt that some of the reason for this is down to real (or sometimes perceived) issues of the affordability of pensions, particularly among lower paid workers. However, another reason might be that the traditional message of "saving today for a better life tomorrow" just might not be enough on its own to engage people in retirement planning.

Who will protect workers against disruptions to income?

Many workers have very little protection against loss of income or even income disruption, regardless of how it happens. There are basic social welfare payments for surviving spouses on death. Some (but not all) workers will qualify

for State sponsored disability payments. And some workers are the beneficiaries of employer sponsored pension schemes with associated life and permanent health insurance. However, we know that pensions adequacy is a major issue for many defined contribution schemes where the contribution levels are simply too low. On top of this, approximately half of the workforce in the private sector is not in any pension scheme at all.

And in the same vein, Financial Brokers are aware of the challenges facing the country in terms of unfunded State pension liabilities to cover future old age and public sector pensions. The bottom line is that State sponsored benefits won't provide the necessary protection against income disruption in retirement.

Reframing the conversation

So is there a need for Financial Brokers to reframe the conversation? Certainly if the traditional message of building a long and prosperous retirement does not engage prospective clients, Financial Brokers could consider instead positioning retirement as a disruption to income. Because without effective retirement planning, people will suffer a

significant disruption to income at retirement, once the salary stops landing every month. For many people, their income will fall dramatically.

Financial Brokers have always been very effective at articulating how a death or long-term illness could have a catastrophic effect on a family, as a result of the loss or a significant reduction in income. These are obviously events that people hope will not happen, and Financial Brokers enable people to protect themselves against them with life assurance and income protection insurance.

A long and prosperous retirement is something that we all hope will happen. There is an opportunity to help clients plan for this favourable outcome (retirement) by minimising the impact of the inevitable income disruption. And this is achieved through structured retirement planning.

What can Financial Brokers do?

Financial Brokers can help employers and individuals prepare for income disruption as a result of death or disability and also the income disruption that will happen at retirement. It will take both parties working together; employers who will provide benefits in order to attract and retain the best talent, and employees who are seeking to build a long and financially secure retirement.

Financial Brokers can deliver this important message. Income disruption at retirement, a time when clients will still have a lot of life to live, just might be the message to help engage employers and workers alike.

Reasons to reform the pension system

While the pension system in Ireland serves many of the population well, as with systems across the world it also faces challenges; poor levels of pensions coverage, inadequate contribution levels, a perception (at least) of poor value and a lack of public confidence in the system. The proposed reforms in the Pensions Authority's 'Reform and Simplification of Supplementary Funded Private Pensions' consultation document aim to address a number of issues including:

- **Low public confidence** - the public are often not confident that the outcomes achieved through pension schemes justify the commitment to save.
- **Difficulty understanding pensions** - BOB / RAC / EPP / ARF / AMRF / AVC / PPP / PRSA. Should we be surprised?
- **More rigorous regulatory expectation** - The Pensions Authority anticipates having a more active role in overseeing the management of pension schemes in the future, to help avoid poor outcomes for members.
- **High costs associated with some schemes** - There is a desire to ensure reasonableness and transparency of charges for all pension schemes going forward.
- **A desire for higher compliance and governance standards** - The Pensions Authority wishes to raise the standards in relation to administration practices, scheme governance & trusteeship, the appropriateness of investment choices and the quality of member communications.
- **The need to reduce the number of pension schemes** - There are over 120,000 pension schemes in Ireland (active and deferred) and this reduces efficiencies in the pensions system.
- **EU pensions legislation** - The reforms to the Irish pension system need to be consistent with the EU approach to pensions.

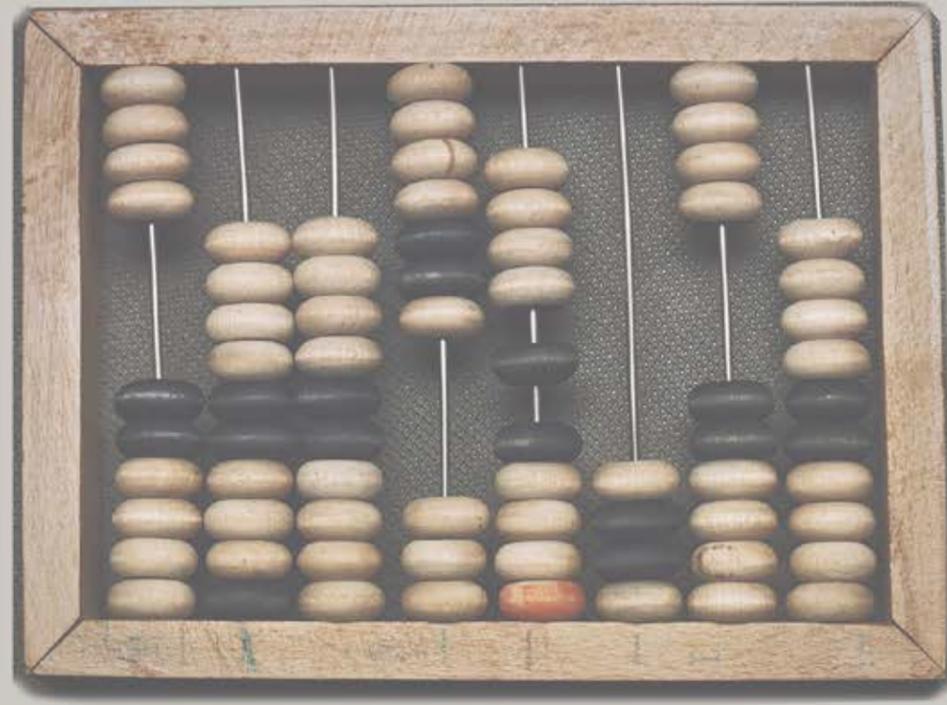


key take-aways

1. Reframe the conversation about retirement and pensions to one of loss of income.
2. Use customers' understanding of the benefit of protection products to heighten awareness.
3. Work with employers to raise awareness.



The challenges for pension scheme trustees are growing!



The role of a pension scheme trustee is both complex and challenging. However, as a result of proposed increased governance requirements and more rigorous scheme regulation, the obligations on trustees are set to increase further in the coming years.



Mike Ainsworth
Head of Technical Services
Zurich Life

At the start of this year the Pensions Authority announced specific plans for 2016 which included a varied programme of proactive compliance activity.

This has resulted in a significant increase in on-site inspections of administrators, reviews of PRSA compliance, pension scheme audits and checking of employer pension access provision. A particular focus of the Pensions Authority work is on the timelines and accuracy of annual scheme information.

As a result, many Financial Brokers today are reporting increasing questions from pension scheme trustees, who are concerned about this growing responsibility.

So how should Financial Brokers deal with these queries?

First of all, you need to fully understand the role and requirements of trustees under trust law.

The role of a trustee is to ensure a pension scheme operates in line with the Trust Deed and Scheme Rules, and that the scheme is operated in the best interests of the beneficiaries at all times. The role has become challenging, and trustees today find themselves complying with an ever-increasing amount of statutory regulation and fulfilling onerous duties.

Trust law requires that trustees or directors of trustee companies must be knowledgeable in relation to all trust matters, including investment. Regulations made in 2005 added to this general trust requirement by specifying in relation to investment that trustees must employ external expertise if they are not themselves expert. They must also meet certain qualifying criteria, including confirmation that they have not breached company law. If the employer has been appointed as trustee, then all directors of the company are also required to undertake trustee training every two years.

This level of responsibility and accountability places quite a heavy onus on trustees and it requires trustees to have a significant level of knowledge and experience to ensure that they, and the pension scheme, are complying with all legal requirements.

Therefore, Financial Brokers need to be aware of alternative solutions that are available to mitigate these challenges.

“The pensions landscape in Ireland is going to change significantly over the next few years. At the heart of this change will be governance and trusteeship with a heightened focus on both. Trustees need to ask themselves are they adequately prepared and informed to continue acting in their role?”

A solution – Professional Corporate Trustee Companies

Traditionally in Ireland, a significant number of pension schemes were established appointing the employer as trustee. While initially this can seem expedient, the increasingly onerous requirements for trustees means that it may not be the solution it once was. As a result of increasing numbers of questions from client companies in relation to their trustee duties, Financial Brokers are now asking themselves; Am I confident that I have the required expertise to give guidance to the trustees? Could these trusteeship challenges undermine my relationship with my client?

One of the alternatives to the employer acting as trustee is for a professional corporate trustee company such as Zurich Trustee Services Limited (ZTSL) to take on the trusteeship of the scheme. Appointing ZTSL offers many benefits to both the employer and Financial Broker:

- ZTSL has the knowledge, experiences and expertise to carry out the role of trustee effectively.
- It carries the responsibility for ensuring the scheme's compliance with all legislative requirements.
- It manages the relationships of the scheme with the Pensions Authority and the Revenue Commissioners.
- It has a vast amount of investment knowledge and engages with members on their investment options and decisions.
- It ensures that a high level of scheme governance is maintained.

By appointing ZTSL, a company's directors can focus on running and managing their business rather than worrying about their pension scheme duties. ZTSL currently acts as trustee for a wide number of national and multinational companies thereby relieving them of the burden and risks associated with their pension scheme.

Now is the time for Financial Brokers to look beyond the traditional route of employers acting as trustees, and fully understand what ZTSL has to offer.

To find out more, just speak to your Zurich Life Broker Consultant.

Zurich's Top 5 Topics to raise with employers

1 Pension Adequacy of Members: Review all scheme contribution levels to ensure pension benefits will be adequate for members in retirement.

2 Compliance with the Pensions Act: Ensure employers understand their responsibilities and are compliant and ready for a potential Pension Authority audit.

3 Benefits of Independent Trusteeship: Employers can reduce their own risk and increase governance standards by appointing professional, independent trustees.

4 Group Risk and Keyman Protection: Provide added benefits to members and reduce any business impact to the company by providing life assurance and income protection benefits.

5 Corporate Investment Bonds: Use as a mechanism to avoid zero return deposits and any close company surcharge.

Automatic enrolment: opportunity or threat for Financial Brokers?

With auto enrolment now firmly on the horizon, what impact will this have for Financial Brokers?

Why auto enrolment?

Increased life expectancy combined with forecasted lower birth rates is expected to produce a doubling of the ratio of retired people to workers in Ireland by 2050. Additional costs to the State will result in increased taxation on those working, unless workers can be encouraged to save more privately. To achieve an increase in pension coverage will likely require some form of automatic enrolment / mandatory pensions.

Auto enrolment in the UK

The UK has been through this process so it is worth looking to there for possible learnings. Like Ireland, the UK relies heavily on voluntary funded private pension provision. Employers in the UK are now obliged to automatically enrol their employees into private pension schemes and make a contribution on their behalf.

Since the introduction of auto enrolment pension schemes in the UK in 2012, over 6.1 million additional workers have been successfully auto enrolled. 66% of all employees are now active members of a pension scheme compared with just 47% in 2012 - a similar coverage level to Ireland today.

Lessons learned

The introduction of auto enrolment in the UK has placed a greater administrative burden on employers as they manage the deductions of mandatory contributions from salaries that are sometimes small amounts. The eligibility criteria for joining a scheme are complex and, perhaps in hindsight, the minimum level of earnings at which employees had to be auto-enrolled was set too low.

The good points

However, the UK got many elements right as well. These included:

- Phased introduction of the new system, focusing initially on large employers.
- Phased contribution levels.
- Permitting some level of opt-out for employees and re-enrolling them after certain timeframes. Opt-out rates have been lower than expected.
- Technology has been developed with a focus on straight through processing between the employer and the pension provider.

Financial Brokers - preparing for change

Major change brings uncertainty, however, it is a change that should be welcomed.

One of the key messages from a recent report by the UK Pensions Regulator is that "Advisers help drive success of automatic enrolment".

The report highlights that awareness and understanding of automatic enrolment is now almost universal amongst both advisers and clients. It states, "More than 9 in 10 small employers are now aware of automatic enrolment, and there is now almost universal engagement from advisers helping their clients to carry out their duties".

Auto enrolment is definitely an opportunity and not a threat for Financial Brokers. The auto enrolment scheme that is adopted should be simple to understand and implement. It should not be seen as a substitute for a good employer sponsored pension scheme. Instead it should extend coverage into sectors of the market where there is currently no coverage.

Financial Brokers will have a crucial role to play, helping employers to prepare in advance for changes, and then to ultimately help them "auto enrol" their employees when the time arrives.

Zurich's Top 5 Pension Sales Tips

1

Investment Risk Review:

Review the appropriateness of the investment risk profile in line with the availability of an ever-increasing range of funds including multi asset funds.

2

Personal Retirement Bonds (PRBs):

Revisit PRBs that originated from Defined Benefit schemes and discuss the ARF options that are now available to these clients.

3

Pension Adequacy:

Review pension funding levels with all members and explore increased contribution / AVC opportunities.

4

Review Pension Scheme Charges:

Charging structures on pension contracts have become extremely competitive and warrant ongoing monitoring and potential action.

5

State Pension Challenges:

Review potential retirement benefits alongside scenarios of current / reduced / delayed State pension benefits.



IRELAND:

AN AGING COUNTRY

BY 2046
1 IN 5 PEOPLE
WILL BE OVER 65

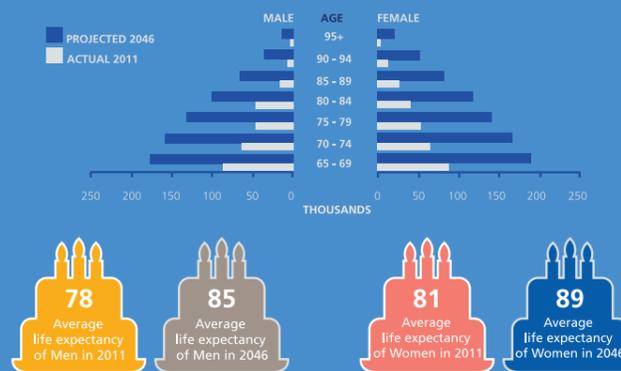


PROJECTED POPULATION OF 6.4 MILLION

1.4 MILLION WILL BE OVER 65



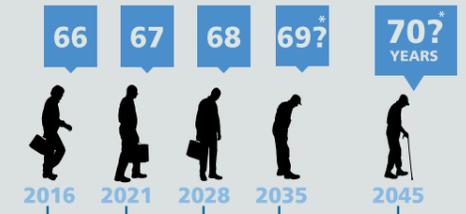
LIFE EXPECTANCY



GREATER LIFE EXPECTANCY MEANS LONGER RETIREMENT TIME... MAYBE NOT!

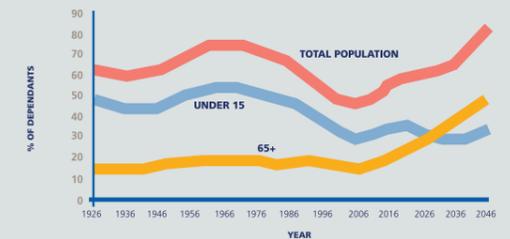


THE AGE AT WHICH YOU COLLECT YOUR STATE PENSION IS RISING



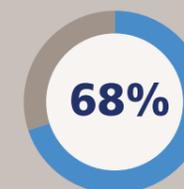
* The Social Welfare & Payments Act sets out the age of retirement up until 2028. There may be more increases in the qualifying age for the State pension in the future as the Government monitors the retirement age in line with changes in life expectancy.

AS A NATION WE ARE GETTING OLDER THE 65+ DEPENDENCY RATIO WILL BE DOUBLE WHAT IT WAS IN 2011**



** Ratio of those aged >65 to those aged 15-64

WHEN DO YOU PLAN TO RETIRE?



68% OF WORKERS EXPECT TO RETIRE AGED BETWEEN 60 AND 69 YEARS



1 IN 12 PEOPLE (8%) HAVE NO INTENTION OF EVER RETIRING

THE NUMBER OF WORKERS WHO EXPECT THE STATE PENSION TO BE THEIR MAIN SOURCE OF INCOME HAS RISEN FROM 26% IN 2009 TO 36% IN 2015

36%

26%

Sources: www.welfare.ie, www.cso.ie, www.irishexaminer.com, www.tradingeconomics.com, www.cardi.ie, www.ellieland.org

Zurich Life Assurance plc

Zurich House, Frascati Road, Blackrock, Co. Dublin, Ireland.

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