

Minutes
Introductions, Terms of Reference and Setting the Scene
Meeting of 25th November 2020

Pensions Commission

Minutes

Meeting held on Webex – start time 10am.

In Attendance:

Minister for Social Protection, Heather Humphreys T.D. (from 12:10pm)

Commission Members: Josephine Feehily (Chair), Ita Mangan, Roma Burke (from 11:30), Seamus Coffey, Aedin Doris, Jack Keyes, Ian Power, Anne Vaughan, John McGrane, Ethel Buckley, Tony Donohue

Observers: David Moloney (Department of Public Expenditure and Reform)

D/SP Officials: John McKeon (Secretary General), Tim Duggan (Acting Deputy Secretary General) (until 10:45am)

Secretariat: Roshin Sen, Kasey Treadwell Shine, Louise Banable

1. Opening Remarks

- Josephine Feehily, Chair of the Pensions Commission, opened the meeting by welcoming all members and inviting them to introduce themselves.
- John McKeon, Secretary General, DSP – see prepared remarks.
- Tim Duggan, Acting Secretary General, DSP – see prepared remarks.

2. Terms of Reference, Proposed Working Methods and Processes

Input: PCG02: Terms of Reference, Principles and Procedures (Secretariat paper) •

The Chair opened this agenda item with reference the Commission's Terms of Reference, proposals for working methods and processes as set out in a proposed Commission 'Terms of Reference, Principles, and Procedures' document.

- The members agreed and adopted this document to guide the Commission's work. It was noted that all members would provide personal expertise and inputs, while recognising the member nominated on behalf of the Irish Congress of Trade Unions and the member nominated on behalf of IBEC are also representing their respective organisations.

3. Setting the Scene for the Work of the Commission

Inputs:

PC0141: Irish Pensions System and the Commission's Work (Secretariat paper)

PCG03: Proposed Meeting Schedule (Secretariat Note)

- The Secretariat presented a high-level overview of the State Pension System to help contextualise the Commission's work; as well as a summary of the proposed meeting schedule.
- The Secretariat paper PC041 set out some 'thought starter' ideas that would be revisited over the next three meetings. Members noted they needed information/evidence before it would be possible to determine whether proposals and questions included in were evidenced and valid.
- A number of members commented on the need for a shared understanding of the reasons why the Pensions Commission was established and of previous stumbling blocks that have prevented State pension reform. Members emphasised it was important to learn from these to ensure future recommendations did not generate new obstacles or issues.
- Members underlined the important influence of the social, political and economic realities in which the Commission works and to produce flexible, realistic solutions that take account of contextual factors.
- Members called for a balance in the consideration of both social sustainability and fiscal sustainability in the language of the meeting schedule; in the Commission's work; in public communications; in consultation processes.
- Several members underlined the need to make sure the topics of each meeting are routinely linked together, emphasising the interconnectedness of the matters at hand.
- members underlined the importance of a labour market perspective, including consideration of developments relating to retirement ages
- Members noted the importance of naming target groups from the start, not only in terms of reforms but also to mitigate potential differential impacts on different groups.
- A member queried whether the Commission would be examining the situation of widows/widowers.
- Members asked for additions to Secretariat papers to help them prioritise and action what was required from each paper; as well as including an executive summary.
- Members asked the Secretariat to produce a number of additional documents.

4. Minister's Welcome

- Minister for Social Protection Heather Humphries, T.D. opened her address by expressing her gratitude towards the Commission members.
- The Minister set out that as per the Terms of Reference the Pensions Commission's remit was to examine and make recommendations for the fiscal and social sustainability of State Pension arrangements.
- The Minister in particular noted the challenges in the gaps between retirement age and pension age.

- The Minister particularly emphasised the need to address previous stumbling blocks that have inhibited pension reform through producing credible reform options, that were equitable and fair for those reliant on the State Pension and for carers, into the future.
- The Minister also emphasised the role of the State pension as the bedrock of the pension system and asked members to keep this in mind during deliberations
- does not expect the Pensions Commission to recommend reducing payment rates in order to address sustainability challenges.
- The Chair thanked the Minister and noted in particular her remarks regarding the pension rates.

5. Consultation Process and Objectives

Input: PC150 Proposals for Consultation Objectives and Process (Secretariat Note)

- The Secretariat gave a brief overview of proposals for consultation objectives and process with reference to previous consultations, namely 1) to check understanding of issues previously raised; and 2) to 'road-test' proposals and ideas.
- Members noted that while a number of consultations on pensions reforms had taken place, public perceptions were less positive about the outcomes and impacts of those consultations.
- Following a general discussion, Members agreed that the consultation process had to be transparent, genuine and inclusive. It was broadly agreed on a two-stage process, the first a wider consultation to be initiated in early Q1 2021 and the second a focused exercise, that might interrogate first round submissions in more depth and/or test possible options.

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6. Decisions Agreed

- Terms of Reference, Principles and Procedures document adopted, noting that ICTU and IBEC nominees are also acting as representatives of their respective organisations.
- Balance to be struck in the consideration of both Social and Fiscal sustainability.
- The Commission's work will have 'check-points' to ensure that issues are being interlinked and examined at a Pensions Systems level as well as at an individual/target groups level.
- The Commission's work will also focus on identifying and addressing 'stumbling blocks' in previous pension reform efforts.
- Reduction of payment rates from the 34% of average earnings benchmark are not a consideration for reform to protect against pensioner poverty.
- A two-stage consultation process will be implemented from Q1 2021. The first stage will be a broad public consultation process with the objective of capturing existing, new and emerging issues in the current context. The second stage will aim to 'road-test' possible proposals and ideas with identified groups that include perspectives on the lived experiences of current and future pensioners.
- As requested by Members, the Secretariat will produce a number of additional outputs, and make amendments to PCG03 (Proposed Meeting Schedule) and PC041 (Overview of the Irish Pensions Systems and the Commission's Work).

7. Specific Action Points

No.	Action	Lead	Deadline	Status
1.1	Circulate papers and agenda for next meeting	Secretariat	COB, Friday 27 Nov	Closed
1.2	Commission website to be published	Secretariat	January 2021	In progress
1.3	Contact DFIN on Commission on Welfare and Taxation	Secretariat	02/12/20	Mtg D/Fin 01/12
1.4	Generate note of Pensions-related Programme for Government commitments	Secretariat	Wednesday 2 Dec (Meeting 2)	Closed
1.5	Generate note of Media coverage, recent developments and items of interest	Secretariat	Meeting 2 and each meeting thereafter	Meeting 2 update circulated
1.6	Edit Schedule of Meetings to: include a Meeting 4 input on labour market; reflect the importance of social sustainability in the work programme; and reference international examples	Secretariat	Meeting 2	Not Edited
1.7	Draft a proposal for two-staged consultation design, implementation and delivery based on agreed process and objectives	Secretariat	Meeting 2	Not Started
1.8	Draft an outline of the Pensions Commission's possible report structure	Secretariat	Meeting 2	Not started
1.9	Add 'checkpoints' at meeting 4 and periodically thereafter to sense-check if work and deliberations are interlinking issues systematically. Reframe meeting schedule as needed.	Chair with Secretariat	Meeting 4 Then TBD	Not started
1.10	Establish whether the Widow/er's and Surviving Civil Partner's Pension is within the remit of the Commission's work	Secretariat	Meeting 4	Not started
1.11	Draft a review paper on international examples relevant to the Irish context, learnings from international reform efforts	Secretariat	Meeting 4	Not started
1.12	Consider, as part of labour market input in Meeting 4, a summary note on the prevalence of private contracts specifying a retirement age <66; produce descriptive statistics etc. position of 65-year-olds	DETE/ Secretariat	Meeting 4	Not started
1.13	Liaise with DETE colleagues to determine if there is a need for research around retirement age, the gap to pension age and issues arising	Secretariat	Meeting 6	Not started

1.14	Liaise with DFIN to determine the current position with respect to proposals to amalgamate USC and PRSI	Secretariat	Meeting 9	Not started
1.15	Executive summary and actions required to be included on Secretariat papers	Secretariat	Ongoing	Noted

APPENDIX 1

Prepared remarks by John McKeon, Secretary General, Department of Social Protection, at the inaugural meeting of the Pensions Commission.

25 November 2020
Chairperson, Members,

Check against delivery

I am very pleased to attend at the start of this meeting today and, on behalf of the Department, to thank you for agreeing to join the commission and to wish you well in your work.

In my experience having a fixed deadline, one that is not so far away as to engender complacency while not so close as to be impossible is always useful in establishing a sense of purpose and creating momentum. The request by the Government that the Commission complete its work and issue its report by June of next year is, therefore, to be welcomed.

It will however require an intensive programme of work and meetings in the months ahead, a programme that will draw heavily on your time. I wish to acknowledge, and thank you for, the commitment that you are making.

The Department will do everything it can to help you in your work and, although I am biased, I think you will find that the staff of the secretariat will be an invaluable and excellent support.

I do not intend to stay for all of today's meeting or to attend future meetings. Those of us who are very heavily invested, as serving civil servants, in the development of pensions policy should not get too heavily involved in debates or discussions at this Commission. What is required is some impartial and dispassionate consideration of the issues with which we as a society are faced in providing and funding a state

pension system that, taking account of the changing demographics, is adequate (in terms of meeting the basic income needs of future pensioners), sustainable/affordable, and equitable.

On this latter point one of the key issues that is sometimes overlooked is that the group in society that will be most impacted by the decisions that need to be taken with regard to the future structure of the State pension are not in fact current pensioners, or those that are now approaching pension age but, in fact, the younger workers and students of today.

We are all familiar with the fact that projected changes in the population structure, allied to behavioural changes in the labour market (for example as young people stay longer in education entry into full-time employment is delayed) will mean that the cost to future workers of funding a 'pay as you go' state pension paid to future pensioners will increase significantly over the next 30 – 50 years. We are, if we do not make changes but intend to retain the pension value in real terms at about 34% of average wages, asking future workers to allocate a higher share of their income to fund our pensions.

Stated another way at present State pension payments are equivalent in value to about 26% of all income tax and PRSI receipts. Over the next 30 – 50 years, assuming the income tax and PRSI share of national income remains constant, this is projected to increase to about 50%. This is a conservative estimate given that the share of national income subject to tax and PRSI is likely to fall as the population ages. Aside from the equity issue this has obvious implications for the ability of future Governments to allocate resources to other services.

This then is the challenge with which you are faced. – How should the State pension adapt to ensure that it is adequate, sustainable and equitable into the future. There will be very many views on what can and should be done. What the Government is looking for is your view as a Commission on what makes best sense.

In conclusion, I would emphasise that the work you are tasked with necessarily involves taking a much longer perspective on time than is normally the case. The pension challenge is clear and present, but it is not yet acute. However, the longer we delay in deciding on a response the more acute it becomes and the higher will be

the cost to future generations, of any response. That is why it is important that options are identified and decisions taken in the near future. Your contribution in identifying options and informing the choices that need to be made will be critically important to helping to form a shared societal view on the way forward.

Thank You.

ENDS

Prepared remarks by Tim Duggan, Acting Deputy Secretary General, Department of Social Protection, at the inaugural meeting of the Pensions Commission.

25 November 2020

Check against delivery

Following on from the remarks of the Secretary General, it is clear, given the fundamental nature of the topic, that there will be keen interest in and scrutiny of the Commission and its work. However, to ensure that members can engage and contribute as fully as possible and to facilitate Government in its consideration of the Commission's various conclusions and recommendations, it is important that the Commission can conduct its business confidentially until the process is complete.

As noted by numerous commentators, there has been no shortage of reform initiatives and proposals over the years. So, in developing its conclusions and recommendations, the Commission will need to keep an eye to the implementation practicalities and how civil society and political support of same may be realised.

In this context, and reflecting the significantly changed nature of working lives, it may be appropriate to consider if the existing pseudo-static system of "one size fits all" is still the appropriate model for future generations, or if greater flexibilities can be introduced in a way that facilitates choice at the personal level but maintains longterm sustainability at the system level.

Accordingly, the issues you have to grapple with are multi-faceted and complex. That is why the Minister and the Government have carefully composed this Commission – to bring relevant knowledge, expertise and perspective to their

consideration – a Commission that is open to a broad range of views and is capable of independence of thought in its deliberations.

As the Secretary General has said, we are acutely conscious of the huge imposition this work will have on your time. Our Secretariat and policy units stand ready to assist you in whatever ways are needed. This is critically important work that is likely to influence the lives of many generations to come, and, in undertaking it, we truly wish you every success.

ENDS