

Submission to the Pensions Commission Consultation from Active Retirement Ireland

1. Context

Active Retirement Ireland (ARI) is a voluntary organisation for older people with a national membership of over 24,500 people and over 550 local associations. Members range in age from 50 - 100+ years and cover a range of socio-economic backgrounds. As an organisation, ARI believes that all older people are equal and are entitled to be treated with respect. Older people all have different interests and needs, which ARI aims to identify and fulfil.

The organisation is run by voluntary committees at local, regional and national level giving approximately 4200 volunteers.

All the activities are aimed at keeping older people active and well. Active Retirement Associations are a lifeline for many older people who would otherwise feel isolated and lonely.

All older people are welcome to join Active Retirement Ireland, to have fun and have their voices heard, regardless of age, gender, culture or any other grounds.

The organisation is structured regionally through 9 regions whose role is to bring the local associations together for information, training, seminars and activities. Each region has a volunteer development officer whose role is to support existing local associations, support the development of new associations and represent the region with agencies. Each of the 550+ local associations is run by a committee of volunteers. These are self-organised and independent local groups whose members decide the activities on offer. The process used is based on the community development model of people being empowered to do things for themselves.

At national level, through the work of the organisation, ARI aims:

- To promote older people as independent, self-organised and active members of their communities.
- To act as a voice for older people and their concerns at national level.
- To promote positive ageing attitudes in Ireland.
- To provide training, support and information to the local associations of older people in our nine regions.
- To network the local associations for peer support, capacity building and information sharing.

2. Mandatory retirement ages

Mandatory retirement ages discriminate against those unable to fund their retirement without the State Pension. While such retirement ages are legal in contracts under any circumstances, even the "justifiable" circumstances outlined in the 2015 Act, a potentially increasing cohort of older people will be financially penalised. The State Pension (Transition) addressed these matters in the past.

Mandatory retirement ages in the private sector must be abolished entirely in law, and in the interim, those who are forced to retire at 65 should be supported with a payment equivalent to the State Pension, as opposed to a payment equivalent to Jobseeker's Benefit.

The idea of retirement being linked to an age is counterproductive, as it fails to take into account the different ages at which people enter the workforce. Setting minimum and/or maximum pension ages is an outdated mechanism. If the TCA is the means of pension calculation into the future, then it must acknowledge the difference between someone who enters the workforce at 17, most likely in more arduous labour, and someone who enters, potentially more sedentary, work at 23 or 24. Linking pension age to time spent working would be a more progressive solution, and must also allow those who wish to remain in employment to do so. The UK allows workers to "top-up" their state pensions by remaining in employment, which leads to net savings for the exchequer.

3. Benefits of the current State Pension system

The current State Pension provides a social safety net for older people. The majority of older people in Ireland rely on the State Pension to keep them out of poverty. The State Pension Non-contributory provides a floor of income for vulnerable older people. The cash value of the State Pension is high, compared to other EU countries. While other benefits may not measure up to some EU states, this figure allows older people to avoid deprivation in the main.

The concept of portability is key, and will potentially be more important in the future. Our status as an EU state allows older people the security of knowing that their pension arrangements will be secure in the event of their moving to another EU country.

4. Pitfalls of the current State Pension system

The "cliff-edge" approach to retirement removes flexibility for older workers. Many are discouraged from remaining in employment, even part-time, by the tax implications of this additional income. There is no option to defer the State Pension and remain in full-time employment, should that be what an older worker chooses to do.

Likewise, the inflexibility of the pension age disproportionately affects those in lower-paid and more arduous employment. Lower-paid workers are more likely to enter the workforce earlier and the nature of such employment makes it less likely that such workers would be willing and able to remain in employment beyond 65. Current arrangements are not person-centered and allow for no flexibility around retirement age, which invariably mirrors the statutory pension age.

5. Funding the State Pension system

Allowing a deferral of pension payments to those who choose to remain in employment beyond pension age would allow the state to recoup some expenditure. State Pension costs could also be funded by reducing tax breaks on private pensions for higher earners. Only some 10% of workers benefit from higher-rate tax relief on private, third pillar pensions. 2017 research indicates that tax relief on private pensions costs the state the equivalent of around 5 per cent of total annual taxation

and social insurance revenue. Reducing this benefit for a wealthy minority would help fund a more sustainable, and potentially even a universal, State Pension system.

6. The State Pension age

The idea of raising the State Pension age to 67 and 68 in future years has been deliberately and continuously linked with the idea of fiscal sustainability. It is important to acknowledge that such a move would not be a panacea for the State Pension system and would lead to minimal savings, given the pessimistic outlook for economic growth outlined in publications supporting such a narrative. The inflexibility of a rigid pension age does not reflect the different natures of various types of work and is increasingly ill-suited to a modern society. Any increases in pension age must be based on healthy life expectancy at retirement, rather than solely fiscal concerns. The UK has seen significant **backlash for raising women's pension ages without allowing time for those affected to provide for their retirement.** We must avoid a similar situation in Ireland by ensuring that any future rise in the State Pension age is not only scientifically-based, but also is not rushed in to the detriment of those most affected.