



**ICMSA**

**Submission to the**

**Pensions Commission on**

**Sustainable State**

**Pensions into**

**the future**

## **Public Consultation on Sustainable State Pensions into the future**

In this submission, ICMSA will focus on the general concerns of future pension reform from the view of implementation of Farmers as Sole Traders and Farmers as Employers. ICMSA represents over 16,000 family farms in Ireland, and each may have very different consequences arising from the implementation of any pension reform.

### **Irish Agriculture Background**

As is well known, the Agri-food sector has played a hugely important part in the growth of the Irish economy over the last number of years with Agri-Food exports to the fore. Irish Agri-food and drink exports increased by 7 percent to approximately €14 billion in 2020 supporting 7.7% of total employing in our economy. It is essential not only for rural Ireland and farm families but also the national economy that changes to the Pension System takes account of the risk to the economic benefit and contribution of Irish agriculture particularly in a post Brexit environment.

The Irish Government and Department of Agriculture, Food and the Marine have ambitious plans for the future of Irish agriculture as outlined in the Food Wise 2025 Report which set out a ten-year strategy for the Irish agri-food sector which projects exports to increase to €19 billion coupled with the creation of 23,000 new jobs by 2025 and increasing value added in the agri-food sector to more than €13 billion. New strategies such as Ag-climatise could mean a refocusing of agriculture in Ireland and it is vital that protection of social services in the form of pensions and availability of same is consistent, fair and implementable.

It is obvious that implementation of any new pension reforms will cover a period when Irish Farmers are focusing on the potential effects of a post Brexit trade scenario, climate change and the on-going price volatility that has affected Irish farming since the mid 2000's.

Competitiveness as ever will be a central aspect of Irish farmers ability to export to key foreign markets. The imposition of further costs on farmer as sole traders or employers through increased contributions could damage this competitiveness and therefore ICMSA are asking for this consultation process to be cognisant of the frailties of an export driven sector of domestic policy no matter how good the intentions of that policy.

Many Irish farmers are sole traders and as a result will be directly affected by proposed changes in pension policy. ICMSA feel there should be separate pension provision for sole traders whereby they have unique and tailored provision. This could take the form of differing tax incentives to adjust to the ongoing volatility with farming business cycles. It is not uncommon for dairy farmers to experience increases and decreases in profit levels of up to 80% from year to year and there needs to be a pension provision to take account of this high level of volatility. There is no doubt that there is not enough self-employed with pension provisions and a scheme directly focused on the self-employed would be very beneficial.

ICMSA have concerns over the potential impact of the further employer contribution to employee pensions. The worse possible outcome from the implementation of Pension reform would be to disincentive the labour market recruitment in rural areas or perhaps the viability of dairy farms being under threat.

Some key points in relation to Sustainable Pension reform.

- The value of State pensions as a fundamental basis for people's retirement income must not be underestimated and that the Social Welfare Pension (PRSI) coverage must continue for all persons in the workforce and that adequate retirement income particularly among low to middle income group is provided for into the future.
- Farming is a low-income occupation and tends to be very cyclical.
- Farming is a very physical job and policies that are forcing farmers to stay working for longer will ultimately have health and safety implications. ICMSA believe changes to the qualification age will result in many farmers being forced to work for longer at a more labour-intensive job could result in more injuries and death on an already dangerous occupation.
- ICMSA believes that changes to retirement ages, criteria, or other land reliefs such as consanguinity relief will result in even later transfer of family farms.
- One of the major issues associated with private pension contributions is that the self-employed including farmers must meet the cost of their pension contributions unlike many employees that can share the cost with their employer, or the Government as proposed under the auto-enrolment scheme.
- Farmers are required to pay into a pension fund where members bear all the investment

risks, volatility in returns is an area of concern for private pension contributors.

- ICMSA feel it is essential to encourage continued savings for the future in the form of private pensions and that the current marginal rate of income tax relief must be retained and more must be done to encourage farmers to enter pensions earlier.
- This would be possible if farms were transferred earlier, and an incentive scheme provided to younger and older generations for a time during the transition period.
- A volatility fund such as the Farm Management Deposit Scheme which ICMSA have outlined in our pre-budget submissions in the last number of years could be used in conjunction with a pension scheme.
- The spouse of the farmer must be considered in any future pension reform and ensure that there is flexibility in the judgement of appeal cases.
- ICMSA believe that in the absence of an adequate income tax relief for private pension contributions that many individuals will not see the benefit in continuing with these contributions particularly given the management charges and volatility in returns.
- If an individual is unable to meet the full age-related percentage limit contribution in one year due to a low level of income, they can in the following year retrospectively contribute if income level increases.

In conclusion, farmers or self-employed must be accommodated under any new pension system and ICMSA would endeavour to feedback to any specific changes proposed to our farmer members. It is essential that provisions are made to ensure that volatility in farmers profits does not disadvantage them compared to other citizens of the state. There must also be great care given to any potential reform to ensure that it does not threaten the core viability and in the case of Irish farm Families could put the viability of rural Ireland in jeopardy. ICMSA would like to be consulted on an ongoing basis and will be happy to feed into further consultations or meetings in the coming months.