

2021

# Pensions Commission Consultation



Submission from  
Age Friendly Ireland



comhairle chontae na mí  
*meath county council*

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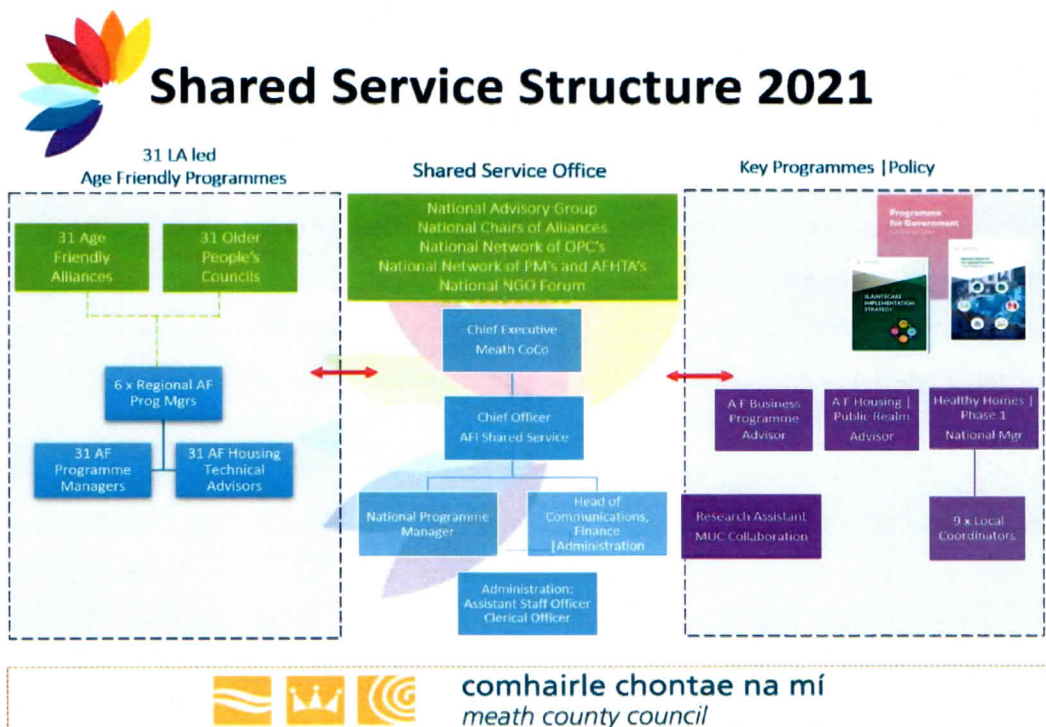
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## Executive Summary

### Overview

The national Age Friendly Ireland Programme supports, through the local government system, and increasingly at national level, all 31 counties and cities across Ireland to prepare for the rapid ageing of Ireland's population by paying increased attention to the environmental, economic, cultural and social factors that influence the health and well-being of older people. In that role the Programme is delivered through the Age Friendly Shared Service located in Meath County Council.

The Programme is supported at national level by an advisory group which includes members drawn from various Government Departments. This Group provides governance, oversight, strategic direction and advice in relation to the overall programme achieving its goals and objectives. They provide guidance and advice where local implementation and best practices can influence national policy on a cross departmental basis and seek to integrate the Programme into existing structures and funding lines. Increasingly, as a result, we are seeing both our local government structures as well as our national government structures engaging with the Age Friendly Programme, including the direct request from various Departments to support them as they prepared their new strategies to 2023.



It is also significant to highlight that the Age Friendly Ireland (AFI) Programme is the first to comprehensively cover an entire national jurisdiction and is regularly highlighted by the World Health Organisation (WHO) as a leading national example to other member countries. This was recognised by the WHO in the presence of An Taoiseach on Monday 16th December 2019. From initiation of the Programme in Ireland AFI has embedded the WHO principles of Active Ageing. These principles were adopted by the World Health Organization in the late 1990s and developed in the meantime most particularly in the WHO Policy Statements on the Age Friendly Cities Framework and the UN Decade of Healthy Ageing.

The Framework recommends "*policies, services, settings and structures support and enable people to age actively by:*

- *Recognizing the wide range of capacities and resources among older people;*
- *Anticipating and responding flexibly to ageing-related needs and preferences;*
- *Respecting their decisions and lifestyle choices;*
- *Protecting those who are most vulnerable; and*
- *Promoting their inclusion in and contribution to all areas of community life."*

Age Friendly Ireland is consequently pleased to submit this response to the Pensions Commission consultation on the sustainability of State Pensions into the future. In addition to the views of AFI, this submission also sets out the views of the National Network of Older People's Councils with which AFI closely collaborates. Our collaboration underpins the shared principle of enabling participation of older people in co-designing solutions and policy development across all levels of public policy. This is a key platform for our work with the 31 Older Persons Council's across all 31 local authority areas, reflecting the diverse representation of the authentic voice of the older people of Ireland. In that role AFI have consulted directly with some 25,000 older people across the last decade.

AFI supports the need to address the significant concerns around the sustainability of State Pensions as a matter of urgency so that all generations can benefit from this critical support. We would urge the Pensions Commission to have at the core of any recommendations it will make to Government that the State Pension, as a matter of overriding principle, should be sufficient to allow people to retire from work with dignity.

This must therefore focus on role of State Pensions to achieve a minimum income floor for retirees to provide a basic, yet decent, standard of living. It will be critical, therefore, to consider certain groups of people including pensioners, women, carers and those in in-work poverty. On-going research is needed to understand what the issues are and the actions required to ensure that everyone is provided with a pension provision that underpins a good quality of life. Age Friendly Ireland would welcome the opportunity to work with the Pensions Commission in ensuring that that depth of understanding is provided.

### Priority recommendations

We have prioritised for recommendation the most pressing issues to be addressed in regard to pensions provision by the State. We also have made further recommendations that should be considered with the objective of providing informed choice around pension provision. The basis for these recommendations is set out in the following detailed submission. AFI would welcome the opportunity to work with the Pensions Commission in advancing its mandate over the coming months.

In overall terms our recommendations include:

#### *Pensions Policy*

- **Cost of Living** - the State should consider introduction of a system to align the State Pension with the increased cost of living and to explore the option of introducing annual increments to allow for changes in the economic circumstance of older people.
- Acknowledging the above, a **minimum State Pension threshold** under which living standards for older people should not fall should be addressed and given statutory effect.
- **Choice and flexibility on retirement age should be considered applicable to State Pensions** allowing people to make decisions based on their individual circumstances on when and how to retire. This should include the ability to work later in life if a person chooses to do so (including the ability to combine part-time work with a partial State Pension). There should not be a binary choice between work and retirement with the concept of a flexi-pension/work package being introduced.
- **The Pension Age** - A realistic and staggered approach to retirement from whole-time paid working, allowing for the above, should be introduced in any moves to **changing the pension age** from 66.

- **Forward Planning** - A realistic and staggered approach should be introduced to allow **opt in choice** (mandatory and incentivised) to pension planning from early employment commencement for our future generations.
- **Greater clarity** is needed for older people around what **tax/PRSI** liabilities could arise for older people, not only **with working, through self choice, past the pension age** but also in terms of the **pension entitlement** in the State.
- **Early retirees** should be allowed to pay **PRSI in later life** if they are still working and wish to contribute to their ultimate pension entitlements.
- **Single older people** should be afforded the same rights as couples through State Pensions arrangements. This should also reflect the changing nature of society, having regard to the forthcoming recommendations of the Citizens Assembly.
- **Carers** - Carers Pension provision should be reviewed. An allowance for carers to subsidise their pensions could be considered in addition to introduction of a respite grant to support carers. As a matter of equity, carers who have cared for someone for all/part of their adult life should receive a full State Pension.
- The pensions system should ensure that no one is adversely affected and made worse off because of changing circumstances, for example, the death of a partner.
- **As committed to**, the Pensions Commission should examine issues including retirement ages in employment contracts, particularly for those below the State Pensions age.
- **The returning Citizen**-The pension position of Irish citizens who have worked outside of the Republic of Ireland but wish to retire back (and/or return for caring responsibilities) to the Republic of Ireland should be reviewed. AFI would make the case that where there are relatively low pension benefits generated from other countries, Ireland's non-contributory pension should be considered for returning Irish citizens.

#### *Education & Awareness*

- It can be challenging for older people seeking information on pension entitlements, including **applying for supplementary supports**. There should be a single point of contact for older people to receive advice/support. **It was strongly emphasised in the Older Persons consultation that Citizen's Information could provide that role for**

**older people.** Alternatively, each local authority could provide such services through the local library system.

- The benefits of providing a **dedicated Older Person's portal** on the Citizen's Information website should be explored. Age Friendly Ireland has recognised the importance of providing more accessible platforms for information, advice and services for older people and are currently developing an **Older Person's portal** to provide a single user interface focused on older people.
- More and better education is required around **retirement planning, including pensions and tax reliefs and related service provision by the State.** People should be informed about finances, planning for the future and pensions through all education levels.
- **Housing for Older people** - There should be education/awareness raising programmes for older people, and those approaching retirement age, around **preparing homes for older age** including energy efficiency measures to reduce bills.

#### *Employment and Enterprise*

- Meaningful **Succession Planning** should become an accepted practice to support workforce succession planning.
- There should be a much more focused and concerted effort on working with employers to highlight the advantages of **retaining/hiring older workers** (including an emphasis on their experience and transfer of knowledge to younger workers).
- There should be a dedicated '**enterprise**' initiative to encourage people to consider new business opportunities as they age, particularly as this can provide the flexibility and choice that is needed to reflect individual circumstances in terms of financial, health, caring and other responsibilities.

#### *Supplementary Supports*

- The pension payment is critical but what is also important to older people are **excellent public services** (health, transport, social care, good housing, etc.).
- Maintenance of existing **support packages** should augment and be aligned with pension provision in addition to above services (medial cards, fuel allowance, phone/electricity credits, seniors alert scheme, others).

- Introduction of an option of a **government package** for older people to cover all utilities/expenses and which would thus combine all bills into a **single weekly/monthly payment** should be considered.
- **Fuel allowance** (having regard to the following bullet points) should be available **all year round** and should not be means tested.
- There should be one **single point of contact for housing grant applications** for older people. This could be provided through the Age Friendly Healthy Homes Programme.
- **Finance**-The potential to develop an **appropriate loan/grant scheme(s) to support older people to adapt their homes in line with the government's retrofitting targets** and the requirement for Age friendly housing in line with the Healthy Homes Programme should be examined in the context of the forthcoming revised National Climate Action Plan.
- **Opportunities for lower charges** applicable to older people for mobile and broadband charges should be examined, for example, local initiatives such as the Clare Bundle Programme.

For further details concerning the above submission please feel free to contact Catherine McGuigan, Chief Operations Officer, Age Friendly Ireland Shared Service Centre, Meath County Council, Buvinda House, Navan, Co.Meath.

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## Submission to the Pensions Commission by Age Friendly Ireland

### Introduction

The National Age Friendly Ireland (AFI) Programme supports, through the local government system, and increasingly at national level, all 31 county and city councils across Ireland to prepare for the rapid ageing of our population by paying increased attention to the environmental, economic, cultural and social factors that influence the health and well-being of older people. In that role the Programme is delivered through the Age Friendly Shared Service located in Meath County Council. The Programme is supported at national level by an advisory group which includes members drawn from various Government Departments. This Group provides governance, oversight, strategic direction and advice in relation to the overall programme achieving its goals and objectives. They provide guidance and advice where local implementation and best practices can influence national policy on a cross departmental basis and seek to integrate the Programme into existing structures and funding lines. The Group is also considering how best to align its objectives with other relevant national policies and plans.

AFI also supports the delivery of the relevant parts of the Programme for Government. In doing so AFI wish to draw attention to how the output of the Pensions Commission could be framed to support the outcomes that the Programme for Government is aiming to achieve over the period 2021 to 2023.

The Age Friendly Programme, referenced in the Programme for Government, is committed to:

- Supporting older people to live in their own home with dignity and independence, for as long as possible
- Enabling everyone to live longer healthier lives
- Allowing older people to stay close to their families and actively participate in their communities
- Embedding ageing in place options for older people, and
- Promoting active retirement and positive ageing initiatives to tackle social isolation.

Our overall strategic vision is to make Ireland a great country in which to grow old and in that context have the following set of objectives.

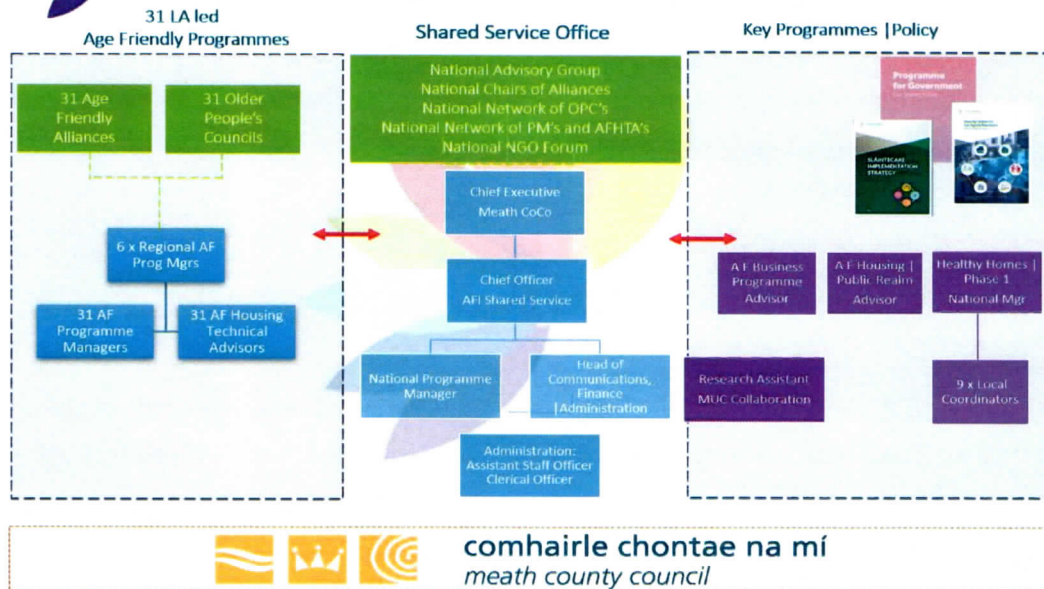
1. To work to ensure active, engaged, practical, pragmatic implementation of local Age Friendly Ireland Strategies which are firmly based on the expressed views and priorities of older people and which enhance their quality of life and participation in Irish life.
2. To facilitate development and implementation of policies, strategies, infrastructure delivery and key services which do not become outdated or outmoded in the near future and that they are friendly and accessible on many different levels, to all ages and groups, whether in an urban or rural setting.
3. To fulfil the Age Friendly vision through combining a bottom-up participatory approach at local and community level with top-down political and agency-led commitment and resources.
4. To underpin social inclusion in Ireland by ensuring policy development and service delivery are informed by the views and opinions of the diversity of older people and enabling the direct and active involvement of older people in local-level decision-making in a solution focussed way thus ensuring that the complex challenges older people face as they age, at varying degrees of ability, is reflected in what we prioritise and deliver on.
5. To demonstrate a clear commitment to employing new thinking, methods and approaches in response to the challenges and opportunities identified by older people.

AFI also wishes to draw to the Commission's attention that at City and County level AFI supports development of Ireland's Ageing Population through cooperation and partnership of older people with government agencies and service providers working side by side. Under the leadership of the local authority Chief Executive's and senior managers, governance is anchored in the multi-agency age-friendly alliances, supported by diverse and representative older peoples' councils engaged as co-design partners. The Age Friendly Ireland Alliances provide the collaborative framework to involve senior leaders from key stakeholders such as the Local Authority, HSE, An Garda Síochána, Chambers of Commerce, community sector, third-level institutions, and others, who have sufficient influence and resources to develop and deliver ambitious and collaborative Age Friendly Ireland Programmes.

Hence the AFI is structured as follows:



# Shared Service Structure 2021



Consequently, Age Friendly Ireland is pleased to submit this considered response to the Pensions Commission on the sustainability of State Pensions into the future. In addition to the views of AFI, this submission also sets out the views of the National Network of Older People's Councils with which AFI closely collaborates. Our collaboration underpins the shared principle of enabling participation of older people in co-designing solutions and policy development. This is a key platform for our work with the 31 Older Persons Council's across all 31 local authority areas reflecting the diverse representation of the authentic voice of the older people of Ireland. In that role AFI have consulted directly with some 25,000 older people across the last decade.

We would urge the Pensions Commission to have at the core of any recommendations it will make to Government that State Pensions, as a matter of overriding principle, should be sufficient to allow people to retire from work with dignity. In that context, AFI supports the need to address the significant concerns around the sustainability of State Pensions as a matter of urgency so that all generations can benefit from this critical support needed as people age.

AFI particularly welcomes the recognition that the fiscal sustainability of the State Pension Contributory (SPC) should be steadily managed to meet rising pension expenditure, increasing capacity over time so that pensions can continue to be funded in the best way possible. There is an inherent balance to be struck in managing to find a way to provide an adequate income for people as Ireland's population gets older against the need to ensure financial sustainability in the delivery of State Pensions.

AFI would welcome the opportunity to work with the Pensions Commission in making certain that the Irish State Pensions system gets that balance right.

We would emphasise that the Irish government has made a strong commitment to support our ageing population. The National Positive Ageing Strategy<sup>1</sup> has been firmly focused on creating a shift in mind-set in how we conceptualise ageing and what needs to be done to promote positive ageing. It is concerned with enabling people to remain independent and achieve their potential regardless of age. The Healthy and Positive Aging Initiative (HaPAI) has provided an important source of research, data translation, health promotion and dissemination to support the commitment of the National Positive Ageing Strategy and the government's commitment to supporting older people in Ireland.

Providing financial security is a critical part of that commitment in ensuring that older people have an adequate income to make sure that they have the stability and security needed as move into and become retired. The very explicit focus in the Programme for Government (PfG) to 'An Age Friendly Ireland' also reinforces that recognition that the government is committed to providing a range of supports to older people to provide dignity and as far as possible independence in later life.

It is also important to note the commitment in the PfG to protect not only those approaching pension age but also future generations. The principles of sustainability, adequacy, and fairness that are referred in the PfG lie at the core of what the Age Friendly programme is striving to achieve. We welcome the pensions commitments made in the PfG including recognition of the importance of Irish State Pensions, elimination of the requirements of having to sign on and be actively seeking work for those retiring at 65 and that people are not

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<sup>1</sup> <https://assets.gov.ie/11714/d859109de8984a50b9f2ae2c1f325456.pdf>

penalised for the circumstances they find themselves in including carers, those required to/choosing to retire early and those without a full social insurance record. The recognition that carers, with a particular emphasis on the role of women in caring, should not be penalised is particularly welcome with the commitment to develop a pension solution for family carers that recognises their important work.

## The Scale of the Challenge

The scale of the challenge in addressing how the Irish government sets out an adequate and sustainable pensions policy to provide future pensioners with a decent standard of living is significant. We know that the population is ageing and life expectancy has been increasing. Between 1960 and 2018, females gained 12 years or more in life expectancy in Ireland while males also gained 12 years over the same period. This means that there will inevitably be fewer people left to fund the growing pressure to support our ageing population. This is perhaps most strikingly set out in the recent European Commission's 'The 2021 Ageing Report' which highlights that by 2070 39% of Ireland's population is expected to be aged 65 or over with 12% aged 80+<sup>2</sup>. Corresponding figures for 2019 are 14% (aged 65+) and 3% (aged 80+) highlighting that the scale of the increase is colossal; an effective doubling of the share of the population aged 65 and over in the next 50 years and quadrupling of those aged 80+. Further points drawn out in this report that are important to consider include:

- Ireland is expected to have one of the fastest growing populations in the next 50 years, with a population growth rate of 35% by 2070 (from 2019)
- The population share of the age group 0-19 is shrinking and within the EU the dwindling number of young people aged 0 to 19 is expected to be sharpest in Ireland along with Finland.
- The Old Age Dependency Ratio, the ratio between people aged 65 years and over and those aged 20-64, is expected to increase from 24.2% in 2019 to 53% in 2070. The very old age dependency ratio is expected to increase from 5.8% to 22.2% over the same period.
- The Economic Old Age Dependency Ratio (inactive elderly versus employed people) is expected to increase from 29.1% in 2019 to 63% in 2070 (inactive population aged

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<sup>2</sup> European Commission (2020), The 2021 Ageing Report (Online) available at [https://ec.europa.eu/info/sites/info/files/economy-finance/ip142\\_en.pdf](https://ec.europa.eu/info/sites/info/files/economy-finance/ip142_en.pdf)

65+/active population aged 20-64 years) and from 28.3% in 2019 to 59% in 2070 (inactive population aged 65+/active population aged 20-74 years)

- The EC 2021 Ageing report suggests that although labour market participation rates are expected to increase, particularly as more older workers (55-64 age group) participate largely because of pension reforms, labour supply will still be in decline
- The increase in labour market participation extends beyond the age of 65. Indeed, when considering the 65-74 age group, there is a similar upward trend in participation between 2019 and 2070. In Ireland the participation rate for the 65-74 age group is expected to increase from 16.7% to 24.1% between 2019 and 2070.
- The participation rate among women in Ireland aged 55-64 is particularly impacted by pension reform. By 2070 women's participation in the labour market is expected to increase to 66.8% from 55.9% in 2019.
- The expected increase in what the EC classify as 'very old' women is staggering, rising from 10% in 2019 to 22% in 2070 meaning that in the next 50 years 1 in 5 older women are expected to be active in the labour market. Much of that increase is expected to happen by 2030. The 'very old' male participation rate is expected to increase only marginally from 24% in 2019 to 26% in 2070.
- The share of the very old (aged 65 to 74) in employment in Ireland is expected to double from 3% in 2019 to 6% in 2070 meaning that around 1 in 17 people working in Ireland will be over 65 years old.

Apart from highlighting the sheer scale of the change in Old Age Dependency in the next 25 to 50 years, the increased participation of older workers in the labour market also stands out, not just in those aged 55 to 64 years but in the 65 to 74 age group as well. By 2070 it is expected that almost 1 in 4 of people aged 65 to 74 will be active in the labour market with increases expected for both men and women. Any considerations around pensions reform has to take the fact that many more older people will be in work, either through opportunity or necessity, going forward.

Research by TILDA<sup>3</sup> shows the complexities of decisions to retire. One in 7 Irish people aged over 50 do not know when they might retire and one in four has no plans to retire. Women tend to plan to retire earlier than men and people in the public sector plan to retire earlier

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<sup>3</sup> TILDA, the Irish Longitudinal Study on Aging includes 8,000 participants or 1 in every 156 people aged 50+ in Ireland

than those in the private sector. Pension eligibility (64%) tends to drive reasons for retirement. Importantly people with no pension are less likely to have concrete plans for retirement. The TILDA research highlights that 3 in 5 workers with no plans to retire had no pensions. One in 8 'retirees' still did some paid work.

*'People often enjoy working into later life. There should be more flexibility around retirement age'. (Older People's Council Consultation<sup>4</sup>)*

Care giving also tends to increase with age with many older people taking on extra childcare responsibilities once retired. Over half of employed participants in the TILDA study care for grandchildren for a minimum of one hour per week. This research makes it clear the extent of the pressure on people not to retire when they have no pensions is significant. It also highlights that when people reach retirement age care giving to support family and loved ones actually increases, whether through choice or necessity. Further, a recent piece of research by TILDA<sup>5</sup> (2020) found that among the population aged 70 years and over in Ireland, 7% (13% of men and 3% of women) were in full-time employment, either as an employee or self-employed. Around 3% of those who are retired did paid work for an average of 19 hours per week.

What is striking from the CSO Pension Coverage report is that 37% of respondents have never got around to organising a pension and while that is highest among the youngest age category (54%), the second highest group is those aged between 55 and 69 (35%). This means that 1 in 3 people aged between 55 and 69 have never gotten around to organising a pension, again highlighting that greater dependency on the non-contributory State Pension that lies ahead.

The gender pension gap in Ireland is a particular issue we would like to raise. On average, there is a gender pension gap of approximately 35% in Ireland<sup>6</sup>. This compares to 25% across the OECD. Fewer women than men qualify for the State Pension and those who do tend to receive less. Fewer women are likely to receive a private or occupational pension and they are likely to have worked fewer years or had never worked compared to men (22% of women compared to 3% of men). There are multiple factors at play but principally they reflect the

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<sup>4</sup> NOTE: All quotes highlighted in this response have been provided through our Older People's Council Consultation held in February 2021

<sup>5</sup> [https://tilda.tcd.ie/publications/reports/pdf/Report\\_Over70sContribution.pdf](https://tilda.tcd.ie/publications/reports/pdf/Report_Over70sContribution.pdf)

<sup>6</sup> <https://www.esri.ie/news/ireland-has-a-gender-pension-gap-of-35-per-cent>

fact that more women than men in Ireland have spent their lives in caring roles<sup>7</sup>. This also links to considerations around financial acumen and the impact of gender. The ESRI<sup>8</sup> notes that women are more risk-averse than men when it comes to financial decision-making (e.g., preferences, financial literacy).

### **Providing an Acceptable Quality of Life for Older People**

The State Pensions are the bedrock of income for the majority of older people in Ireland<sup>9</sup>. More than half of the average composition of pensioner income in Ireland comes from the State Pension. It is the case that some pensioners are better off than other sections of the community but the State Pensions are the expected source of income on retirement for 58% of workers with no personal pension<sup>10</sup>. It must be emphasised that around 14%<sup>11</sup> of pensioners in Ireland, that is 1 in 7 pensioners, live on an income below the poverty line. This is also backed up by the TILDA research that suggests that around 13% of Irish retirees report that *'shortage of money often prevents them from doing the things they would like to do'*. This compares to around 31% reporting that *'shortage of money never prevents them from doing the things they would like to do'*. The State Pension therefore does not provide an adequate replacement income for a significant minority of our older age community in Ireland.

***'It would be a struggle to live on the non-contributory pension alone without any other income, as it does not allow for any luxuries and would barely take people out of poverty'. (Older People's Council Consultation)***

The VPSJ (2019)<sup>12</sup> highlights that pension inadequacy is a particular concern for single pension households. It states that the *'Pensioner living alone household type has tended to demonstrate greater vulnerability to income inadequacy'*. In 2017 this household type moved to marginal income adequacy, when in receipt of a Non-Contributory Pension and living in urban social housing, for the first time since 2010. It is also important to note that the Contributory Pensions had returned to providing a marginally adequate income in 2016.

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<sup>7</sup> <https://www.socialjustice.ie/content/policy-issues/commission-pensions-should-examine-universal-pension>

<sup>8</sup> [https://www.esri.ie/system/files/publications/RS87\\_1.pdf](https://www.esri.ie/system/files/publications/RS87_1.pdf)

<sup>9</sup> <https://2016-2018.citizensassembly.ie/en/Meetings/Dr-Micheal-Collins-UCD-Paper.pdf>

<sup>10</sup> <https://www.cso.ie/en/releasesandpublications/ep/p-pens/pensioncoverage2020/>

<sup>11</sup> <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20190115-1>

<sup>12</sup> [https://www.eapn.ie/wp-content/uploads/2019/05/mesl\\_2019\\_update\\_report-1.pdf](https://www.eapn.ie/wp-content/uploads/2019/05/mesl_2019_update_report-1.pdf)



## **The Need for Pensions Reform**

***'The Government needs to adjust the Pensions system for older people – not make older people adjust to the system'. (Older People's Council Consultation)***

The fact that this consultation is taking place is an acknowledgement on the part of the Government that sustainability in State Pensions provision, and indeed the pension's agenda more widely, is a central policy concern. It is positive to see that Ireland is now ranked 14<sup>th</sup> out of 39 countries in the 2020 Mercer Global Pensions Index and compares, generally, favourably in a global context. However, when it comes to sustainability Ireland's place falls to 24<sup>th</sup> out of the 39 countries. There are significant challenges ahead.

The Department of Finance report into 'Population Ageing and Public Finances in Ireland' (2018)<sup>13</sup> set out to understand the impact of the shifting demographic trends on the public finances in Ireland with a particular focus on long-term sustainability. It drew attention to Ireland's aging population and the rising old-age dependency ratio, how that will weigh on the productive capacity of the Irish economy as the growth in labour supply is set to slow, the implications of these changes for the future growth rate of the Irish economy and the budgetary cost of an ageing population with a particular focus on pension expenditure which is the largest component of age-related expenditure (including pensions, health care, education). This report highlights that the State Pension's share of GDP is expected to increase from 3.9% in 2020 to peak at 6.6% in 2060 with age-related expenditure increasing from 15% in 2020 to 20% over that same timeframe. As well as policy reforms such as an increase in the State Pension age, the policy tools that this report discusses are increasing both the employment rate of older people (for instance by linking retirement age to life expectancy) and the employment rate of those of working age (by addressing barriers that weigh on female participation rates). Other reforms include boosting productivity and fiscal restraint in non-age related expenditure.

***'Increasing the retirement age is suitable for some professions/occupations but not for every type of work, particularly physical types of work'. (Older People's Council Consultation)***

The European Commission points out that the most frequent reform over the past decades across Member States has focused on decisions to raise the statutory and early retirement

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<sup>13</sup> <https://assets.gov.ie/4147/101218131007-cdad7ec478c4467290c52008da8f536d.pdf>

ages as this most directly impacts on retirement decisions and participation rates in the labour market. However, attempts that focus purely on encouraging people to work longer are not sufficient. These types of reforms can affect the behaviour of older workers in the coming decades and adversely affect groups with more limited employment opportunities including the lowest paid, carers, those with disabilities and women. What is needed are pension reforms that help people to **make their choices** throughout their lives about what it means to grow old for them. This should support particularly flexible choices around how people want to work as they grow older, including incentives and policies to support older people if they choose to work.

One of the national goals of the National Active Ageing Policy is to remove barriers to participation and provide more opportunities for the continued involvement of people as they age in all aspects of life. The Strategy has recognised a strong preference for gradual retirement along with the need for more flexible retirement options going forward and highlights a stronger preference among Irish people to have the ability to work past their official retirement age compared to their European counterparts. The need for workplaces to become more age friendly is also considered important.

Inflationary increases in the State Pensions must reflect changes in the real cost of living. While the Pensions Commission consultation states that *'current pension rates will not be reduced'* this could in fact mean a decline in real terms that could accumulate over time. There is a risk that pensioner income will fall behind others and poverty rates will increase once again. It would be totally unacceptable to see a repeat of what happened in the early 2000s where the gap between income and welfare grew to the point that pension poverty rates climbed to 1 in every 2 pensioners<sup>14</sup>.

### **Consultation with the National Networks of Older People's Councils**

Age Friendly Ireland organised a consultation with the National Network of Older People's Councils, established as part of the National Positive Ageing Strategy (2013) as a means by which older people could have a voice, in February 2021 in order to allow older people and representative groups to feed into this consultation process. The main issues raised and

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<sup>14</sup> <https://2016-2018.citizensassembly.ie/en/Meetings/Dr-Micheal-Collins-UCD-Paper.pdf>

recommendations for consideration are highlighted below but in overall terms they centre around the need to ensure that any changes in State Pensions provision ensures that a basic standard of living is provided to allow a good quality of life for all people in Ireland as they age.

There was some positive discussion around what does work in terms of current State Pensions arrangements. This includes the choice around how pensions are accessed (lodged directly/collected), the positive support provided by public sector staff and Citizens Advice, the importance of the additional supports provided (particularly the Living Alone Allowance), the additional €10 on reaching 80 years of age and the continued payment in certain circumstances of the pension for 6 weeks after someone dies. Where people have a supplementary income the relevant State Pension is considered sufficient/good.

*'As a widow with half a pension from my late husband, every time the Old Age Pension is increased I end up worse off tax. The last time there was a five euro increase in the State Pension, I ended up being twenty euro worse off per fortnight'. (Older People's Council Consultation)*

However, a number of concerns were raised with respect of the current State Pensions arrangements. The point around the adequacy of the State Pensions when there is a supplementary income in place raises the issue of its inadequacy when there is little to no supplementary income in place. The current State Pensions are not considered sufficient to live on in these circumstances and one contributor commented that it would *'barely take them out of poverty'*. Particular vulnerable groups, that were discussed in detail, include carers, women and single people along with those with an illness/disability. All of these groups can often overlap in terms of the challenges faced and how the government system supports them as they age.

*'There should be more education available or a resource person who can help them to access supports'. (Older People's Council Consultation)*

A discussion around the concept of 'ageing in place' which is essentially about supporting people to remain living in the community with some level of independence, did raise challenges for single people. Typically supports for 'ageing in place' are provided by the family unit which is much more challenging for single older people who live alone, have no family or immediate access to family members. The Older People's Council Network **stressed** the need to consider the 'atomised' older person and to treat people on an individualised basis.

*'Single older people need to be taken into account. Not everyone has children who they can rely on for assistance when they get older. It is important to consider the 'atomised' older person and to treat people on an individualised basis'. (Older People's Council Consultation)*

Gender and care issues in relation to pensions raised significant concerns. They are, of course, in many cases interlinked. As noted earlier in the submission, it is a well established fact that women generally receive lower state pensions, often related to their involvement in caring work. Both women and carers are more likely to be on the non-contributory pension. This has been raised by numerous organisations including Social Justice Ireland who note the strong link between state benefits and the labour market and the disadvantage that creates for women and carers. The general view was that carers who take time out to care for family, whether on a full-time or part-time basis, are penalised.

*'The Constitution is founded on the family as the unit of society, yet someone who takes time out to care for their family is penalised'. (Older People's Council Consultation)*

The consultation also highlights the growing concern around the availability of people who can provide unpaid/caring work in the home and to older people, particularly in the context of the smaller pool of labour market participants and increasing role of women in labour markets.

Other issues of concern include how State Pensions are taxed (e.g. widow in receipt of husband's pension) and how reliefs apply. The calculation of the non contributory pension is considered too complex. There is also uncertainty around how the transition years applies.

*'The transition year is confusing. I declined to take the payment for the year because I didn't have a sense of entitlement to it'. (Older People's Council Consultation)*

The value of the Living Alone allowance is considered insufficient to cover changing circumstances e.g. when a person in a couple dies and the remaining partner is still left with the same outgoings.

Issues were raised over the retirement age and if it is extended how to support people who simply cannot work full-time for various reasons (e.g. certain occupations that require physical activity). The need for a year round fuel allowance was also referenced.

*'The fuel allowance is paid for part of the year (October to April), but older people often need home heating all year round. This would be important to keep people out of fuel poverty'. (Older People's Council Consultation)*

**Awareness and accessibility** are also considered critical by the Older Person's Council Network. Ensuring that all older people know of the grants and supports available to them

and understand how to access them is a key expectation. The option of having a 'Healthy Homes' co-ordinator to play a central role in supporting older people to understand how they can be supported through the various government supports including pensions and additional allowances could be considered.

*'Education about pensions and tax relief is limited. It is insufficiently explained to people that they will benefit from tax relief on pensions'. (Older People's Council Consultation)*

### Priority recommendations

We have prioritised for recommendation the most pressing issues to be addressed in regard to pensions provision by the State. We also have made further recommendations that should be further considered with the objective of providing informed choice around pension provision. AFI would welcome the opportunity to work with the Pensions Commission in advancing its mandate over the coming months.

In overall terms our recommendations include:

#### *Pensions Policy*

- **Cost of Living** - the State should consider introduction of a system to align the State Pension with the increased cost of living and to explore the option of introducing annual increments to allow for changes in the economic circumstance of older people.
- Acknowledging the above, a **minimum State Pension threshold** under which living standards for older people should not fall should be addressed and given statutory effect.
- **Choice and flexibility on retirement age should be considered applicable to State Pensions** allowing people to make decisions based on their individual circumstances on when and how to retire. This should include the ability to work later in life if a person chooses to do so (including the ability to combine part-time work with a partial State Pension). There should not be a binary choice between work and retirement with the concept of a flexi-pension/work package being introduced.
- **The Pension Age** - A realistic and staggered approach to retirement from whole-time paid working, allowing for the above, should be introduced in any moves to **changing the pension age** from 66.

- **Forward Planning** - A realistic and staggered approach should be introduced to allow **opt in choice** (mandatory and incentivised) to pension planning from early employment commencement for our future generations.
- **Greater clarity** is needed for older people around what **tax/PRSI** liabilities could arise for older people, not only **with working, through self choice, past the pension age** but also in terms of the **pension entitlement** in the State.
- **Early retirees** should be allowed to pay **PRSI in later life** if they are still working and wish to contribute to their ultimate pension entitlements.
- **Single older people** should be afforded the same rights as couples through State Pensions arrangements. This should also reflect the changing nature of society, having regard to the forthcoming recommendations of the Citizens Assembly.
- **Carers** - Carers Pension provision should be reviewed. An allowance for carers to subsidise their pensions could be considered in addition to introduction of a respite grant to support carers. As a matter of equity, carers who have cared for someone for all/part of their adult life should receive a full State Pension.
- The pensions system should ensure that no one is adversely affected and made worse off because of changing circumstances, for example, the death of a partner.
- As committed to, the Pensions Commission should examine issues including retirement ages in employment contracts, particularly for those below the State Pensions age.
- **The returning Citizen** - The pension position of Irish citizens who have worked outside of the Republic of Ireland but wish to retire back (and/or return for caring responsibilities) to the Republic of Ireland should be reviewed. AFI would make the case that where there are relatively low pension benefits generated from other countries, Ireland's non-contributory pension should be considered for returning Irish citizens.

#### *Education & Awareness*

- It can be challenging for older people seeking information on pension entitlements, including **applying for supplementary supports**. There should be a single point of contact for older people to receive advice/support. **It was strongly emphasised in the Older Persons consultation that Citizen's Advice could provide that role for older**

people. Alternatively, each local authority could provide such services through the local library system.

- More and better education is required around **retirement planning, including pensions and tax reliefs and related service provision by the State**. People should be informed about finances, planning for the future and pensions through all education levels.
- **Housing for Older people** - There should be education/awareness raising programmes for older people, and those approaching retirement age, around **preparing homes for older age** including energy efficiency measures to reduce bills.

#### *Employment and enterprise*

- Meaningful **Succession Planning** should become an accepted practice to support workforce succession planning.
- There should be a much more focused and concerted effort on working with employers to highlight the advantages of **retaining/hiring older workers** (including an emphasis on their experience and transfer of knowledge to younger workers).
- There should be a dedicated '**enterprise**' initiative to encourage people to consider new business opportunities as they age, particularly as this can provide the flexibility and choice that is needed to reflect individual circumstances in terms of financial, health, caring and other responsibilities.

#### *Supplementary Supports*

- The pension payment is critical but what is also important to older people are **excellent public services** (health, transport, social care, good housing, etc.).
- Maintenance of existing **support packages** should augment and be aligned with pension provision in addition to above services (medial cards, fuel allowance, phone/electricity credits, seniors alert scheme, others).
- Introduction of an option of a **government package** for older people to cover all utilities/expenses and which would thus combine all bills into a **single weekly/monthly payment** should be considered.
- **Fuel allowance** (having regard to the following bullet points) should be available **all year** round and should not be means tested.
- There should be one **single point of contact for housing grant applications** for older people. This could be provided through the Age Friendly Healthy Homes Programme.

- **Finance** - The potential to develop an **appropriate loan/grant scheme(s) to support older people to adapt their homes in line with the government's retrofitting targets** and the requirement for Age friendly housing in line with the Healthy Homes Programme should be examined in the context of the forthcoming revised National Climate Action Plan.
- **Opportunities for lower charges applicable to older people for mobile and broadband charges** should be examined, for example, local initiatives such as the Clare Bundle Programme.

For further details concerning the above submission please feel free to contact Catherine McGuigan, Chief Operations Officer, Age Friendly Ireland Shared Service Centre, Meath County Council, Buvinda House, Navan, Co.Meath.

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