An Chomhairle Pinsean
The Pensions Council

Report on Gender Pension Gap

March 2022

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Letter to the Minister

Dear Minister

The Government's *A Roadmap for Pensions Reform 2018-2023*, observed that a high percentage of the working population is not saving enough, or is not saving at all, for retirement. The Report stated that the low level of private pension coverage is not just an individual risk but also a macro-economic risk.

The situation for women is worse than for the general working population. The Pensions Council's 2019 work with the ESRI highlighted that only 28 per cent of women receive private/ occupational pension income compared to 55 per cent of men and that when in receipt of a pension, the income difference between men and women is 35 per cent.

In March 2021, you wrote to the Pensions Council to ask, among other things, for its views on steps that could be taken to address the gender pensions gap arising from supplementary pensions. In particular, you asked for practical ideas within the system itself to tackle the gender pensions gap.

The Pensions Council identified the following retirement challenges:

- How to get more women to save
- How to get women to save more
- How to help women accumulate more
- How to protect women who are married/in civil partnerships

The Pensions Council reviewed relevant literature, carried out a public consultation, considered the effectiveness of existing supports (including the legislative environment and the tax system) as well as new State initiatives (the Automatic Enrolment Scheme). We have made a series of suggestions that are contained "within the system" and which we believe are effective, straightforward and practical to achieve. We also carefully considered and made recommendations on the role of promotion and education in helping to address the challenges identified.

All of the Council's suggestions address one or more of the key policy guidelines set out in the 2021 OECD report, *Towards Improved Retirement Savings Outcomes for Women* and for that reason, the implementation of some/all of our suggestions should, in the Council's view improve retirement outcomes for women.

The proposed next steps are for you to ask your officials to consider the suggestions set out in this report, prioritise them (in terms of effectiveness, cost and ease of implementation) and then begin implementation, as appropriate.

We are, of course, at your service to help you or your officials with any further support or information you might need, and we look forward to seeing measurable reductions in the gender pensions gap.

Yours sincerely,

Roma Burke

Chairperson

7 March 2022

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Executive Summary

In 2021, the Minister for Social Protection wrote to the Pensions Council to ask for its views on steps that could be taken to address the gender pensions gap arising from supplementary pensions. In particular, the Minster said she was keen to hear practical ideas within the supplementary pension system itself to tackle the gender pensions gap.

The Pensions Council considered the available research and concluded that the need to improve income adequacy in retirement is currently greater for women than it is for men; as

- fewer women are saving for retirement than men;
- where women are saving for retirement, their savings are, on average, lower than men; and
- women live longer than men.

The Pensions Council observed that the reasons behind the gender pensions gap are complex and wide ranging and may also reflect structural issues that can result in economic disincentives for women to save for an adequate retirement. It considered the macro solutions identified in the literature and carried out a public consultation in which it invited views on how to address the gap.

The Pensions Council then discussed and debated the ideas, suggestions and comments received in the submissions and reviewed the research. While there are many policy decisions that might influence the extent of the gap in future, the Pensions Council focussed on practical steps that could potentially be taken “within the system”.

The existing supports were considered: the legislative environment, tax reliefs to help people save for retirement, minimum requirements on employers to offer access to at least one standard PRSA and gender-proofed annuity products. The Council found that the supports in their current form are not particularly effective at helping women to save for retirement. This could be due to many reasons, including lack of proactive support, lack of awareness or understanding, lack of flexibility, different priorities for men and women, perceived poor value for money or other reasons such as inertia, affordability (actual or perceived) and the inability to access to retirement savings until later in life.

The Government has already initiated steps to get more people saving for retirement; a State-sponsored supplementary retirement savings system in which workers will be automatically enrolled (the “AE Scheme”) is due to begin implementation later this year. The Pensions Council supports the introduction of AE and is of the view that this will significantly increase the number of people saving for retirement, including women. It will do this by automatically enrolling them into the scheme when it commences and thereafter, when individuals start employment. However, the AE Scheme it is not gender proof, as it will not, in its proposed format, automatically include those earning less than €20,000 pa (the “earnings trigger”), a cohort that includes a greater proportion of women than men.

The Pensions Council identified several modifications that could be made to the AE Scheme that could help reduce the gender pensions gap. These suggestions comprise: refining the earnings trigger, implementing a suitable default lifestyle strategy to improve retirement outcomes, offering the State top-up to all members, not just employees along with a focussed campaign at the launch of AE and an appropriate centralised online information hub.

Pensions tax relief was carefully considered and, while generous, was found to be inflexible, tending to favour a person who works full-time and continuously over a full career. It does not facilitate those who may have to temporarily step out of the workforce, work part-time or scale back their retirement savings at particular times in their lives. These types of people may be more likely to be women.

The Pensions Council therefore suggested modifying the way in which private pension tax relief works to target the system more towards the needs of women. One of the Pensions Council's key suggestions in the area of tax relief is to address the inflexibility in the current system whereby tax relief on personal contributions can only be claimed for the current and immediately preceding tax year. Allowing salary averaging for personal contribution tax relief purposes, standardising the maximum personal contribution allowed and moving to a joint assessment for pension contributions will also help make the system more flexible.

The Council considered opportunities within the Pensions Act to reduce the gender pensions gap, observing that both waiting and vesting periods are somewhat arbitrary and could impact women more than men. (The "waiting period" is the time that a person must work with their employer before they can join the employer's pension scheme, while the "vesting period" is the time that a person must stay in the scheme before they become entitled to the value of the employer contributions paid on their behalf.) The Disclosure of Information Regulations also do not require information to be made available to a spouse if a member is making a significant decision in relation to their retirement savings. The Pensions Council therefore made a series of recommendations to help reduce the gap: set a maximum waiting period, reduce (or eliminate) the vesting period and require non-member spouses to be provided with information at key events or on an ongoing basis.

The Pensions Council considered the role of education and promotion, observing that national campaigns, especially if they are temporary, do not lead to lasting improvements in financial literacy. An option that the Pensions Council strongly supports is to introduce a module for secondary school children on personal finance, including saving and investing for retirement as well as the types of benefits available in retirement.

To get the maximum coverage, consideration could be given to introducing this module to transition year students, rather than having it as part of a subject that has less take-up than the core subjects. This could be done online with, for example, the support of one or more professional bodies.

The Pensions Council has made 14 suggestions to the Minister, all of which are practical and straightforward to achieve. Importantly, all suggestions address one or more of the key policy guidelines set out in the 2021 OECD report, *Towards Improved Retirement Savings Outcomes for Women* and for that reason, the implementation of some/all of these suggestions should, in the Council's view, improve retirement outcomes for women. The suggestions are summarised in the following section.

Practical steps that could be taken to reduce the gender pensions gap

Help more women to save for retirement	
1.	**Roll out the AE Scheme at the earliest opportunity** This step will have the most immediate impact on reducing the gap which currently prevails.
2.	**Refine the AE Scheme earnings trigger and how it will change over time** The AE Strawman consultation document proposed an "earnings trigger" of €20,000 per annum, meaning that only people with an annual income above this threshold will be automatically enrolled into the scheme. The Minister could consider the following refinements: • automatically include everyone in the AE Scheme if they pay income tax; or • only include people who are not in receipt of another Social Welfare Benefit, such as Working Family Payment; or • set the earnings trigger to be the Working Family Payment income limit; or • consider a lower level of qualifying earnings or remove the earnings threshold with clear communication on the ability to opt out; and/or • link the earnings trigger automatically to a relevant earnings or inflation index, so that it moves in smaller steps in a more regular and automated fashion than a 5-yearly review. By taking these steps, AE would automatically include more women.
3.	**Set a maximum waiting period** The "waiting period" is the time that a person must work with their employer before they can join the employer's pension scheme. It is often cited that the waiting period relieves employers from an additional burden where an employee joins and leaves service in a short space of time. There is no maximum period set in the legislation. In a modern, technology-driven environment, the administrative burden of enrolling a new member into an employer's pension scheme may not be as onerous as it might have been. In addition, employers also have to offer employees access to at least one standard PRSA if the waiting period is longer than 6 months, meaning that additional administration burdens apply for longer waiting periods. Indeed, the introduction of AE may mean that there is a further administrative burden if there is any waiting period at all. Therefore, the only benefit of a waiting period to employers is likely to be the reduced cost for newer employees. Consideration could therefore be given to imposing a maximum waiting period (or remove it altogether). Where waiting periods are reduced, this will mean that more people, including women, are saving for retirement.

4.	**Reduce the vesting period** The "vesting period" is the time that a person must stay in the scheme before they become entitled to the value of the employer contributions paid on their behalf. The maximum vesting period is two years. The length of the vesting period is somewhat arbitrary. It has even less relevance as it only starts when the person actually joins the employer's pension scheme. If the period was to be reduced (or eliminated), this would mean that fewer people would take a refund of the value of their pension contributions and would therefore have some level of retirement savings, all else being equal. They would also benefit from the value of employer contributions paid into the scheme on their behalf. This suggested change could benefit women, as they may be more likely than men to have periods of short service.
Help women to save more for retirement	
5.	**Apply the State top-up to all AE members** The Minister could consider offering the SSIA-style incentive to all members of the AE Scheme, not just employees. As an alternative, the incentive could be targeted specifically at women, by linking it to home caring periods or child benefit payments, for example. This would improve retirement outcomes for those who are not in paid employment/self-employment and who may be more likely to be women. To manage costs incurred by the State, this could be done using a notional earnings level, for example, aligned with the earnings trigger. To ensure the incentive is attractive to those on lower earnings, the State contribution could be at a minimum amount of €500 per annum for the first five years of the scheme. Alternatively, to make the scheme more attractive in the beginning, a sign-on bonus could be considered, for example a €1,000 sign-on bonus. In New Zealand, a "kickstart" bonus of NZ$1,000 was introduced in early years of AE. It was withdrawn in subsequent years.
6.	**Extend the period for claiming tax relief on personal contributions** The Minister could facilitate women to "catch up" on their retirement savings by allowing a longer look-back period to claim tax relief on personal contributions. The Council suggests that, at a minimum, this could be aligned with the claim period for medical expenses (four years).
7.	**Expand the definition of earnings when calculating the maximum personal contribution allowed** The Minister could consider changing the definition of earnings for tax-relievable personal contributions. For example, it could be based on averaged earnings over three or more years.

	This approach would help those who move from full-time to part-time work to save more for retirement. It would also be aligned with the way in which final remuneration is calculated by Revenue for pension purposes (it can be calculated on one of three bases, including averaging over any three or more consecutive years ending not earlier than ten years before the relevant date).
8.	**Standardise the maximum personal pension contribution allowed** The current structure is age related, favouring older people. If it were to be standardised, this could facilitate women to save more at times that better meet their needs. In particular, this has an added benefit: if a person starts to save earlier in their working life, they should expect to be better off at retirement, as they benefit from a longer period of investment returns and those returns also earn investment returns.
9.	**Move to a joint assessment basis for pension contributions** The pension tax relief system is individualised. If it were changed to a joint basis (i.e., spouses could contribute to each other's retirement savings arrangement), this could allow women to save and/or save more in retirement savings accounts in their own names. This could particularly encourage more women who choose, for family or other reasons, to work part-time and who may not be "at risk of poverty" to save for retirement. The added benefit would be to facilitate more independence for women when in retirement.
Help women to accumulate more for retirement	
10.	**Offer a lifestyle strategy within AE that is diversified and not overly conservative** The Pensions Council agreed that in the AE Scheme, it is important to implement a suitable default strategy. A default lifestyle investment strategy that is diversified and not overly conservative along with inertia may improve retirement outcomes for women.
Protect women who are married/ in a civil partnership	
11.	**Introduce further disclosure requirements at key events or on an ongoing basis** In the context of protecting women who are married or in a civil partnership, a practical step that could be taken would be to update the Disclosure of Information Regulations 2006 to require pension providers to give information to non-member spouses at key events, such as leaving or retirement, or on an ongoing basis.

Promotion and education	
12.	**Consider a focussed campaign at the launch of the AE Scheme** The Pensions Council is of the view that private companies are sufficiently active in promoting retirement saving and calling people to action. Therefore, a time-limited national campaign to raise pension awareness would be of limited use. However, a more focussed campaign, tied in with the launch of the AE Scheme, may be appropriate.
13.	**Implement a central online information hub with targeted communications** It is important that any messages explaining AE and SSIA-style (if applicable) top-up incentives are tailored towards women. This could be done on an ongoing basis via a central information hub (including easy-to-use online tools).
14.	**Financial Literacy: Start young, by introducing a personal finance module for transition year students** An option that the Pensions Council strongly supports is to introduce a module for secondary school children on personal finance, including saving and investing for retirement as well as the types of benefits available in retirement (lump sum, annuity, approved retirement fund). To get the maximum coverage, consideration could be given to introducing this module to transition year students, rather than having it as part of a subject that has less take-up than the core subjects. This could be done online with, for example, the support of one or more professional bodies.

1. The Minister's request

In March 2021, the Minister for Social Protection wrote to the Pensions Council to ask for its views on steps that could be taken to address the gender pensions gap arising from supplementary pensions, noting the Council's 2019 work with the ESRI which highlighted that only 28 per cent of women received private/ occupational pension income compared to 55 per cent of men and that when in receipt of a pension, the income difference between men and women was 35 per cent. In particular, the Minster said she was keen to hear practical ideas within the supplementary pension system itself to tackle the gender pensions gap.

2. The supplementary pension system

Income in retirement comes from several sources: the State Pension, occupational pension schemes, private pensions, employment in retirement and other savings and/or investment income. In the context of this report, 'supplementary pensions' is taken to mean income from occupational pension schemes and private pensions, i.e. it is supplementary to the State Pension.

3. Background

The Government noted in *A Roadmap for Pension Reform 2018-2023*[1] that "*the proportion of employees in Ireland with supplementary pension cover is low… just 35% of the private sector workforce has such cover… This suggests that a high percentage of the working population is not saving enough, or is not saving at all, for retirement.*"

The Roadmap also stated that it regards the low level of private pension coverage to be not just an individual risk, but also a macro-economic risk. It noted that low-income replacement levels on retirement *"…will impact negatively on the ability of such people to maintain their desired standard of living and will ultimately, as pensioners account for a growing proportion of our population, reduce consumer spending in our economy*."

The situation is worse for women than the general working population. In its 2019 report entitled *Gender, Pensions and Income in Retirement*[2], using data from the Irish Longitudinal Study on Ageing (TILDA) from 2010, the ESRI identified a gender pension gap in Ireland as follows:

- 55 per cent of men and 28 per cent of women were in receipt of occupational and private pensions; and
- The average total weekly pension income was €280 for women and €433 for men, implying a raw gender pensions income gap of approximately 35 per cent.

[1] https://assets.gov.ie/10968/9740541c18cc4eaf92554ff158800c6f.pdf
[2] https://www.esri.ie/system/files/publications/RS87_1.pdf

The ESRI discussed the reasons for this, noting "*that differences in employment characteristics between men and women, and in how pension systems calculate pension benefits, are considered to be the main explanations for the gender pension gap*". The report went on to say that "*women are less likely than men to be employed, and when they are employed, they earn less, work fewer hours and have shorter careers. Pension system characteristics (e.g. how and if pension benefits take account of caring career breaks) may attenuate or exacerbate these differences.*"

The ESRI also observed that "*A complex mix of personal preferences, household decision-making processes, social conditions and policy-driven factors shape the working lives of women and men and, by extension, their economic outcomes in older age… Decisions about many aspects of economic life are shaped by attitudes to risk, time preferences, and financial literacy skills, and there is evidence that men and women differ in some aspects of these key dimensions of decision-making... Men and women in couples also differ in the degree to which they allocate responsibility for making financial decisions, which in turn may influence their ability to accumulate and manage retirement resources.*"

The 2021 OECD report, *Towards Improved Retirement Savings Outcomes for Women*[3] also considered the gender pensions gap. This report stated that "*the gender pension gap observed today is mainly the result of past work history differences between men and women. Differences in labour market participation, part-time employment, wages, and career length translate into different pension outcomes down the road*".

Other relevant papers were reviewed, including *Bridging the Gap*[4] (Barnett Waddingham, 2021), *Narrowing the Retirement Savings Gap*[5] (MBWL, 2021), *The Gender Pension Gap – From Awareness to Action*[6] (Mercer, 2021) and *In Search of Pension Parity*[7] (Irish Life, 2019).

In summary, the literature indicates that employment differences (for example, women are more likely to undertake caring responsibilities and take parental/unpaid leave in addition to statutory maternity leave), a gender pay gap, along with different personal preferences, household decision-making and social conditions lead to different retirement outcomes for men and women, i.e., a gender pensions gap. The papers identified similar themes and proposed a range of solutions that had common strands to them.

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[3] https://www.oecd-ilibrary.org/sites/f7b48808-en/index.html?itemId=/content/publication/f7b48808-en
[4] https://bwd10barnettwaddingham-live-4d8d2562916-81f9e7d.divio-media.net/filer_public/c9/d4/c9d4fb4d-7681-43d0-8c2e-5771efb34aca/01042021_briefing_the__gender_pension_gap_d12_v1.pdf
[5] https://mbwl-int.com/wp-content/uploads/2021/09/MBWL_Global_Retirement_Gap_Sep21.pdf
[6] https://www.mercer.ie/content/dam/mercer/attachments/private/uk-2017-gender-pension-gap-report.pdf
[7] https://www.irishlifecorporatebusiness.ie/pensionparity/#:~:text=The%20gender%20pay%20gap%20has,for%20the%20women%20of%20Ireland.

4. The Pensions Council's approach

The work of the Pensions Council began with a detailed consideration of the available research focussing in particular on the 2019 ESRI report and the 2021 OECD report. The Council concluded early in the process that a gender pensions gap exists, but that the reasons behind it are complex and wide ranging and may also reflect structural issues that can result in economic disincentives for women to save for an adequate retirement.

Taking account of the reasons behind the gender pensions gap, many of which start years before retirement, the Pensions Council identified that the need to improve income adequacy in retirement is currently greater for women than it is for men; as

- fewer women are saving for retirement than men;
- where women are saving for retirement, their savings are, on average, lower than men; and
- women live longer than men[8].

By helping women to save and accumulate enough for their own retirement, not only will it benefit women by increasing their personal wealth and independence, it may also benefit women's families[9] and help to strengthen the Irish economy.

The Pensions Council considered the macro solutions identified in the literature. It studied the effectiveness of existing supports and carried out a public consultation[10] in June 2021 in which it invited views on how to address the gap.

Nine responses to the public consultation were received; eight industry responses (Aon Solutions Ireland Ltd, Brokers Ireland, Mercer (Ireland) Ltd, IBEC clg, Irish Congress of Trade Unions, Irish Institute of Pensions Management, Irish Life Group and the Society of Actuaries In Ireland) as well as one response from a member of the public. The Pensions Council acknowledges and thanks those involved in responding.

The Pensions Council discussed and debated the ideas, suggestions and comments received in the submissions as well as the proposed strategic solutions set out in the research. While there are many policy decisions that might influence the extent of the gap in future, in line with the Minister's request, the Pensions Council focussed on practical steps that could potentially be taken "within the system".

[8] https://www.cso.ie/en/releasesandpublications/er/ilt/irishlifetablesno172015-2017/ a female aged 65 is expected to live to age 86 while a male aged 65 is expected to live to age 83.3, a gender gap of 2.7 years.
[9] World Development Report 2012: Gender Equality and Development
[10] https://www.pensionscouncil.ie/en/news/public-consultation-on-gender-gap-in-supplementary-pension-schemes.pdf

5. Macro policy solutions

The 2019 ESRI report suggested that policies could be developed to increase female employment levels and to maximise continuity in women's employment. These suggestions included, for example, potential policies regarding the provision of childcare and long-term carer supports as well as measures to promote supplementary pension saving. The report discussed the importance of helping women to develop the relevant skills and knowledge to help them attain financial security in later life.

The 2021 OECD report noted that, at a minimum, policy settings should at least ensure that the design of pension systems should not increase the gap, putting women at further disadvantage. In that report, the following policy guidelines were proposed:

- **Promote women's access to retirement saving arrangements** by increasing the availability of such arrangements in industries predominantly employing women and relaxing eligibility requirements.

- **Encourage women's participation in retirement savings arrangements** through hard or soft compulsion, financial incentives to join, and financial education initiatives tailored specifically to women.

- **Improve the level and frequency of women's contributions to retirement savings arrangements** with contributions from employers or spouses, financial incentives that target groups with large female representation (e.g. low-income groups), subsidies for maternity and caretaking, contribution limits that can be carried forward, and targeted communication to educate women on the importance of regular contributions.

- **Adapt the design of retirement savings arrangements to the career patterns of women** by allowing more flexibility with respect to contributions, improving the portability of plans, and adapting the fee structures to small account balances.

- **Improve investment returns on women's retirement savings** by implementing non-conservative default investment options and offering objective assessments of their risk tolerance to inform their investment decisions.

- **Increase women's own retirement benefit entitlements** by allowing spouses to share their pension rights with each other, facilitating the split of retirement benefit entitlements upon divorce, and increasing women's awareness of the option to share their former spouse's benefits, when it exists.

- **Increase the level of retirement income that women receive** by equalising retirement ages between genders, calculating lifetime retirement income based on unisex mortality tables where feasible, providing a subsidy directly to women, promoting pay-out options with survivor benefits, and encouraging the availability of pay-out solutions that increase payments over time.

6. Supports currently available within the system

6.1 Legislative environment

Occupational pension schemes are governed by several relevant pieces of legislation: the Pensions Act, Family Law Acts, Part-Time Work Act, Fixed-Term Work Act and trust law generally. These serve to protect people saving for retirement, retirees and beneficiaries, by having rules, for example, surrounding equal treatment (between full-time and part-time/fixed-term workers), providing protection for a divorced/legally separated spouse as well as rules on the investment of pension assets and pension scheme governance.

6.2 Tax reliefs to help people save for retirement

There are generous tax reliefs available for those saving for retirement[11], particularly for those who pay income tax at the higher rate (currently 40%). Ireland operates the Exempt Exempt Taxed (EET) model for private funded pensions and PRSAs, providing individualised tax relief on contributions and investment gains (funded schemes) and taxing emerging income in retirement. There are several exceptions and limits, such as monetary annual caps on tax-relieved personal contributions, tax-free lump sums (subject to a limit) at retirement, and an overall monetary cap (€2 million currently) on the capital value of tax-relieved benefits which can be taken from tax-relieved arrangements.

6.3 Obligation on employers to provide access to at least one standard PRSA

Where an employer does not sponsor an occupational pension scheme or if certain restrictions apply to their pension scheme, by law they must ensure that their employees have access to at least one standard Personal Retirement Savings Account (PRSA), although they don't have to contribute to it. A PRSA is a personal pension plan which operates as an investment account that can be used to save tax efficiently for retirement in a flexible manner[12]. PRSAs are available to individuals regardless of their job or employment status. For example, they are available to part-time or casual employees, highly paid professionals, self-employed, homemakers, carers, jobseekers, contractors, employers, employees, and partners in a partnership.

[11] The full details of these reliefs are set out in the Taxes Consolidation Act 1997 (TCA)
[12] https://www.pensionsauthority.ie/en/i_want_to_start_a_pension_prsa/prsas/

It is worth noting that PRSAs may play a larger role in the future by replacing Buy Out Bond, Retirement Annuity Contract and Approved Retirement Fund products[13]. This will help to streamline the range of products available to consumers.

6.4 Gender-proofed annuity products

Gender proofing is a feature in some annuity products. At retirement, if a person chooses to use their retirement savings to purchase an annuity (this is an income for life, purchased from an insurance company), the law requires the annuity rates to be gender neutral. This means that the annuity costs the same for a man or woman of the same age, despite the fact that women live longer on average than men.

6.5 Are the supports working?

Even with a comprehensive legislative environment, generous tax reliefs, a requirement for employers to offer access to a standard PRSA and gender-proofed annuity rates, it is evident from the research that the supports in their current form are not particularly effective at helping women to save for retirement. This could be due to:

- Lack of proactive support: While the legislative environment protects those saving for retirement, it does not play a role in promoting retirement saving.

- Lack of awareness or understanding: Pensions is generally regarded as a highly complex area and workers may not be aware of tax-efficient retirement savings vehicles such as PRSAs, how to access them or how they work.

- Lack of flexibility: The tax reliefs are generous; however, the system is rigid in how it operates. It could be described as favouring those who work full-time, over a full career and save in a continuous fashion. It does not particularly support career patterns more often associated with women.

- Different priorities: Women may choose to prioritise other demands on the family finances over saving for retirement. For example, focusing on meeting education or childcare costs, while choosing to defer retirement saving to a later point. Women may also take unpaid leave (parental leave/shorter working week) and the ability to save for retirement is reduced.

- Perceived poor value for money: the cost to purchase an annuity at retirement is linked to interest rates. When interest rates are low (or when inflation is high), annuities can appear expensive. The market in annuities is much smaller for pension

[13] https://www.gov.ie/en/publication/98d7f-report-of-the-interdepartmental-pensions-reform-and-taxation-group/ Chapter 3

scheme savers than it was previously, despite the protections that it can offer retirees (guaranteed income for life, regardless of how long the person lives for, inflation protection and spouses' benefits).

- Other reasons may include inertia, affordability (actual or perceived) and the inability to access to retirement savings until later in life.

7 Automatic Enrolment

The Government proposed in its *Roadmap for Pensions Reform* to develop and implement a State-sponsored supplementary retirement savings system in which workers will be automatically enrolled (the "AE Scheme") and its implementation is due to begin later this year[14].

The rationale was neatly summarised in the subsequent consultation document; *A Strawman Public Consultation Process for an Automatic Enrolment Retirement Savings System for Ireland*[15] which stated: "*Despite significant State incentives being available through tax relief to employers, employees and the self-employed, private pensions coverage has not increased to an appropriate level*".

In relation to the gender pensions gap, the consultation document observed that the AE Scheme would "*extend greater retirement savings coverage to women in their own right as opposed to them being (more typically than men) classed as a dependant on their spouse/partner's cover*". However, it noted the key challenge of trying to strike a balance between replacement rates (i.e., the proportion of pre-retirement income that can be achieved by people in retirement) and affordability. In response to the affordability issue, the consultation document proposed an earnings trigger of €20,000 pa (i.e., only people earning €20,000 per annum or more would be automatically enrolled in the AE Scheme), stating that people who earn less than this includes a "*relatively greater proportion of women, part time workers and ethnic minorities*". The consultation document also suggested that the earnings trigger could be reviewed every 5 years and adjusted in line with the evolution in the statutory minimum wage level.

[14] https://www.gov.ie/pdf/?file=https://assets.gov.ie/43903/311f140def3443dfb2c1fdd08ea79f17.pdf#page=1

[15] https://www.gov.ie/pdf/?file=https://assets.gov.ie/69522/92c139a0d2c247f09c4d4078e7bf30be.pdf#page=1

8 What practical steps could be taken to reduce the gender pensions gap?

8.1 Help more women to save for retirement

AE Scheme

The Pensions Council supports the introduction of an AE Scheme and is of the view that this will significantly increase the number of people saving for retirement, including women. It will do this by automatically enrolling them into the AE Scheme when the scheme commences and thereafter, when individuals start employment. This automatic approach will make it much easier to start saving for retirement, particularly where contributions are deducted directly from pay. However, the AE Scheme, by design, will not be gender-proof as, in its proposed format, it fails to automatically include people who earn less than €20,000 pa. It could also be argued that the proposed starting default contribution rate of 1.5% of qualifying earnings is too low, although it is understood that this is in order to facilitate a gradual phasing-in of contributions over a 10-year period.

If the earnings trigger is reduced, more people, including women, would be automatically included in the AE Scheme. However, the Pensions Council understands that this may increase the risk of more people being at risk of poverty as a consequence of saving for retirement and acknowledges that this may not be appropriate in its own right.

On this point, preliminary research conducted by the ESRI and published in November 2021[16] suggests that those above the €20,000 threshold for AE will not be significantly adversely affected by the requirement to make contributions to the AE Scheme and will not be put at risk of poverty. More research may be required to understand the potential poverty impact of AE if the earnings trigger was to be reduced below €20,000.

The Pensions Council notes that, in its current format, the earnings trigger is simple to understand, but suggests it may not be sufficiently nuanced to cater for women who might earn less, but not be "at risk of poverty". By way of example, a woman may choose to work part-time and earn less than €20,000 pa, however the overall family income may be much higher. In this context, the intention to provide for an opt-in option for employees below the threshold is welcome, particularly if employers are also required to contribute when a member opts-in.

Suggestion 1: Roll out the AE Scheme at the earliest opportunity

This step will have the most immediate impact on reducing the gap which currently prevails.

[16] The Distributional Impact of Pension Auto-enrolment – Working Paper No.707 (ESRI, 2021), https://www.esri.ie/system/files/publications/WP707_0.pdf

Suggestion 2: Refine the AE Scheme earnings trigger and how it will change over time

The Minister could consider the following refinements:

- automatically include everyone in the AE Scheme if they pay income tax; or
- only include people who are not in receipt of another Social Welfare Benefit, such as Working Family Payment; or
- set the earnings trigger to be the Working Family Payment income limit; or
- consider a lower level of qualifying earnings[17] or remove the earnings threshold[18] with clear communication on the ability to opt out; and/or
- link the earnings trigger automatically to a relevant earnings or inflation index, so that it moves in smaller steps in a more regular and automated fashion than a 5-yearly review.

The Pensions Act

In the context of the existing legislation, the Pensions Council also considered potential minor changes to the Pensions Act 1990, as amended (the "Act") to increase the number of women in retirement savings vehicles:

- Joining a pension scheme: Many occupational pension schemes have a "waiting period". This is the period that a person must work with their employer before they can join the employer's pension scheme. The idea may be to reduce the administrative burden and/or cost on the employer in respect of employees who join service and leave shortly afterwards, as the employer does not have to contribute while the person is not a member of the scheme. The waiting period is set by the employer, there are no legislative restrictions on the length of the waiting period (other than the requirement to offer access to a standard PRSA if the period is more than 6 months) and some occupational pension schemes have waiting periods of a year or more.

- Leaving a pension scheme: Under the Act, if a person joins an occupational pension scheme and leaves within the "vesting period", they are only entitled to the value of their own contributions. They are not entitled to the value of the employer contributions paid on their behalf[19]. While these personal contributions can be retained in the pension scheme or transferred to another approved arrangement, typically most people opt for a refund, less tax at 20%. For a person who stays in the pension scheme longer, their benefits are preserved. This means that both the value of their contributions and the employer's is preserved for them in the scheme until

[17] In the United Kingdom the lower level of qualifying earnings is currently GBP6,240 and the earnings threshold is GBP10,000 Source - https://www.thepensionsregulator.gov.uk/en/business-advisers/automatic-enrolment-guide-for-business-advisers/automatic-enrolment-earnings-threshold

[18] In Australia the minimum income requirement of AUD450 per month is being removed. "On 11 May 2021, as part of the 2021–22 federal Budget, the Australian Government announced it will remove the $450 per month threshold to expand coverage of super guarantee to eligible employees regardless of their monthly pay. This measure is not yet law." Source – Australian Tax office – link here. Legislation was introduced on 27 October 2021 to bring this into effect from 1 July 2022.

[19] Assuming they don't take up employment within a specified period in another EU state.

they retire, transfer to another approved arrangement or die. There is no opportunity for a refund once the vesting period has expired. The maximum vesting period is two years.

Suggestion 3: Set a maximum waiting period

In a modern, technology-driven environment, the administrative burden of enrolling a new member into an employer's pension scheme may not be as onerous as it might have been. In addition, employers also have to offer employees access to at least one standard PRSA if the waiting period is longer than 6 months, meaning that additional administration burdens apply for longer waiting periods. Indeed, the introduction of AE may mean that there is a further administrative burden if there is any waiting period at all[20]. Therefore, the only benefit of a waiting period to employers is likely to be the reduced cost for newer employees. Consideration could therefore be given to imposing a maximum waiting period (or remove it altogether). Where waiting periods are reduced, this will mean that more people, including women, are saving for retirement.

Suggestion 4: Reduce the vesting period

The maximum two-year period associated with the vesting period is somewhat arbitrary. It has even less relevance as it only starts when the person actually joins the employer's pension scheme. If the period was to be reduced (or eliminated), this would mean that fewer people would take a refund of the value of their pension contributions and would therefore have some level of retirement savings, all else being equal. They would also benefit from the value of employer contributions paid into the scheme on their behalf. This suggested change could benefit women, as they may be more likely than men to have periods of short service.

Summary of practical ideas for the Minister to get more women saving for retirement

- ✓ AE Scheme: Roll out the AE Scheme at the earliest opportunity, refine the earnings trigger and automate how it increases over time.
- ✓ Pensions Act: Introduce a maximum waiting period and reduce the vesting period.

[20] According to the AE Strawman, there will be no employee waiting period before enrolment

8.2 Help women to save more for retirement

AE Scheme

The AE Scheme will play an important role in helping women to save more for retirement; personal contributions will be topped up by State and employer contributions (if the person is employed). Where contributions are larger, the pot at retirement will be bigger.

The Consultation document states that "*The State will provide an incentive for people to participate in the AE system*" but goes on to say that "*the incentive is, for the purpose of this Strawman, presented as a contribution worth €1 for every €3 the **employee** contributes*" (emphasis added). The Pensions Council understands that in the proposed format, anyone can join the AE Scheme, but it is not clear if a personal contribution is topped up by a State contribution (via a SSIA model) where a person is not working.

Suggestion 5: Apply the State top-up to all AE members

The Minister could consider offering the SSIA-style incentive to all members of the AE Scheme, not just employees. As an alternative, the incentive could be targeted specifically at women, by linking it to home caring periods or child benefit payments, for example. This would improve retirement outcomes for those who are not in paid employment/self-employment and who may be more likely to be women. To manage costs incurred by the State, this could be done using a notional earnings level, for example, aligned with the earnings trigger.

To ensure the incentive is attractive to those on lower earnings, the State contribution could be at a minimum amount of €500 per annum for the first five years of the scheme[21].

Alternatively, to make the scheme more attractive in the beginning, a sign-on bonus could be considered, for example a €1,000 sign-on bonus. In New Zealand, a "kickstart" bonus of NZ$1,000 was introduced in early years of AE. It was withdrawn in subsequent years.

Tax reliefs

For those saving through occupational or private pension arrangements, tax reliefs help to increase the pot at retirement as savings are paid in gross of tax (subject to limits as outlined earlier). While tax reliefs are generous, several key issues were identified by the Pensions Council which restrict their ability to help women, in particular, to save more for retirement.

Under the current regime, tax relief on personal contributions can only be claimed for the current and immediately preceding tax year. This lack of flexibility does not help those who may have to temporarily step out of the workforce or scale back their retirement

[21] A minimum amount would benefit lower earners more if the earnings threshold was reduced.

savings at particular times in their lives, to catch up at a later stage. These types of people may be more likely to be women, who may take on the role of carer for children/elderly parents or if they choose other family priorities (such as education) over retirement savings. In other areas of the tax code, there is flexibility: for example, relief on medical expenses can be claimed as far back as four years.

Tax relief on personal contributions can only be claimed up to certain limits, which depend on age and earnings in employment in the relevant tax year. As tax relief on personal contributions is based on a person's earnings in the relevant year, it can significantly impact on the maximum tax-relievable pension contribution a person can make if they take a break from work or work part-time. Under these scenarios, the maximum tax-relievable personal contribution is reduced in direct proportion to their working ratio. These factors are more likely to impact women than men.

Under current rules, the age-related pension contribution limits are 15% for those under 30, increasing to 40% for those over 60. Therefore, there is a positive bias towards older people and the existing structure could be seen to be encouraging people to delay saving for retirement until later in their working life (or alternatively helping them to "catch up" on their retirement savings). This structure does not however facilitate a person to take advantage of certain times in their lives when it may be easier to save for retirement (for example, before they start a family).

Tax reliefs for personal contributions are individualised. This means that in a family unit, a spouse can only claim tax relief on personal contributions made to their own retirement savings account. They cannot claim relief on any contributions to their spouse's retirement savings account. This is different to, for example, medical expenses, in which a person can claim tax relief on expenses they pay for themselves or for any other person.

Suggestion 6: Extend the period for claiming tax relief on personal contributions

The Minister could facilitate women to "catch up" on their retirement savings by allowing a longer look-back period to claim tax relief on personal contributions. The Council suggests that, at a minimum, this could be aligned with the claim period for medical expenses (four years).

Suggestion 7: Expand the definition of earnings when calculating the maximum personal contribution allowed

The Minister could consider changing the definition of earnings for tax-relievable personal contributions. For example, it could be based on averaged earnings over three or more years. This approach would help those who move from full-time to part-time work to save more for retirement. It would also be aligned with the way in which final remuneration is calculated by Revenue for pension purposes (it can be calculated on one of three bases, including averaging over any three or more consecutive years ending not earlier than ten years before the relevant date[22]).

[22] https://www.revenue.ie/en/tax-professionals/tdm/pensions/d-appendix1.pdf page 3

Suggestion 8: Standardise the maximum personal pension contribution allowed

The current structure is age related, favouring older people. If it were to be standardised, this could facilitate women to save more at times that better meet their needs. In particular, this has an added benefit: if a person starts to save earlier in their working life, they should expect to be better off at retirement, as they benefit from a longer period of investment returns and those returns also earn investment returns.

Suggestion 9: Move to a joint assessment basis for pension contributions

The pension tax relief system is individualised. If it were changed to a joint basis (i.e., spouses could contribute to each other's retirement savings arrangement), this could allow women to save and/or save more in retirement savings accounts in their own names. This could particularly encourage more women who choose, for family or other reasons, to work part-time and who may not be "at risk of poverty" to save for retirement. The added benefit would be to facilitate more independence for women when in retirement.

Summary of practical ideas for the Minister to get women saving more for retirement

- ✓ AE Scheme: Apply the State top-up to all AE members, not just employees.
- ✓ Taxes Consolidation Act: extend the look-back period for claiming tax relief on personal pension contributions, allow salary averaging when calculating the maximum personal pension contribution allowed, standardise pension contribution limits and allow a joint assessment basis for personal pension contributions.

Other ideas considered by the Pensions Council.

Paid contributions during periods of statutory and other types of leave

The Pensions Council considered the option of making employer pension contributions mandatory during statutory and additional maternity leave as well as other types of service breaks (such as parent's leave, parental leave, adoptive leave and career break). As employers do not have to pay salary during this time and as occupational pension schemes are voluntary in nature, the Pensions Council felt that this would not be a workable solution.

An alternative option could be to require employers to provide relevant information to employees who are availing of statutory and other types of leave. Information could be provided based on the circumstances of the employee. For example, contributions can continue during leave or increased on their return.

Limit integration of the State Pension for members of defined benefit schemes who are on lower salaries.

Some commentators suggested that the integration of the State Pension could be limited for those on small incomes. This is mainly relevant to defined benefit (DB) schemes. There are just 374 DB schemes left where active members are continuing to accrue benefits[23]. Any change to the benefit structure of DB schemes would have significant cost implications for employers. This could accelerate or trigger further windups/scheme closure. On this basis, the Pensions Council felt that this would be difficult to achieve.

Full-time pension contributions for part-time workers

The application of full-time equivalent pension contributions (employee and employer) for part-time workers was considered. While this would help ensure that pension savings are maximised, it might act as a disincentive to employers to employ such workers (if the cost is disproportionately higher). If part-time workers are also required to pay at a full-time rate, this might discourage people from taking part-time roles or put those individuals at a higher risk of poverty. Taking these factors into account, this idea was not progressed by the Pensions Council.

Pay a State lump sum pension contribution at a key event

A pension contribution from the State on the birth of a child was considered. While this might gain some news coverage, the Pensions Council felt that if there were sufficient resources to pay a lump sum on the birth of a child, there might be other, more urgent calls on the funding from new parents. For this reason, the Pensions Council was of the view that such an initiative would not be considered an ideal use of public funds.

8.3 Help women to accumulate more for retirement

Women who are saving for retirement have to make choices about how their contributions are invested. In its report, the OCED noted that "*Women tend to be more risk averse than men in the allocation of their financial assets and are less likely to choose the high risk and high return option when offered investment choice. This tendency may be against their best interest over the long term.*" This tendency can be further compounded by lower savings than men resulting in a wider gender pensions gap.

In Ireland, all defined contribution schemes and PRSAs have to offer a default investment strategy. This is an investment strategy in which contributions are invested if the member does not make an active decision. Life-styling (or life-cycling) is an approach commonly used as the default. This is an investment approach where the member's contributions are invested more heavily in higher-risk growth investments, such as equities and

[23] https://www.pensionsauthority.ie/en/news_press/latest_news/defined_benefit_schemes_-_review_of_2020_statistics.pdf

property at younger ages and then gradually switches automatically to less volatile investments, such as bonds and cash as the member nears retirement.

The OECD noted that "*life-cycle and diversified default investment strategies may help women achieve higher performance… Provided that inertia limits switching to a more conservative option, this type of default also helps members, and women in particular, to combat their natural tendency for conservatism and increases the potential long-term performance of their pension assets.*"

The Pensions Council is aware that recent changes to the Pensions Act transposing Directive (EU) 2016/2341 ("IORP II") are intended to help to improve member outcomes. Relevant to investment considerations, the legislation, and the related Pensions Authority *Code of Practice for trustees of occupational pension schemes and trust retirement annuity contracts*[24] introduces new requirements on pension scheme trustees to have formal governance processes in place to decide on the default investment strategy as well as implement formal procedures for monitoring its suitability. This may help all occupational pension scheme members, including women, to accumulate more for their retirement. The Pensions Council was therefore of the view that the Minister's focus should be on the default strategy in the AE Scheme, rather than occupational defined contribution schemes.

Suggestion 10: Offer a lifestyle strategy within AE that is diversified and not overly conservative

The Pensions Council agreed that in the AE Scheme, it is important to implement a suitable default strategy. A default lifestyle investment strategy that is diversified and not overly conservative along with inertia may improve retirement outcomes for women.

Summary of practical ideas for the Minister to help women maximise their accumulated benefits

- ✓ AE Scheme: Implement a suitable life-styling default investment strategy.

Other matters considered by the Pensions Council

Robo advice, which uses computer algorithms to help people make investment choices, may become more popular as technology advances. It could also help to lower the cost of providing certain investment services. However, the potential risk of such advice in retirement planning is that it could lead to more women choosing investment strategies that are aligned with their stated risk profile, but that may not be in their long-term best interests, or more simply, that the quality of the robo-advisor is sub-optimal. The Pensions

[24] https://www.pensionsauthority.ie/en/news_press/news_press_archive/code_of_practice_for_trustees.pdf

Council felt that it may be difficult for consumers to evaluate the quality of such automated financial advice.

While the Pensions Council understands that financial intermediaries who offer robo advice are subject to MIFID II[25], it was not clear on how robo advice fits into the existing investor protection framework in Ireland. It also noted the findings of a 2021 study carried out for the European Parliament's committee on Economic and Monetary Affairs[26], which stated "*A key recommendation of this study is the introduction of a mandatory third-party audit for roboadvisors*".

8.4 Protect women who are married/ in a civil partnership

Some women do not have retirement savings in their own right and may intend to rely on their partner's/spouse's retirement savings. In the event of divorce or legal separation, there are robust protections available: the spouse that is not a member of the pension scheme can apply to the court for a pension adjustment order (PAO). This is a legally binding order which sets out how the benefits will be divided up by the trustees of the pension scheme. These benefits can be divided up once the PAO is in place or paid out as they fall due[27].

For women who are not divorced/legally separated, they have less access to information and fewer rights. For example, if a spouse decides to transfer their defined benefit pension entitlements to a personal retirement bond, they do not need consent from the other spouse, even if the pension has a spouse's pension attaching to it. While many pension scheme administrators seek a spouse's signature when the member is transferring their benefits, it is not a legal requirement. Non-member spouses also have no rights when a member decides when/how to draw down their DC benefits.

Suggestion 11: Introduce further disclosure requirements at key events or on an ongoing basis

In the context of protecting women who are married or in a civil partnership, a practical step that could be taken would be to update the Disclosure of Information Regulations 2006 to require pension providers to give information to non-member spouses at key events, such as leaving or retirement, or on an ongoing basis.

[25] MIFID II is a legislative framework designed to strengthen investor protection and improve the functioning of financial markets to make them more efficient, resilient and transparent. https://www.esma.europa.eu/policy-rules/mifid-ii-and-mifir
[26] https://www.europarl.europa.eu/RegData/etudes/STUD/2021/662928/IPOL_STU(2021)662928_EN.pdf page 9
[27] More details are available at https://www.pensionsauthority.ie/en/lifecycle/pensions_on_separation_and_divorce/

Summary of practical ideas for the Minister to protect women who are married or in a civil partnership in the context of retirement savings

- ✓ Disclosure of Information Regulations: introduce the requirement to provide information to non-member spouses at key events, such as leaving or retirement. Consider requiring the non-member spouse to sign documents where the member elects to take certain options.
- ✓ Such requirements could be supported by an ongoing campaign to help women build up an understanding of their rights rather than just at point of decision or event.

8.5 Promotion and education

There is lots of help available for people who want to save for retirement: financial supports from the State and many employers, as well as a multitude of information and online calculators[28]. Pension and insurance companies as well as employers who sponsor occupational pension schemes invest significant amounts of money each year on promotion and education. However, despite such investments in quality communications and/or clever marketing, the complex and long-term nature of pensions seems to continue to act as a barrier for many people.

The Council considered the role of promotion and education in encouraging women to save or save more for retirement. It looked at the available literature, which pointed to the importance of tailoring financial education to women as well as the suggestions set out in the submissions, which offered practical ideas such as:

- highlighting the benefit of tax relief;
- the impact that periods of unpaid leave will have on retirement savings;
- the benefits of having a pension plan;
- the downfalls of over-reliance on the State Pension;
- the tax incentives available;
- the use of projection tools;
- benefit options such as the tax-free lump sum, annuities, and ARFs; and
- the investment choices available and the concept of risk versus return.

The Pensions Council also studied the National Pensions Awareness Campaign (NPAC) campaign 2003 – 2008[29] in which €500,000 was made available annually by Government in 2003, 2004, 2005, increased to €1,000,000 per annum for 2006, 2007 and 2008. NPAC's primary objective was to heighten pensions awareness with the view to increasing

[28] Websites such as https://www.pensionsauthority.ie/, https://www.ccpc.ie/ and https://www.citizensinformation.ie provide unbiased, impartial information to those who want to save for retirement.

[29] https://www.pensionsauthority.ie/en/About_Us/Information/Presentations/Presentation_to_The_Cypriot_Delegation_Feb_09.ppt

pension coverage in Ireland. (In the later years, there was a change in focus from "awareness" to "action"). Other objectives included ensuring that people were saving enough for retirement as well promoting pensions development and building an educational foundation about retirement planning for the future.

The campaign targeted women, younger people as well as those in industries not typically associated with widespread retirement savings. The campaign organisers engaged with trade unions and employer groups, Citizens Information Centres, the National Library Network, women's groups, industry associations, and other groups and organisations to deliver its messages.

The NPAC, along with national campaigns in other OECD countries was analysed by the OECD in 2012[30]. The Irish campaign made extensive use of radio, used social media (an innovative approach at that time), the press, cinema, and also "ambient" advertising, such as posters on buses and in washrooms as well as internet banners.

The paper identified that the complexity of national pension campaigns, "*particularly in relation to funded DC systems, reveals serious shortcomings in national financial literacy levels. This was the most consistent message that emerged from the research and case studies. Pension communication campaigns, especially, temporary ones, were felt to be insufficient to bring about lasting improvements in financial literacy.*" The paper went on to say that "*the introduction of class-based learning modules in schools and colleges are also essential in order to educate and prepare future generations of workers about their pension choices, rights and responsibilities*".

Suggestion 12: Consider a focussed campaign at the launch of the AE Scheme

The Pensions Council is of the view that private companies are sufficiently active in promoting retirement saving and calling people to action. Therefore, a time-limited national campaign to raise pension awareness would be of limited use. However, a more focussed campaign, tied in with the launch of the AE Scheme, may be appropriate.

Suggestion 13: Implement a central online information hub with targeted communications

It is important that any messages explaining AE and SSIA-style (if applicable) top up incentives are tailored towards women. This could be done on an ongoing basis via a central information hub (including easy-to-use online tools).

[30] https://www.oecd.org/finance/private-pensions/50255339.pdf

The Pensions Council also considered the class-based learning opportunities that are currently available to learn about saving for retirement. At secondary level, the Home Economics Scientific and Social syllabus appears to be the only one to refer to this topic and the learning opportunity is limited: the word "pensions" appears just once in the 48-page syllabus[31]. The syllabus doesn't seem to go any further, other than to say that it is a source of household income (actual or potential), along with wages, salaries, social welfare allowances and benefits. This contrasts with a much more detailed emphasis on borrowing, which includes using it to manage financial resources, investigating different forms of credit available, consideration of relevant legislation (Hire Purchase Act and Consumer Credit Act) and cost of credit.

Suggestion 14: Financial Literacy: Start young, by introducing a personal finance module for transition year students

An option that the Pensions Council strongly supports is to introduce a module for secondary school children on personal finance, including saving and investing for retirement as well as the types of benefits available in retirement (lump sum, annuity, approved retirement fund). To get the maximum coverage, consideration could be given to introducing this module to transition year students, rather than having it as part of a subject that has less take-up than the core subjects. This could be done online with, for example, the support of one or more professional bodies.

Summary of practical ideas for the Minister on education and promotion

- ✓ AE Scheme: Run a targeted campaign at the launch of AE. Provide a central information hub on how the Scheme, including how the top-up works. Ensure women are provided information on the impact and opportunities available to them, particularly when they have a change in employment status. Provide access to online tools that are easy to understand and use.
- ✓ Financial literacy: Introduce a secondary school transition year module on personal finance, including saving/investing for retirement and the choice of benefits at retirement.

[31] https://www.curriculumonline.ie/getmedia/b9bc688f-3a5d-48a7-90f1-b60063f49c74/SCSEC21_Home_Economics_syllabus_eng.pdf section 2.1.3, page 21

9 Next Steps

The Pensions Council has concluded that a gender pensions gap exists and set out a series of practical suggestions to reduce the gap. These suggestions are contained “within the system”, i.e. they can be achieved by:

- **Rolling out the AE Scheme at the earliest opportunity and tailoring the promotion of the Scheme at its launch.**
  This step will have the most immediate impact on reducing the gap which currently prevails. It will be important to get the messaging right. This could be done via a focussed campaign, tailored to women along with an appropriate centralised online information hub.

- **Refining the design of the AE Scheme before it is finalised**
  Coverage for women can be increased by modifying the earnings trigger and how it will change over time. Women can be helped to maximise their retirement savings by applying the State top-up to all members (not just employees) and by implementing an appropriate default investment strategy.

- **Modifying the way in which private pension tax relief works to target the system more towards the needs of women.**
  One of the Pensions Council’s key suggestions in the area of tax relief is to address the inflexibility in the current system whereby tax relief on personal contributions can only be claimed for the current and immediately preceding tax year. Allowing salary averaging for personal contribution tax relief purposes, standardising the maximum personal contribution allowed and moving to a joint assessment for pension contributions will also help make the system more flexible. These measures will make the system better matched to those who may have to temporarily step out of the workforce or scale back their retirement savings at particular times in their lives. These types of people may be more likely to be women.

- **Making minor changes to the Pensions Act 1990 (as amended) and associated Regulations.**
  If the waiting period and/or two-year vesting period in occupational schemes is reduced, this will mean that more people have retirement savings. This change could have a larger impact on women as they are more likely than men to have short periods of service. In the context of protecting women who are married or in a civil partnership, a practical step could be to mandate more information to be provided to non-member spouses.

While not “within the system”, the Pensions Council strongly supports the introduction of a personal finance module for secondary school students (possibly at transition year) to help them develop a basic understanding of personal finance and saving for retirement. This could be done online with, for example, the support of one or more professional bodies.

All of the Council’s suggestions address one or more of the key policy guidelines set out in the 2021 OECD report, *Towards Improved Retirement Savings Outcomes for Women* and for that reason, the implementation of some/all of the suggestions outlined should, in the Council’s view improve retirement outcomes for women.

The Minister could now ask her officials to consider the suggestions set out in this report, prioritise them (in terms of effectiveness, cost and ease of implementation) and then begin implementation, as appropriate.

The Pensions Council is on hand to provide any assistance required.

An Chomhairle Pinsean
The Pensions Council