



## IRELAND

**Ireland: pension system in 2006**

The public pension is a basic scheme paying a flat rate to all who meet the contribution conditions. There is also a means-tested pension to provide a safety net for the low-income elderly. Voluntary occupational pension schemes have broad coverage: around half of employees.

		Key indicators	
		Ireland	OECD
Average earnings	EUR	30 000	28 600
	USD	37 600	35 800
Public pension spending	% of GDP	3.4	7.2
Life expectancy	at birth	79.7	78.9
	at age 65	83.5	83.4
Population over age 65	% of working-age population	17.7	23.8

### Qualifying conditions

The state pension (contributory) is payable from age 66 while the state pension (transition) is paid from 65. Full entitlement to both benefits requires an average of 48 weeks contributions or credits per year throughout the working life. The pension value is proportionally reduced for incomplete contribution histories. However, the old-age contributory pension requires a minimum average of ten weeks' contributions per year and the retirement pension, 24 weeks per year. There is also a minimum total period of contributions of 260 weeks (equivalent to five years' full coverage).

The means-tested pension is payable from age 66.

### Benefit calculation

#### *Basic*

The values of the State Pension (contributory) old-age pension and the State Pension (transition) are both EUR 193.30 per week (paid for 53 weeks per year) for 2006, which is 34.2% of average earnings (on the OECD measure of average earnings). There is an addition of EUR 128.80 for a dependant adult of working age and EUR 149.30 for a dependant age 66 or over. Pensions are increased on an annual basis, decided by Government in the context of the annual budget. In recent years, increases have been in excess of earnings growth.

Pensioners are entitled to many benefits-in-kind. The government estimates that the price of these goods and services would be EUR 950 per year, excluding health benefits. (Note that the modelling covers only cash benefits and not benefits-in-kind.)

#### *Targeted*

The maximum value of the means-tested benefit is EUR 182 per week for a single person with an extra EUR 120.30 for an adult dependant for 2006. The single person's benefit is worth 32% of average earnings. There is a small weekly disregard of EUR 20 in the means test, and as from 2006 there is an additional earnings disregard of EUR 100: otherwise, the benefit is withdrawn at 100% of income. There is also an assets test, with capital of more than EUR 35 000 being converted to income using a standard formula.

The value of the target safety-net income in the means-tested scheme broadly follows the uprating of the basic schemes.

### ***Voluntary private pensions***

Around 43% of employees have an occupational pension plan. Of members working in the private sector, around 50% of these are in defined-contribution and 50% in defined-benefit plans. (This relates to schemes subject to funding regulations, which are mainly in the private sector.) The defined-benefit plan is assumed to pay  $1/60^{\text{th}}$  of final salary for each year of service, a contribution rate of 1.67%. It is assumed that the defined-benefit scheme is “integrated with the public scheme”, meaning that the value of the basic pension is deducted from the entitlement. When people change jobs, the value of the deferred occupational pension is indexed to price inflation.

For defined-contribution occupational plans, the average contribution rate is about 10% of earnings. In addition, around 15% of people have defined-contribution personal plans.

### **Variant careers**

#### ***Early retirement***

Pensions cannot be claimed before the normal eligibility age.

#### ***Late retirement***

Work and pension can be combined subject to earnings being less than EUR 38 per week under the state pension (transition), which is payable for one year. However, the state pension (contributory) is not subject to an earnings test. It is not possible to defer claiming the pension.

#### ***Childcare***

Eventual public pension entitlement is not affected by periods out of paid work for caring purposes.

#### ***Unemployment***

Eventual public pension entitlement is not affected by periods of unemployment.

### **Personal income tax and social security contributions**

#### ***Taxation of pensioners***

There is an additional tax credit for over 65s of EUR 250 for single people. This is on top of the general credit, which was EUR 1 630 per person in 2006.

Over 65s are also entitled to a much higher exemption limit (below which no tax is paid). For single people, over 65s have an exemption of EUR 17 000 compared with the general exemption of EUR 5 210.

#### ***Taxation of pension income***

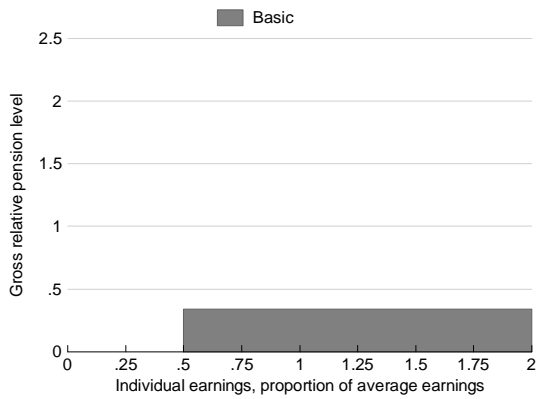
There are no special rules regarding the taxation of pension income.

#### ***Social security contributions paid by pensioners***

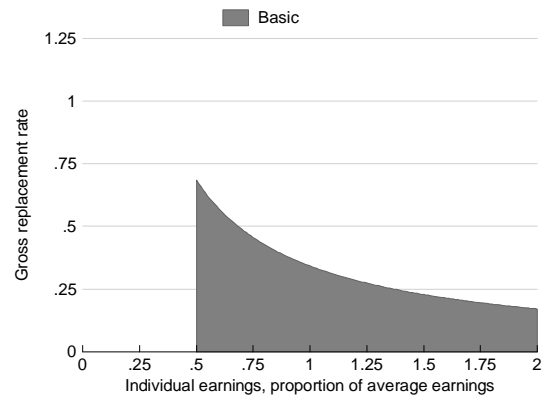
Pensioners are not liable for social-security contributions. Health contribution is payable at 2% of weekly income over EUR 440 for people with occupational pensions income.

## Pension modelling results: Ireland

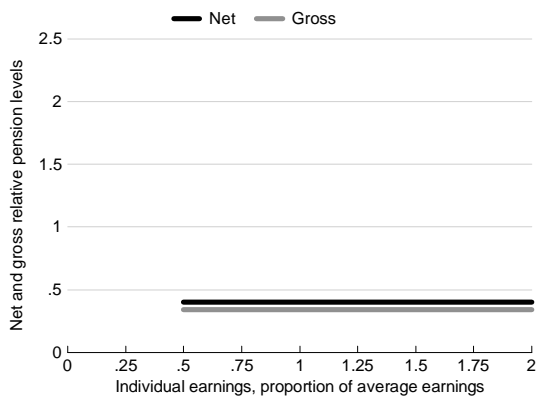
### Gross relative pension level



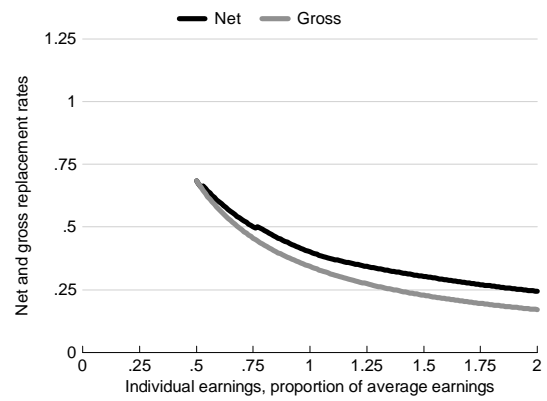
### Gross replacement rate



### Net and gross relative pension levels



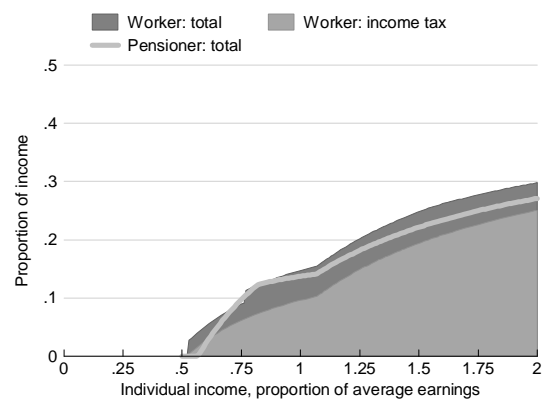
### Net and gross replacement rates



### Sources of net replacement rate



### Taxes paid by pensioners and workers



Men Women (where different)	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1	1.5	2
Gross relative pension level (% average gross earnings)	34.2	34.2	34.2	34.2	34.2	34.2
Net relative pension level (% net average earnings)	40.1	40.1	40.1	40.1	40.1	40.1
Gross replacement rate (% individual gross earnings)	39.8	68.4	45.6	34.2	22.8	17.1
Net replacement rate (% individual net earnings)	45.6	68.4	50.1	40.1	30.3	24.4
Gross pension wealth (multiple of average gross earnings)	7.1 8.4	12.1 14.5	8.1 9.6	6.1 7.2	4.0 4.8	3.0 3.6
Net pension wealth (multiple of average net earnings)	7.1 8.4	12.1 14.5	8.1 9.6	6.1 7.2	4.0 4.8	3.0 3.6