



IRELAND

Ireland: pension system in 2008

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: over half of employees.

		Key indicators	
		Ireland	OECD
Average earnings	EUR	40 900	27 800
	USD	59 700	40 600
Public pension spending	% of GDP	3.6	7.0
Life expectancy	at birth	79.9	78.9
	at age 65	83.3	83.1
Population over age 65	% of working-age population	18.0	23.6

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 reduced for incomplete contribution histories. However, State Pension (contributory) requires a minimum average of 10 weeks' contributions per year and the State Pension (transition) requires a minimum of 24 weeks per year. There is also a minimum total period of paid (as opposed to credited) contributions of 260 weeks (equivalent to five years' full coverage).

The means-tested pension is payable from age 66.

Benefit calculation

Basic

The maximum values of the State Pension (contributory) and the State Pension (transition) are both EUR 223.30 per week (paid for 53 weeks per year) for 2008, which is 28.9% of average earnings (on the OECD measure of average earnings). There is an additional EUR 148.80 for a dependant adult of working age and EUR 200 for a dependant aged 66 or over. Pensions are usually 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 212 per week for a single person with an extra EUR 140.10 for an adult dependant for 2008. The single person's benefit is worth 27% of average earnings. There is a small weekly disregard of EUR 30 in the means test, and there is an additional earnings disregard of EUR 200: otherwise, the benefit is withdrawn at 100% of income.

There is also an assets test, with capital of more than EUR 20 000 being converted to income using a standard formula.

Voluntary private pensions

There is an additional voluntary pension which is assumed to be defined contribution. The contribution rate is assumed to be 10%.

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 325 for single people. This is on top of the general credit, which was EUR 1 830 per person in 2008.

Over 65s are also entitled to a high exemption limit (below which no tax is paid). For single people, over 65s have an exemption of EUR 20 000.

Taxation of pension income

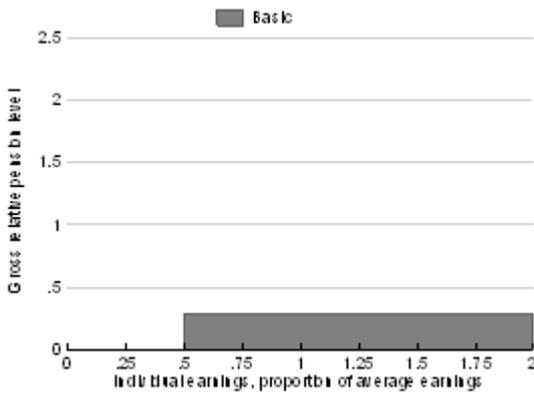
There are no special rules regarding the taxation of pension income.

Social security contributions paid by pensioners

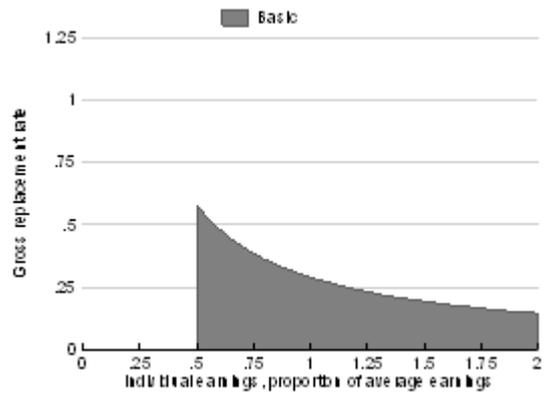
Pensioners are not liable for social-security contributions. Health contribution is payable at 2% of weekly income over EUR 500 for people with occupational pensions income.

Pension modelling results: Ireland

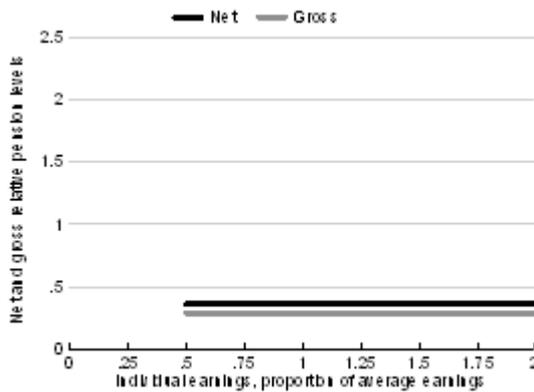
Gross relative pension level



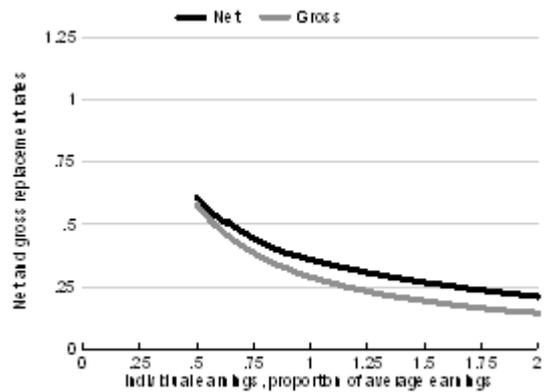
Gross replacement rate



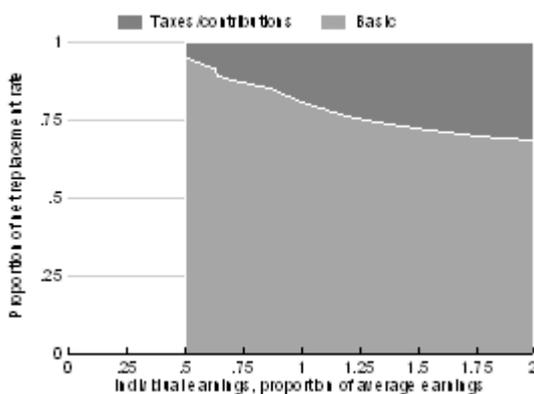
Net and gross relative pension levels



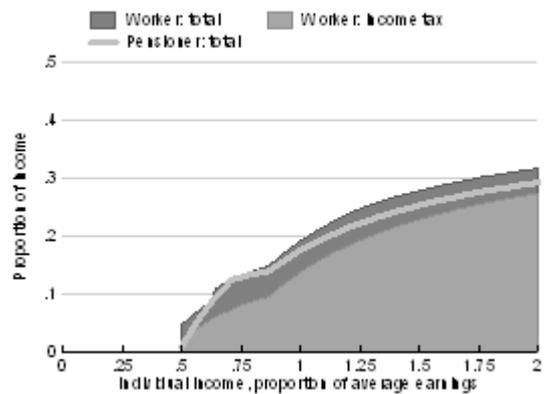
Net and gross replacement rates



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)	29.0	29.0	29.0	29.0	29.0	29.0
Net relative pension level (% net average earnings)	35.8	35.8	35.8	35.8	35.8	35.8
Gross replacement rate (% individual gross earnings)	34.9	57.9	38.6	29.0	19.3	14.5
Net replacement rate (% individual net earnings)	40.8	60.8	44.5	35.8	26.8	21.2
Gross pension wealth (multiple of average gross earnings)	6.8	11.4	7.6	5.7	3.8	2.8
Net pension wealth (multiple of average net earnings)	8.3	13.7	9.1	6.9	4.6	3.4
		6.8	7.6	5.7	3.8	2.8
		8.3	9.1	6.9	4.6	3.4