

Ireland

Ireland: Pension system in 2016

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

| | | Ireland | OECD |
|------------------------------|------------------------------|---------|--------|
| Average worker earnings (AW) | EUR | 35 592 | 34 803 |
| | USD | 37 452 | 36 622 |
| Public pension spending | % of GDP | 4.9 | 8.2 |
| Life expectancy | at birth | 81.7 | 80.9 |
| | at age 65 | 19.6 | 19.7 |
| Population over age 65 | % of working- age population | 22.3 | 27.9 |

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Qualifying conditions

The State Pension (Contributory) is payable from age 66. As the age for claiming State pension was standardised to age 66 from 2014, the State Pension (transition) - a pension for people aged 65 who had retired - was abolished from January 2014. State pension age is being increased to 67 in 2021 and 68 in 2028.

Full entitlement to the State pension (contributory) requires an average of 48 weeks contributions or credits per year throughout the working life. The pension value is reduced for incomplete contribution histories. There is a minimum total period of paid (as opposed to credited) contributions of 520 weeks (i.e. ten years' full coverage).

A means-tested State (non-contributory) pension is alternatively payable from age 66, where a person may qualify at a higher rate under that scheme.

Benefit calculation

Basic

The State Pension (Contributory) benefit is EUR 233.30 per week and an additional EUR 10 a week is paid if the receiver is aged 80 or above. If the pensioner is living alone, there is a further allowance of EUR 9 per week. If they have an adult dependent they may be paid a means-tested allowance (directly to the dependent) of EUR 209 (over 66) or EUR 155.50 (under 66).

Targeted

The maximum value of the means-tested State pension (non-contributory) benefit is EUR 222 per week for a single person with an extra EUR 150 for an adult dependent aged under the age of 66. Where the dependent is 66 or over, s/he may make a claim for this pension in his/her own right, and qualify for a payment of up to EUR 222 per week. There is a weekly disregard in the means test of EUR 30, and an additional earnings disregard of EUR 200. There is also an assets test (excluding family home), with capital of more than EUR 20 000 being assessed as means, using a 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

The State pension (contributory) and the State Pension (non-contributory) can only be claimed from the age of 66, and cannot be claimed before the normal eligibility age.

Late retirement

Unlike the State pension (transition), which was a retirement pension, the State pension (contributory) does not require the pensioner to retire and is not subject to an earnings test, and so the abolition of the former in 2014 has removed a significant disincentive to working past pension age. There is no provision to defer claiming the pension.

Childcare

Eventual public pension entitlement is not affected by periods out of paid work for caring purposes since 1994, provided at least 520 weeks of contributions are paid over the course of the working life, as such periods caring for children and/or incapacitated adults are disregarded when calculating the average contributions used to determine pension entitlement (up to a maximum of 20 years).

Unemployment

Eventual public pension entitlement is not affected by periods of unemployment provided at least 520 weeks of contributions are paid over the course of the working life, as contributions are credited in respect of such periods.

Personal income tax and social security contributions

Taxation of pensioners

There is an additional tax credit for persons above 65 years of age of EUR 245 in 2016 for single people. This is on top of the general credit, which is EUR 1 650 in 2016 per person.

People over the age of 65 are also entitled to a high exemption limit (below which no tax is paid). For single people, over 65s have an exemption of EUR 18 000 in 2016.

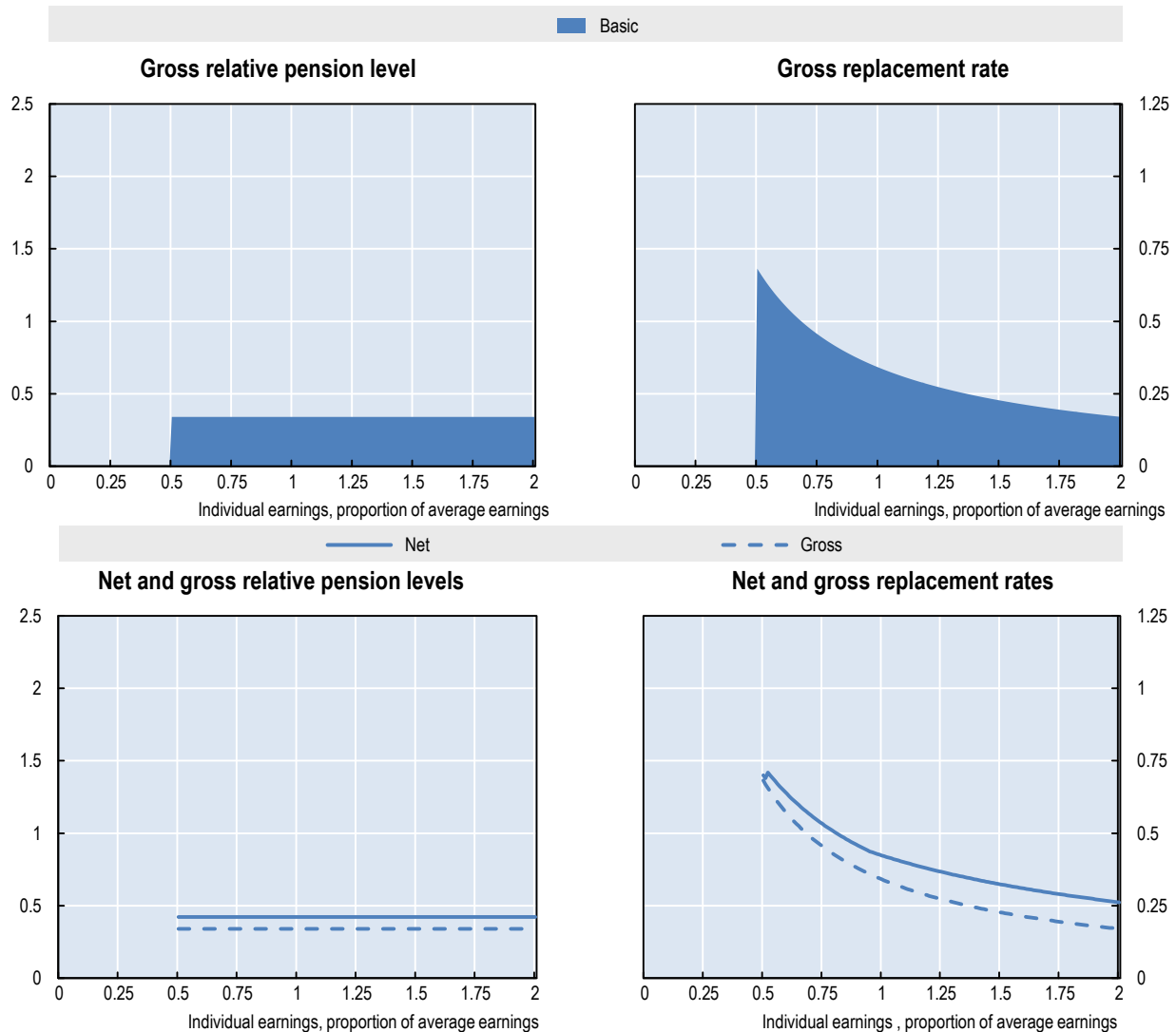
Taxation of pension income

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. From 1 January 2011, the Health Contribution and the Income Levy have been combined to form the Universal Social Charge. This is payable at 1% for incomes below EUR 12 012, 3% for next EUR 6 656, 5.5% for next EUR 51 376 and 8% on the balance for people under 70. The reduced rate for people over 70 whose aggregate income for the year is EUR 60 000 or less was 3% of the balance in 2016.

Pension modelling results: Ireland in 2064 retirement at age 68



| Men Women (where different) | Individual earnings, multiple of average | | | | | |
|---|--|------|------|------|------|------|
| | 0.5 | 0.75 | 1 | 1.5 | 2 | 3 |
| Gross relative pension level (% average gross earnings) | 34.1 | 34.1 | 34.1 | 34.1 | 34.1 | 34.1 |
| Net relative pension level (% net average earnings) | 42.3 | 42.3 | 42.3 | 42.3 | 42.3 | 42.3 |
| Gross replacement rate (% individual gross earnings) | 68.2 | 45.4 | 34.1 | 22.7 | 17.0 | 11.4 |
| Net replacement rate (% individual net earnings) | 70.0 | 53.2 | 42.3 | 32.4 | 26.2 | 18.2 |
| Gross pension wealth (multiple of individual gross earnings) | 13.3 | 8.9 | 6.7 | 4.4 | 3.3 | 2.2 |
| Net pension wealth (multiple of individual net earnings) | 14.6 | 10.4 | 8.3 | 6.3 | 5.1 | 3.6 |
| | 15.0 | 11.4 | 9.1 | 6.9 | 5.6 | 3.9 |

Assumptions: Real rate of return 3%, real earnings growth 1.25%, inflation 2%, and real discount rate 2%. All systems are modelled and indexed according to what is legislated. Transitional rules apply where relevant. DC conversion rate equal 90%. Labour market entry occurs at age 20 in 2016. Tax system latest available: 2015.

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