


Ireland

Ireland: Pension system in 2014

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	34 466	33 036
	USD	41 739	40 007
Public pension spending	% of GDP	5.3	7.9
Life expectancy	At birth	80.6	80.0
	At age 65	19.2	19.3
Population over age 65	% of population	12.6	16.2

StatLink  <http://dx.doi.org/10.1787/888933301913>

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) 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. It requires a minimum average of ten weeks' contributions per year. There is also a minimum total period of paid (as opposed to credited) contributions of 520 weeks (equivalent to ten years' full coverage).

A means-tested State (non-contributory) pension is payable from age 66.

Benefit calculation

Basic

The State Pension (contributory) benefit is EUR 230.30 per week and an additional EUR 10 a week is paid if the receiver is aged 80 or above. If the individual is aged 66 or older, is unmarried or living alone the addition is EUR 7.70 a week.

Targeted

The maximum value of the means-tested State pension (non-contributory) benefit is EUR 219 per week for a single person with an extra EUR 144.70 for an adult dependent aged under the age of 66 for 2014. 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 219 per week. 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of EUR 30 in the means test, and there is an additional earnings disregard of EUR 200: otherwise, the benefit is withdrawn at 100% of income.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 private pension component 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), 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.

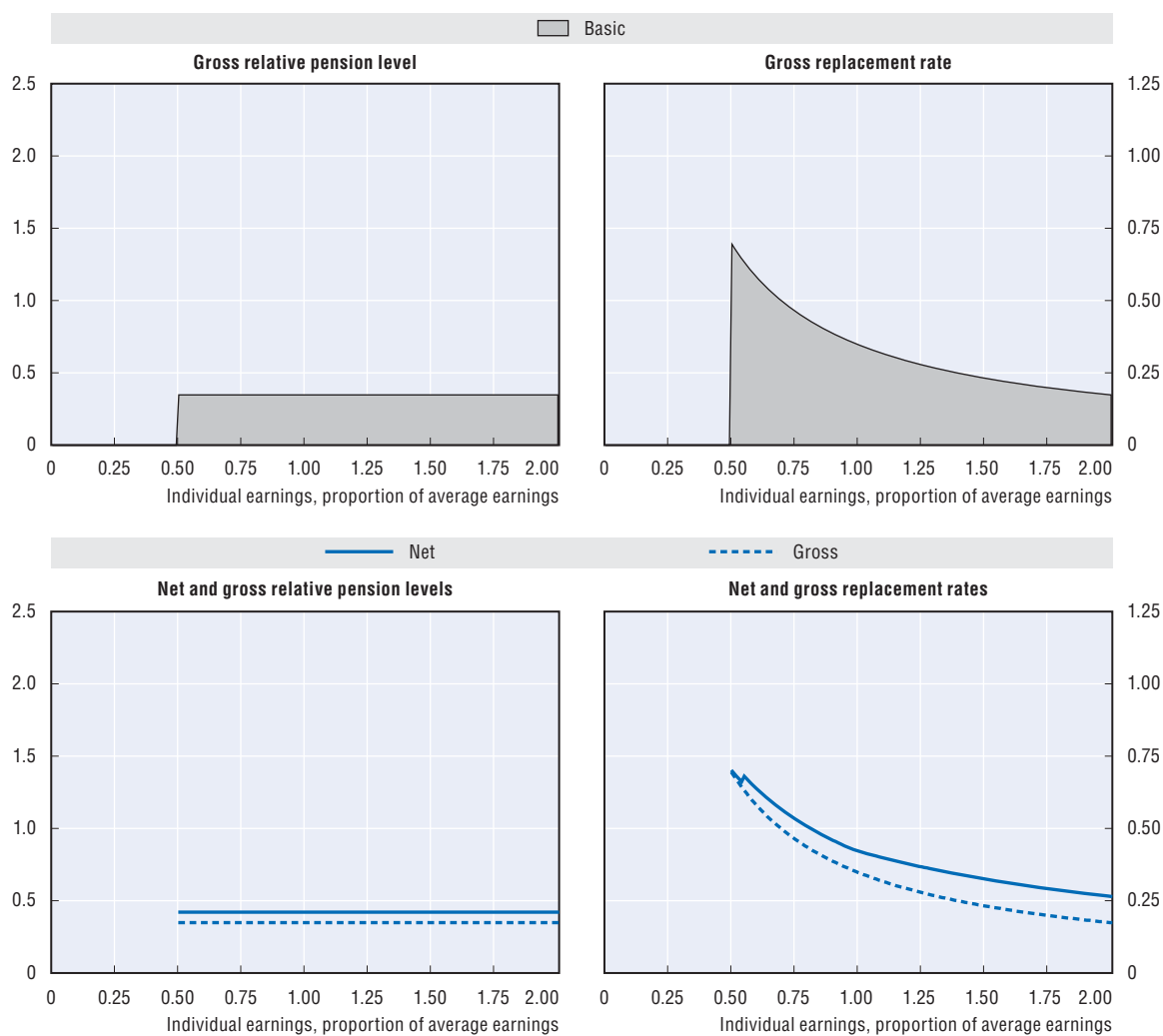
Childcare

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

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 working life, as contributions are credited in respect of such periods.

Pension modelling results: Ireland in 2062, retirement at age 68



Baseline scenario: Legislation scenario (wage indexation of basic pension benefits)

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)	34.7	34.7	34.7	34.7	34.7	34.7
Net relative pension level (% net average earnings)	42.2	42.2	42.2	42.2	42.2	42.2
Gross replacement rate (% individual gross earnings)	69.5	46.3	34.8	23.2	17.4	11.6
Net replacement rate (% individual net earnings)	70.1	53.3	42.2	32.5	26.4	19.2
Gross pension wealth (multiple of individual gross earnings)	12.9	8.6	6.5	4.3	3.2	2.2
Net pension wealth (multiple of individual gross earnings)	14.7	9.8	7.3	4.9	3.7	2.4
Net pension wealth (multiple of individual net earnings)	12.6	8.4	6.3	4.2	3.2	2.1
Net pension wealth (multiple of individual gross earnings)	14.3	9.6	7.2	4.8	3.6	2.4

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 85%. Labour market entry occurs at age 20 in 2014. Tax system latest available: 2013.

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