

Total Contributions Approach (TCA) Consultation 2018 Brokers Ireland Response

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Brokers Ireland

Brokers Ireland welcome the opportunity to reply to the Total Contributions Approach (TCA) Consultation 2018. Brokers Ireland represents over 1,250 Financial and Insurance Broker firms located nationwide. Approximately 900 of these Broker firms advise consumers on their pension requirements for retirement.

In 2016, Brokers Ireland in conjunction with Standard Life carried out consumer research. Some of the interesting findings in relation to Pension was that those who have used a Financial Broker are twice as likely to have a private or company pension and these people are likely to have higher pension funds with the average being €132,650 compared with €111,190 of those who don't consult a Broker.

General Approach

Brokers Ireland believe that there are a number of issues that are of equal importance when considering the introduction of the Total Contributions approach.

Ensuring that those with more PRSI contributions via a longer period of time should receive a proportionally better contributory pension in retirement. However, we believe that there should be allowances made for periods of low PRSI coverage for those who are self-employed or when people are out of the workforce acting as a carer or looking after young children.

The TCA approach we believe will encourage longer working, to improve both sustainability and adequacy. However for those who are already nearing retirement the changes to the current system to move towards TCA should be gradual.

In relation to job seekers payments, we believe that as much weight as possible should be given during this time but that there should be a maximum limit to this specific period.

Priorities in the TCA formula

As mentioned above Brokers Ireland believe that the pension payment rate should reflect the total contributions paid by any person, taking into account periods of low or no PRSI contribution where credits should be awarded. The rate of the state pension contributory, where possible, should be indexed to the cost of living to help pensioners avoid poverty.

Ensuring Sustainability

To ensure sustainability it is vitally important the State Pension Contributory is not viewed in isolation and that those in employment are encouraged to make private provisions for retirement. It is only where there is greater coverage and adequacy through private pension provision that some of the proposals within the consultation will not have an impact on the quality of living for our pensioners. The state has already commenced increasing the state pension age, in line with increased life expectancy and the TCA will increase the number of contributions required for maximum rate.

Special Arrangements

Brokers Ireland agree that this should be a phased in approach where those who qualify in the earlier years will need less PRSI contributions than those who are given sufficient time to build up maximum contributions.

We also agree that there should be more generous home-caring provisions for those reaching State Pension age in the 10 years following 2020 than someone reaching State pension age in later years, in light of the marriage bar (abolished in 1973), limited childcare availability until the 1990s, and other social changes.

For those who were self-employed in 1988 when Class S was introduced should have special arrangements, not available to others, in assisting them obtain a full pension.

End.

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