

Introduction

This document has been prepared by CIF Pension Administration Services DAC (CPAS) and has been provided to the Department of Employment Affairs and Social Protection in response to the consultation paper issued on 22 August 2018 entitled “A Strawman Public Consultation Process for an Automatic Enrolment Retirement savings System for Ireland”.

CPAS is registered with the Pensions Authority as the Registered Administrator for the industry-wide pension schemes covering over 30,000 employees in the construction industry and administering pension and related benefits through these approved schemes on behalf of over 250,000 individual members.

Consultation response

The primary focus of CPAS is to support the effective and efficient delivery of appropriate pension coverage for employees in the construction and related industries through well governed collective multi-employer industry wide pension schemes. Our aims are therefore closely aligned with the Government’s key policy objective of improving pension coverage for Irish citizens.

The multi-employer industry wide pension schemes administered by CPAS provide members with the facility to accumulate retirement benefits prior to retirement via an individual retirement account which build up on a defined contribution basis for the member as they may move from one participating employer to another.

Our comments are as follows:

Section 4.1 AE Strawman - Administrative Arrangements and Organisational Approach

CPAS believes that the approach of a Central Processing Authority (CPA) is a sensible one and will facilitate, particularly for smaller employers, an efficient collection of contributions across weekly and monthly payroll cycles and remittance of those contributions to Automatic Enrolment (AE) ‘Registered Providers’.

In relation to the number and structure of AE Registered Providers, we would comment that the criteria which might be used to select the potential providers be considered carefully. We believe that it may be beneficial to have a system which includes providers with a social partnership and/or not-for-profit led design and thus it will be important that the criteria for assessing the AE Registered Providers is not one which ends up limiting applicants to only commercial providers.

The existing industry wide schemes in the construction sector have the scale and organisational and governance structures in place to assist the Government’s wider objective for improving pension coverage nationally. As the infrastructure for the new CPA is being built, there may be merit in exploring whether the CPA might collaborate with industry wide schemes to efficiently collect and remit contributions for those arrangements in parallel to the AE system.

Whilst the schemes currently provide for the pension benefits of over 30,000 contributing employees, the structures have the scale and ability to support a significantly higher membership if needed. Indeed at the height of construction sector activity in the mid 2000s, the schemes administered benefits for over 90,000 employees. The CPA structure as envisaged could support many smaller operators and businesses within the construction industry efficiently providing pension coverage for their employees

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through both of the AE system (for the AE target population) and the existing industry-wide schemes (for employees outside the target AE population).

Section 4.2 AE Strawman – Target Membership

Within the construction sector, the existence of the Sectoral Employment Orders, which have been agreed by employers and unions within the industry, provide a form of automatic enrolment. The SEOs are designed to target increased pension coverage within the industry as a whole.

Whilst the target population for AE is not necessarily this cohort, the development of the AE system should take into account existing well structured arrangements which contribute to efficiently providing pension coverage on a multi employer and industry wide basis. The two systems should be designed to work in parallel in order to continue to best deliver a national policy objective of good pension coverage.

CPAS supports the primary focus of AE which is to increase coverage overall through providing an efficient and robust system to capture those who are currently making no provision for their retirement needs other than relying on the State Pension. The industry wide pension schemes established within the construction industry play an important role in supporting good pension coverage nationally supporting the pension savings of over 30,000 contributing employees each week.

The proposed AE system should work in a balanced and consistent manner with the continuation of good employer led, multi-employer and industry wide occupational pension schemes. Care will need to be taken in implementing AE that the design does not lead to unintended consequences which detrimentally impact upon existing well run arrangements which provide good level of benefits to participants.

Indeed, it will be desirable that the new AE system not just works well in parallel with but also, where appropriate to do so, supports those larger occupational pension schemes in expanding pension coverage within the Irish population.

The existing industry wide arrangements for the construction industry already incorporate many of the key features which make up the proposed AE strawman including the ability to move from employer to employer within the industry with a ‘pot follows member’ approach, centralised operational and governance structures to lessen the burden on individual employers and fee structures comparable to those envisaged under the AE strawman. Indeed, we believe that the desired 0.5% maximum annual charge for an AE system is potentially achievable, particularly perhaps for those arrangements which might be industry wide or social partner led arrangements.

Section 4.6 AE Strawman – Policy for Opt-Out and Re-Enrolment

The existing Sectoral Employment Orders for the construction industry seek to ensure employers and employees within the industry save for the retirement needs of construction workers. We do not believe that the AE system should incorporate both an opt out facility and a contributions suspension period as the primary aim of pension schemes, including the AE system, should be to ensure that individuals make appropriate savings for their retirement years.