Standard Life

Press release

Government cannot justify cutting pension tax relief in Budget

Report reveals Irish government exceeded (IMF) troika savings target for 2011 & on track for 2012

10 October, 2011

The government cannot justify cutting pension tax relief in the forthcoming Budget, according to Standard Life. A recent report* from actuarial consultants Milliman reveals the pensions sector has exceeded the **troika's (IMF/ECB/EU) savings requirements for 2011. It also reveals that 83% of 2012 savings have already been achieved for 2012, (as at end June 2011).

Recent figures from the Irish Association of Pension Funds (IAPF) show:

- 155% of the 2011 savings target has been achieved. (See Table)

"One hundred per cent of the 2012 target is expected to be achieved, based on a continuation of 2011 trends – i.e. without cutting income tax relief (from 41% to 34%#) on pension contributions," said Nigel Dunne, chief executive, Standard Life Ireland.

"Contrary to public perception, it's completely within the government's gift since they have exceeded their 2011 target and are on track for next year. "The government's priority is to deliver on the savings targets outlined in the National Recovery Plan 2011 – 2014 (NRP). However, there is great flexibility as to *how* those targets are achieved - i.e income tax relief does not have to be chopped to 20% by 2014 as suggested by the NRP," he said.

(In addition, the government has taken a whopping €460.5 million from pension savers this year via the 0.6% levy, which the troika does not include in its calculations towards its annual targets.)

The government has inflicted severe damage on pension savers in the past three years and across the board slashing of more than half a dozen pension benefits[1]. The Milliman report expects:

- Self-employed savings to fall by at least 12.5% in 2011
- €111 million tax-relief savings for the Government due to the reduction in pension contributions in 2011 (behavioural impact of major policy disincentives – see footnote 1 for examples)

"We're confident the government is keen to maintain the delicate balance between meeting the troika's savings requirements and not killing off pension savings, destroying further jobs and potentially impoverishing middle income savers in retirement," said Dunne. "It's also in the national interest to avoid further exacerbating the pensions' time bomb and putting huge pressure to increase state pensions in the future," he said.

- Ends -

[1] Imposition of 0.6% levy on funded pension schemes. Removal of PRSI relief on pension contributions. Reduction of employer PRSI relief on employee pension contributions by 50%. Reduced annual income ceiling from €150,000 to €115,000. Maximum allowable pension fund reduced from €5.4mio to €2.3mio. Tax free lump sum limited to €200,000. Approved retirement funds imputed distribution tax increased from 3% to 5%.

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Notes for editors:

*****Milliman report details reported in the Sunday Times, September 25, 2011

******The troika refers to the IMF,EU, ECB institutions that approved the National Recovery Plan 2011 to 2014 (NRP) designed to enable Ireland reduce its deficit to 3% of GDP by 2014. "To achieve a deficit of below 3% of GDP by 2014, the government has concluded that an overall saving of €15 billion is required. Page 5 NRP

The National Recovery Plan 2011-2014 talks about reducing income tax relief on pension contributions from 41% to 34% in 2012 , to 27% in 2013 and right down to 20% in 2014.

Savings made from pensions sector

	2011 in €mio
Budget 2011 measures	**293**
Reductions in savings	**111**
Total tax savings	**404**
National Recovery Plan targets	260
Percentage of target	**155%**

Source: Irish Association of Pension Funds

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