The National Report For The Republic of Ireland

1. The Actuarial Profession

There are 45 actuaries in Ireland, of whom 6 are in consulting practice and are members of the UK Association of Consulting Actuaries. The profession is represented in Ireland by the Society of Actuaries in Ireland, but the Society is not an examining body and its members are fellows of the UK bodies, viz, the Institute of Actuaries, and the Faculty of Actuaries.

Advice to private occupational pension schemes provides the bulk of the work for consulting actuaries. The trend towards independent professional advice for such schemes has accelerated in recent years, with a move away from the traditional life office deferred annuity contract in favour of a managed fund concept of long term investment.

Consulting actuaries also provide advice to life assurance companies, friendly societies, and general insurers, and are involved with the assessment of damages in fatal and injury claims which come before the Irish courts. Irish legislation requires that expert actuarial advice be given in such cases.

1. Demographic Background

It is estimated that the total work force in Ireland amounts to some 1.2M persons, of whom approximately 25 per cent are self-employed. The majority of the self-employed are engaged in farming. A recent survey carried out by the Irish Association of Pension Funds indicated that almost 60 per cent of employed persons were in pensionable employment. The annual contribution income to occupational pension schemes, both private and insured, is currently running at IR£170M, whilst the total assets of such schemes amount to some IR£1,000M.

2. Economic Background

Ireland has seen a dramatic expansion of its industrial base over the last 20 years. The major influences on this development have been the substantial tax concessions and grants which are provided to manufacturing industry, and the availability of a young and relatively skilled workforce. Ireland's entry to the European Economic Community was accompanied by a significant increase in farming incomes, and this gave a further boost to the economy in general. The benefits of EEC membership have now, however, been fully discounted, and along with its European partners Ireland has suffered in the last two years from the world recession. In an attempt to alleviate the worst effects of the recession on employment the Government pursued a policy of running large budget deficits, financed by substantial overseas borrowing. This policy had some initial success, but unemployment levels are now rising, as is the underlying rate of inflation. The annual rate of inflation as measured by the Consumer Price Index was 18.2 per cent in the year to mid-November 1980, and 23.3 per cent in the year to mid-November 1981. These inflation rates were reflected in the high cost of borrowing during the same period. Inflation and interest rates are likely to remain high in the medium term.

3. Exchange Controls

Ireland's entry to the European Monetary System was accompanied in December 1978 by the imposition of strict exchange control regulations. In effect the overseas content of the investment portfolios of life offices and private occupational pension schemes is restricted to 10 per cent of total assets. The overseas investment restrictions, coupled with the shortage of first class equity shares in Ireland, has created difficulties for investment managers, particularly those advising pension schemes. Representations have been made to the Irish Central Bank in regard to the restrictions, and some minor concessions relating to the investment of annual cash flow were introduced for the calendar year 1981. One cannot, however, envisage any major relaxation in the regulations in the medium term.

4. Social Insurance

The contributory Irish State insurance system embraces all employed persons. The system is funded on a pay as you go basis, and earnings related contributions are made by employed persons and their employers in return for a comprehensive range of benefits covering disability, unemployment, retirement and widow's and orphans' pensions. The benefits take the form of flat rate weekly payments which are, however, reviewed on a regular basis. The current rate (January 1982) of retirement pension payable to a single person is IR£32.20 per week, whilst the additional amounts paid to dependants increases the weekly rate for a married couple to IR £52.75. The rates compare with the average industrial wage of IR£120 per week.

In 1976 the Irish Government published a discussion paper relating to a national income related pension scheme. Representations were made on its contents by interested bodies, including the Society of Actuaries in Ireland, but no formal proposals have as yet been introduced. It is, however, expected that the scheme will provide employed persons with an earnings related supplement to the flat rate benefits calculated as a percentage (possibly 20%) of the difference between their average weekly earnings in real terms over a defined period and the flat rate benefit. A ceiling on the amount of earnings which are taken into account is likely and the scheme will be financed on a pay as you go basis. We expect that the maturity period during which entitlement to the full percentage addition will accrue will be some 10 years, and that contracting out, which was a feature of the UK income related scheme, will not be permitted. It has been the declared intention of successive Governments to include the self-employed within the provisions of the new scheme. At the time of writing this report we do not know whether the difficulties associated with this approach have been overcome.

5. Developments in regard to Occupational Pension Schemes

Whilst the publication of the Government intentions in regard to an earnings related State pension scheme will provide the major stimulus to activity in the occupational pension scheme field, the following areas have required attention in recent years:

(a) The provisions of the Irish Anti-Discrimination (Pay) Act 1974 have required trustees to review the rules of their occupational pension schemes to ensure the harmonisation of benefit provision and entry qualification for male and female members.

(b) With continuing inflation employers and trustees are becoming increasingly concerned with the problem of maintaining the real value of pensions after award and with the consequent financial implications.

(c) Automatic preservation of accrued pension rights for a member of an occupational pension scheme who leaves service is not as yet a legal requirement in Ireland. It is now, however, widely accepted that employer contributions to a pension scheme do in effect represent a form of deferred pay and an increasing number of employers and pension scheme trustees are reviewing their benefit structure with a view to providing deferred pensions for employees who leave service.

6. Developments in regard to Life Assurance.

The life assurance market in Ireland has been influenced to a great extent by UK practice and has developed along similar lines. A number of UK and Commonwealth offices transact business in Ireland, but the State owned Irish Life Assurance Company Limited remains the dominant insurer. In recent years there has been a marked preference for unit linked individual policies and the bulk of the new business written is in this form. Five life offices now offer managed fund investment vehicles to occupational pension schemes, and four of these funds have been launched within the last three years. New licences to transact life assurance business have been obtained by two native and one foreign company in recent years. We are still awaiting legislation to formally implement the EEC Life Directive and to up date and modernise the regulations governing life office practice. It is anticipated that the legislation in this latter regard will prove to be less restrictive than that now in force in the UK.