I.A.C.A. CONFERENCE

National Report - Republic of Ireland

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1. The National Economy

Ireland's economic performance is heavily dependant upon the economic environment within a number of Western economies which constitute its major trading partners. The outstanding growth rate of 7% recorded in 1990 was followed in 1991 by a marked deterioration in economic activity resulting in economic growth falling to ½%. This slow down reflects both the impact of the slower pace of growth internationally on Irish export markets and a marked deterioration of domestic demand as a result of the weaker performance of consumer expenditure and investment demand. The background of weak economic growth together with the virtual cessation of emigration on foot of the rise in United Kingdom unemployment, resulted in a significant rise in unemployment to 18½% of the labour force.

The Balance of Payments position displayed a healthy surplus of IR£870 million (3.75% of GNP) for 1991. Inflation for 1991 was just over 3%, marginally lower than in 1990.

Gross National Product for 1990, 1991 and forecast for 1992 are set out in the following table.

	1990 IR£m	Percentage change in Volume	Percentage change in Price	1991 IR£m	Percentage change in Volume	Percentage change in Price	1992 IR£m.
G.N.P.	22,865	½	2¼	23,546	2	3½	24,930

Exchange Rates at 31st December 1991:

IR£1 = Stg.£0.9351: IR£1 = US$1.7463

The structure of the Irish economy in terms of sectoral employment is broadly as follows:

Employment Sector	Numbers within Labour Force (Average for 1991)
Industry	316,000
Services	649,000
Agriculture	155,000
Total Employment	1,120,000
Unemployed	254,000
Labour Force	1,374,000

Ireland's comparative economic performance within the OECD may be seen from the following table of key indicators for 1991:-

	Real G.D.P. Growth	Unemployment Rate	Inflation	Balance of Payments as % of G.D.P.
	%	%	%	%
U.S.	-0.3	6.8	4.0	-0.3
Canada	-0.9	10.2	3.4	-2.8
Japan	4.5	2.1	2.5	1.9
*West Germany	3.1	5.7	3.9	-0.5
France	1.3	9.5	3.1	-0.8
U.K.	-2.0	8.5	4.0	-1.1
Italy	1.3	11.0	6.7	-1.2
Ireland	1.2	18.5	3.1	3.3
Belgium/Luxembourg	1.9	8.8	3.3	1.9
Netherlands	2.1	6.5	2.7	3.6
Denmark	1.1	9.8	2.8	0.9
Greece	0.3	9.0	17.8	-4.6
Spain	2.9	15.9	6.1	-3.0
Portugal	3.4	4.5	11.7	-1.1
Total OECD	1.1	7.1	4.4	-0.2
EEC	1.4	9.3	4.6	-0.6

- Balance of Payments data refer to all Germany

Source: OECD, IMF, Central Bank of Ireland

Irish economic growth in 1992 is expected to recover to 2 per cent. A significant contribution to this recovery is expected to come from a pick-up in export growth - both agricultural and industrial - as a result of the expected improvement in growth in trading partner countries. In addition, consumer expenditure should exhibit a faster pace of growth and investment demand should recover somewhat in view of the improvement in economic prospects.

2. National Social Insurance Programme

1. Retirement Benefits

All employees are compulsorily insured under the Social Welfare Schemes and normal retirement age is 65 for men and women. A Retirement Pension is payable to those who cease covered employment at 65, provided they became insured before age 55 and contributed for at least 156 weeks between 1953 and their 55th birthday. A yearly average of 48 contribution weeks is required for the maximum pension and 24 weeks for the minimum. The maximum weekly rates are IR£64 for a single person and IR£104.80 for a married couple. Various supplements are payable to dependants and persons aged over 80. At age 66, the Retirement Pension is replaced by the Contributory Old Age Pension, which is paid regardless of whether or not employment has ceased. The same level of pension is paid. No provision is made for retirement earlier than age 65. The practice has been to index benefits to prices - occasionally somewhat more is granted.

2. Death Benefits

Social Welfare pays a spouse's pension provided certain contribution conditions are satisfied on either spouse's insurance record. The maximum basic weekly rate varies according to the spouse's age and is currently IR£58.20 for those under age 66. Supplements are paid for later ages. Social Welfare pays a weekly orphan's pension of IR£36.40 to a child who has lost both parents and is under age 18 (21 if in full-time education). A small lump-sum death grant is also paid by the State.

3. Sickness and Disability Benefits

The State pays a benefit on disability, partly flat rate and partly earnings related, to all employees who satisfy certain contribution conditions. This is paid from the fourth day of illness until the employee returns to work or attains age 66, provided the employee has contributed for at least 156 weeks. If there are less than 156 contribution weeks the benefit ceases after 51 weeks. The current maximum basic rate benefit is IR£50 per week. The State invalidity pension is payable to those who are permanently incapable of work and satisfy the contribution conditions and who will normally have been receiving the disability benefit for at least 12 months. It is payable for as long as the employee is incapable of work or until the Retirement/Contributory Old Age pension becomes payable. The maximum weekly rate is IR£56.40 for those under age 66. Supplements may be payable for dependants.

In addition to the flat-rate disability pension, a pay-related benefit may be available. The benefit is based on gross pay between IR£72 and IR£220 per week, in the tax year prior to the year in which benefit is initially paid. The benefit is 12% of reckonable earnings for a maximum of 62.5 weeks and subject to a waiting period of three weeks. The maximum combined flat-rate and pay-related disability benefit may not exceed 80% of average weekly take-home pay, or the salary ceiling, whichever is lower. (This supplement is also paid on maternity and unemployment but with a maximum total percentage of 85%.)

4. Leaving Service

Under the statutory heading, an employee who is made redundant receives a lump-sum payment equal to one week's normal pay, plus 50% of such pay for each year of employment between ages 16 and 41, plus one week per year's employment after age 41. This benefit is in addition to any other benefits payable under the Social Welfare system, which usually provides benefits of the same amounts and duration as the disability benefits described in the above paragraph.

5. Medical Benefits

All insured workers and their dependants are eligible for State assistance towards the cost of drugs and medicines.

6. Workmen's Compensation

The Industrial Injuries and Occupational Diseases Scheme covers all employees. There are no contribution conditions. Injury benefits are usually paid from the fourth day of incapacity, for a maximum period of 26 weeks. These consist of a flat-rate weekly benefit, currently IR£67.40 plus, in certain cases, an earnings-related supplement. A disablement benefit is payable either when injury benefit ceases or from the fourth day of disability, on a scale dependent on loss of earnings capacity. The maximum benefit is IR£75.40 per week. A constant attendance allowance may also be payable. Medical care and attention costs necessitate by an occupational accident or disease will be met if these are not already covered by the State.

7. Contributions

Social Security contributions are earnings related. The current rates are:

Employee: 7.75% on earnings up to IR£18,000, plus 2.25% on earnings over IR£18,000. The employer contributes 12.20% on salaries up to IR£19,300.

3. Occupational Pension Schemes

The most significant development in relation to occupational pension schemes in Ireland since the Auckland IACA Conference has been the enactment of the Pensions Act 1990. This Act is designed to regulate occupational pension schemes primarily from the perspective of members and beneficiaries. Its principal features are:-

1. The establishment of a Statutory Pensions Board.

The Pensions Board is comprised of members representing employers, trade unions, the pensions industry, the actuarial profession, the accounting profession, the legal profession and the Ministers for Finance and Social Welfare. Appointments to the Board are made by the Minister for Social Welfare.

The primary functions of the Pensions Board are to monitor and oversee the implementation and effectiveness of the legislation and to advise the Minister for Social Welfare on matters generally related to pensions in Ireland.

It has certain specific powers such as, for example, to investigate complaints from individual pension scheme members and to institute Court proceedings against offending parties in the event of non compliance with the requirements of the Act.

The Board was established in December 1990 and currently has its own Chief Executive and support staff. Its aim is to be self financing from contributions payable from the resources of occupational pension schemes.

2. Preservation of Benefits for Early Leavers

The Act requires mandatory preservation of benefits for early leavers which accrue subsequent to 1st January 1991. There is a five year qualifying service period of which two years must fall after 1st June 1991. Where benefits are defined in terms of salary and service, the preserved benefit is determined by reference to service after 1st January 1991 and by reference to salary at the date of leaving. From 1st January 1996 statutory preserved benefits must be indexed during the deferred period on a year to year basis at the lesser of 4% per annum or the rise in the Consumer Price Index.

For defined contribution schemes the preserved benefits relate to the accumulated contributions paid by or on behalf of individual scheme members subsequent to 1st January 1991.

3. Minimum Funding Standard - Defined Benefit Schemes

The Act introduces the concept of a minimum funding standard for Defined Benefit Schemes. The funding standard takes full effect after 10 years from 1st January 1991 at which stage the Actuary must certify that the scheme has adequate resources to meet in full its accrued liabilities (with an allowance for expenses) related to past service and the then current salaries if it were wound up.

During the initial 10 year period the Scheme must have adequate resources to meet pensions in course of payment, statutory preserved benefits and at least the same percentage of benefits related to service prior to 1st January 1991 as it had when the first Actuarial Funding Certificate was signed - this must be within 3 years of 1st January 1991 - together with expenses of administering a winding up.

4. Disclosure of Information

The Act provides that members must have access to personal information about their entitlements together with access to financial information about their scheme and to relevant documentation.

The Trustees are obliged to produce an Annual Report for members containing relevant information regarding the Scheme's accounts and investments. The Actuary's Valuation Report must also be made available.

5. Trusteeship

The Act complements general Trust Law in that it clarifies - and in certain respects specifies - the duties and responsibilities of Trustees. All schemes must be registered with the Board and there is a commitment to give effect to member representatives among the Trustees.

In the event of non compliance with the Act the Pensions Board may petition the High Court for the removal of Trustees and the appointment of new Trustees.

6. Equal Treatment of Men and Women

This part of the Act is designed to complement equal pay legislation by removing elements of ambiguity regarding equal treatment of men and women within occupational pension schemes and occupational benefit schemes generally.

Broadly speaking, in defined benefit schemes, equal benefits must be provided and in defined contribution schemes equal contributions must be paid on behalf of members.

The principle of equal treatment as enshrined in the Act is that there shall be no discrimination on the basis of sex in respect of any matter relating to an occupational benefit scheme.

Occupational Pension Schemes - Consulting Issues

Actuaries to occupational pension schemes will obviously have a key role to play in relation to the Pensions Act 1990, particularly as regards to the operation of the statutory minimum funding standard.

There are three actuaries on the Pensions Board - the author as a representative of the Society of Actuaries in Ireland and two others representing other interest groups. These actuaries play a leading role in drafting regulations under the Act and in advising the Board and the Minister generally as regards further development of the legislation.

Consulting Actuaries in Ireland are continually involved in compliance work related to the new Accounting Standard - SSAP-24 governing the treatment of pension costs in company accounts. In the case of subsidiary companies of American multinationals, Actuaries in Ireland are well used to dealing with the provisions of the US Financial Accounting Standard FAS 87 and FAS 88.

4. Life Assurance Industry

There are currently 23 life assurance companies writing new business in Ireland. It is interesting to note however that in terms of new business written during 1990, 8 companies

accounted for over 90% of single premiums and 12 companies for over 90% of new annual premium business.

It is also interesting to note that of the 23 companies, 7 are purely branches of overseas operations, with a further 4 which are branch operations but also write unit-linked business through a local subsidiary. A further 7 are subsidiaries of non-Irish insurance companies; the remaining 5 are respectively the life assurance subsidiaries of the two major retail banks, Irish Life (which was previously State-owned but was privatised during 1991), a subsidiary of an Irish general insurer and a captive insurance company which provides insurance solely in respect of the membership of the very substantial credit union movement in Ireland.

Traditionally Irish Life has dominated the market, although its position has been somewhat eroded in recent years. In particular, the entry into the life assurance market of the two major Irish retail banks, who have both established unit-linked life assurance subsidiaries recently, has made the market noticeably more competitive.

During 1991, the Irish Government sold 56% of Irish Life (the Minister for Finance previously owned 90%) representing the biggest sale of equities ever on the Irish market.

The Irish life market is heavily biased towards savings products and competes for savings business with the banks/building societies and the post office (which can offer particularly attractive terms because of its special tax status). Single premium business is very important to the life assurance industry and until recently (unlike the UK) there has been little competition from unit trusts. However, the implementation in the 1989 Finance Act of the EC UCITS Directive, together with a more favourable tax regime than previously applied, has somewhat increased the amount of competition from unit trusts. The life assurance industry still has a virtual monopoly on individual pensions business, which has been a primary growth area in recent years.

Traditionally products have been distributed through insurance brokers (including part-time intermediaries, accountants, solicitors etc.) and company agents. More recently a number of alliances have been formed with some of the building societies and savings banks in order to distribute life assurance products through the branch networks of these organisations. In addition, there have been moves by some companies to establish networks of tied agents.

For a number of years, the Irish market has been dominated by unit-linked business: around two-thirds of new annual premium business in 1990 was unit-linked, with the majority of annual premium with-profits business being written by branches of UK head offices. However more recently, due primarily to difficult investment conditions, there has been a swing back to with-profit, in particular for single premium investments. Also, a recent popular innovation has been the "unitised" bond with a guaranteed minimum return, at the end of the term, of capital invested together with an appropriate percentage of the return on a particular index over the period. New products developed for the annual premium market also include a unit-linked policy with an element of guaranteed return. Some "dread disease" products have also been introduced to the market in recent years, with limited success.

Over the past few years, the tax relief which had previously been available on life assurance premiums has been significantly eroded and is likely to be abolished completely in the 1992 Budget. Life assurance premiums (both single and annual) are subject to a levy of 3% of the premium (in the case of annual premiums, the levy applies only to the first year's premium). Lobbying by the insurance industry during 1990 for the removal of this levy in order to create a level playing field with investment in unit trusts brought about the imposition of a similar levy on unit trusts in the 1990 Finance Act.

A significant amount of work is carried out by consulting actuaries in the Irish life assurance market, albeit that most of the consultancies involved are operating from the UK. Consulting actuaries fulfil the role of appointed actuary in 5 of the 16 life companies with Irish head offices. During 1991, the privatisation of Irish Life provided a significant amount of work for almost all of the firms of consultants active in the market.

5. General Insurance Industry

There are around 50 general insurance companies active in the Irish market, together with a significant amount of insurance activity (principally captive insurance business) directed outwards from the International Financial Services Centre in Dublin (significant tax incentives are available to companies locating in the IFSC and writing business overseas). Actuarial activity in the general insurance market has been relatively limited in the past. However, there have been moves in the right direction, with three Irish General insurers now employing their own actuaries and a number of others who obtain actuarial consultancy advice. There is an active General Insurance Sub-Committee of the Society of Actuaries in Ireland and two of its members recently presented a first paper on general insurance to the Society.

6. The Actuarial Profession in Ireland

The Society of Actuaries in Ireland has 120 Irish based members. All members are either Fellows of the Institute of Actuaries or the Faculty of Actuaries. Overseas membership is available to non resident members: at present 100 actuaries - mainly from the United Kingdom - have availed of this facility.

The Society does not have a specific educational role but is involved in training to the extent that it organises lectures and tutorials in certain subjects for students. It has also pioneered links between certain subjects and one of the Universities. The Statistics courses are now taken through evening lectures at the University. Recently two Universities have established three year degree courses in Actuarial Studies which can gain a successful student exemptions from some of the Institute or Faculty courses.

The Society is influential at Government level in that it plays a prominent role in discussions between Government Departments and industrial bodies in both insurance and pensions matters.

The actuarial profession in Ireland is growing rapidly - there were 20 newly qualified Actuaries in 1990. This growth rate presents challenges to the profession to diversify its skills into non traditional areas and actuaries are increasingly prominent in investment circles and general management.