

Global Retirement Reality Report

Ireland Snapshot

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Here are seven key insights into Irish employers' evolving perspectives on retirement from our 2019 Global Retirement Reality Report (GR3).

Our 2019 Global Retirement Reality Report focuses on pension plan sponsors.

In order to better understand the goals and challenges that plan sponsors face, we surveyed 195 plan sponsors in five markets: Australia, Ireland, the Netherlands, the United Kingdom and the United States. The survey, conducted in conjunction with YouGov, covered plan sponsors with responsibility for around 1.5 million members in total.

Our global results highlight an important trend of increased individual ownership as countries become more dependent on the defined contribution (DC) model of retirement saving. With relatively low levels of DC participation and savings in Ireland, we found that Irish employers still feel partly responsible for their employees retirement outcomes. However, there are a number of areas where plan sponsors have identified a need for further support.

This report explores some of the results from the Irish plan sponsors surveyed and identifies key findings for those running pension plans, policy makers and service providers. In places, we have made comparisons with the results from our 2018 Global Retirement Reality Report, which surveyed 9,451 individual DC savers, including 602 from Ireland.

Key Findings

- 1 Do It for Me** Plan sponsors don't want to get into the weeds of investment design and are happy to outsource fund selection as long as the solutions are easy to implement, maintain and monitor. Simplicity is key.
- 2 Room for Improvement** Respondents estimated that only 36% of their members would be able to retire and live as they currently do. UK experience has shown that automatic enrolment can improve this to some extent; however, to really improve adequacy, high levels of savings and engagement are needed as proposed in the government's pension reform plans. In addition, measures should be in place to support working at older ages and phased retirements.
- 3 A Helping Hand** Members see themselves as responsible for their retirement adequacy, but Irish employers still feel a degree of ownership. This could be a reflection of the DC system still being in its relative infancy in Ireland.
- 4 Keeping Options Open** Plan sponsors were unclear on how their members will access benefits at retirement. DC investment strategies should be designed with this in mind, keeping options open at the landing point.
- 5 A Joint Effort** Access to advice is seen as very important. It was noted that friends and family have a strong influence in providing members with advice and therefore communications campaigns should be designed to build trust and familiarity.
- 6 Doing Good and Doing Well** ESG is attractive and isn't expected to compromise returns. However, sponsors identified limited product availability and higher costs as inhibitors to ESG adoption. Cost-effective solutions, such as ESG index funds, can help address these challenges.
- 7 Changes Ahead** Automatic enrolment is expected, however, demographic factors are expected to drive the greatest change over the next three to five years.

Survey Methodology

In the first half of 2019, State Street Global Advisors commissioned YouGov to conduct interviews across five countries representing a range of retirement systems. We interviewed 195 DC plan sponsors:

Region	Number Surveyed
Australia	41
Ireland	30
Netherlands	37
United Kingdom	45
United States	42

Our Irish report focuses on seven key findings specific to Irish plan sponsors, providers and policy makers.

1

Do It for Me Plan Sponsors Don't Want to Get Into the Weeds of Investment Design

We wanted to understand what was important to plan sponsors and their organisations.

Plan sponsors often have competing priorities when it comes to overseeing the pension plan and meeting their company's strategic objectives. In Ireland, 67% of plan sponsors surveyed were willing to delegate the selection of specific funds to include/exclude from the default, which could reflect their desire to focus day-to-day work on other matters.

Whilst globally, most respondents said that "doing the right thing for my retirement plan's members/employees" was most important, Ireland and the UK bucked the trend by placing "recruiting and retaining talent" of greater importance. Whilst most plan sponsors want to go beyond regulatory minimums, to Irish employers, the pension scheme is certainly used as a tool to promote working for the company, with meeting retirement objectives secondary.

Please rank the following in terms of importance to you and your organisation when it comes to sponsoring a pension plan

Figure 1
Recruiting and Retaining Talent Takes Top Rank
% Ranking First

Recruiting and retaining talent	53%
Doing the right thing for my retirement plan's members / employees	23%
Workforce management	13%
Having a best-practice retirement plan according to local regulation	10%

Source: State Street Global Retirement Reality Report 2019. n=30.

When asked about the factors taken into consideration when selecting a provider, the majority of Irish plan sponsors said that “making sure that the plan is easy for the employer to implement, maintain and monitor” was most important.

When you think about selecting a provider for your retirement plan, what are your key goals/objectives?

Figure 2
Ease of Implementation is Key for Plan Sponsors
 % Ranking First

Making sure that the plan is easy for the employer to implement, maintain and monitor	47%
Ensuring that the plan offers an appropriate range of investment options	23%
Making sure it is easy for employees to use and understand	13%
Minimising cost and / or fees charged	10%
Member communication and engagement (availability of webportal, app, website, service desk)	7%

Source: State Street Global Retirement Reality Report 2019. n=30.

2

Room for Improvement There is Low Confidence in Members Being Able to Maintain Their Current Lifestyle in Retirement

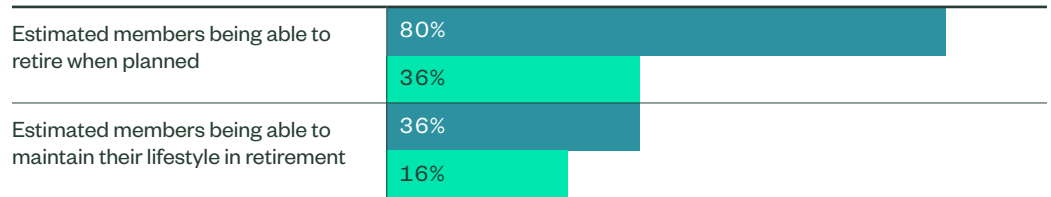
Irish plan sponsors appear to be the most confident of the countries we surveyed, with 80% indicating that their members will be able to stop working at retirement age. But they are far less confident about members being able to live as they currently do, suggesting real concerns around income in retirement.

When we surveyed individual savers back in 2018, only 36% of people approaching retirement felt they would be able to retire when they planned, which may indicate that hopes of early retirement had been dashed along the way. Only 16% felt they would be able to maintain the lifestyle they had.

Figure 3
Sponsor Expectations and Member Realities On Retirement Timing And Lifestyle

As estimated by:

- Irish Plan Sponsors
- Irish Plan Members



Irish Plan Sponsors Source: State Street Global Retirement Reality Report 2019. n=30.

UK Plan Sponsors Source: State Street Global Retirement Reality Report 2019. n=45.

Irish Plan Members Source: State Street Global Retirement Reality Report 2018. n=602.

Members appear far less confident of what their own retirements will look like. This may, in some part, be due to much media coverage around the “pensions time bomb” and “unpreparedness” in Ireland as people hunkered down and waited for the outcome on the debate around pension reforms to be addressed.

It may also be partly due to delayed payment of the State Pension — people will have to wait longer to get it. In 2021 (just two years away) Irish retirees will have to wait until their 67th birthday to receive it, and this changes to 68 towards the end of the decade.

The increased optimism that plan sponsors displayed could partly be explained by some employers still enforcing compulsory retirement ages. It may be that many members are retiring on the date planned, at the cost of adequacy in retirement. Policy makers should consider measures to support phased retirements and flexibility in order to allow members to accumulate assets for longer.

In comparison, UK plan sponsors are less confident on members’ ability to retire on time, and are only slightly more positive on what their members’ retirement looks like compared to today’s lifestyles. The UK, where auto-enrolment has been present for a number of years, has markedly higher participation and savings rates observed compared with Ireland, however, our survey results suggest that auto-enrolment alone isn’t enough to improve retirement confidence.

A Helping Hand Members Are Responsible for Their Own Retirement Outcomes, However, Employers Recognise that They Also Have a Role to Play

We asked respondents to rank who is most responsible for ensuring that members have an adequate income in retirement. With the exception of the Netherlands, who placed responsibility firstly at the employer’s feet, the consensus is that responsibility lies with the member. In Ireland many plan sponsors believe the employer is equally responsible.

Who is most responsible for making sure members/ employees have adequate income in retirement?

Figure 4
Members and Employers Equally Responsible for Outcomes
 % Ranking Most Responsible

Plan members / employees	30%
Employer	30%
The State	27%
Pension provider	13%

Source: State Street Global Retirement Reality Report 2019. n=30.

Members in our 2018 survey showed that they were embracing the individual responsibility that comes with DC pension systems, with 74% of the working population stating that they were most responsible for their retirement, but they also wanted a little help and guidance.

4

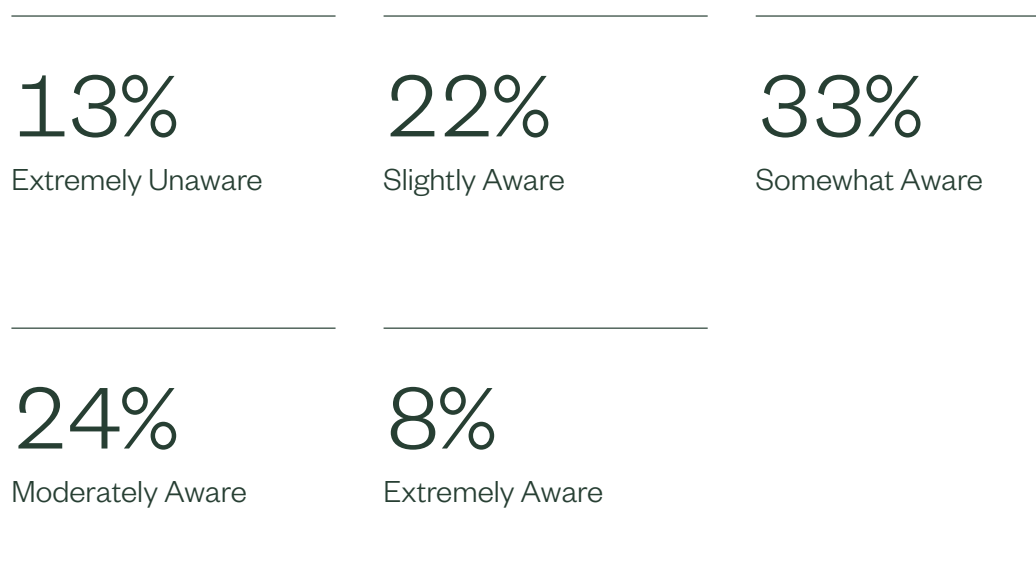
Keeping Options Open Respondents Weren't Entirely Clear on How Members Will Access Their Benefits at Retirement

Irish legislation allows for members to purchase an annuity, use income drawdown (approved retirement fund), withdraw a cash lump sum, or a combination of these three at retirement. However, only 13% of plan sponsors surveyed had a clear idea of which option their members would choose at the point of retirement.

In addition, our 2018 member survey revealed that savers did not feel fully aware of the options available to them:

Do you feel you are fully aware of all the options available to you in terms of planning for your retirement?

Figure 5
Members Unclear on Options for Retirement



Source: State Street Global Retirement Reality Report 2018. n=548.

Plan sponsors were in agreement that members need better guidance when it comes to retirement savings. When asked what the main gaps in retirement offerings were, some plan sponsors answered:

“ New members are not aware about the defined contribution plan. They should educate people about these schemes.”

“ Complexity and lack of communication.”

“ Proper communications.”

There is clearly more scope for education and advice around the retirement options available to members. In addition, we believe that investment strategies should follow a single glide path and landing point that are appropriate for the various options members have at retirement, meaning members do not have to choose what to do with their savings until they are ready.

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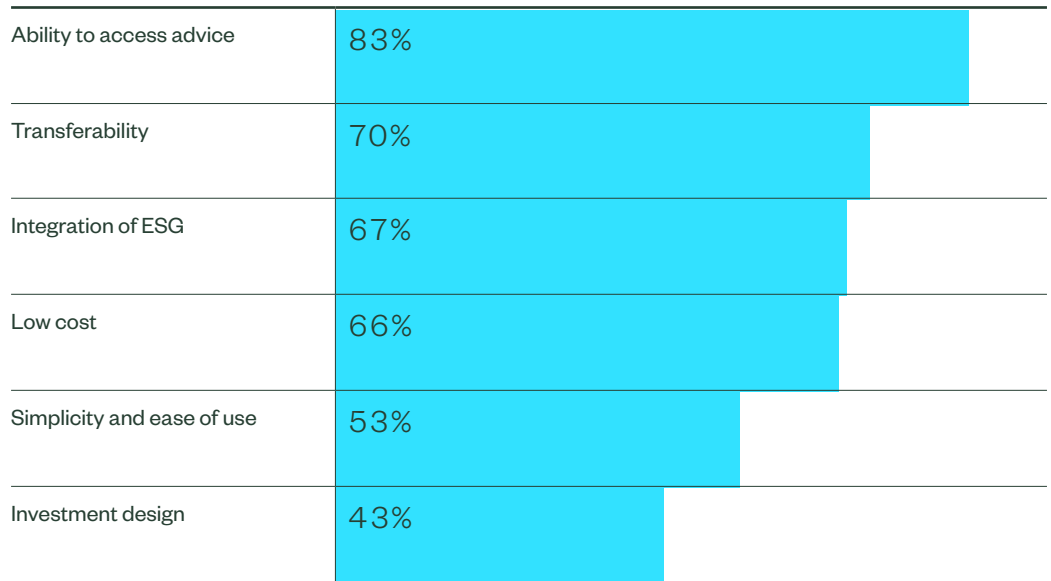
A Joint Effort Advice Is Coming From a Range of Different Sources

We asked our respondents how much they think members valued different features in their retirement plans:

According to plan sponsors, the ability to access advice is valued the most, with 83% of respondents stating that this is likely to be either extremely or very important to their members.

How much do you think that employees/members value the following in a retirement plan?

Figure 6
Plan Sponsors Believe Advice is Most Valued by Members
 Ranking either extremely important or very important



Source: State Street Global Retirement Reality Report 2019. n=30.

We asked our respondents the extent that the responsibility of providing members advice sits with various groups. Globally, there was a consistent view that most of the responsibility in sourcing this advice should sit with the members themselves.

How much responsibility, if at all, do you think each of these parties have for providing employees/members with advice regarding their retirement savings?

Figure 7
Members are Most Responsible for Sourcing Advice

Response	Source of Advice (% ranking either "extremely responsible" or "responsible")				
	NL	IRE	UK	US	AUS
Employees Themselves	78	80	91	88	83
Employer / Plan Sponsor	68	83	71	62	51
Independent Financial Advisor	54	83	69	64	49
Government	57	60	53	52	51
Record Keeper / Administrator	57	53	44	55	37
Friends / Family	35	83	33	29	39

Not Responsible  Responsible

Source: State Street Global Retirement Reality Report 2019. n=195.

However, our Irish plan sponsors believe "friends and family," "independent financial advisors" and "the employers" are also important advice sources for their members. Interestingly, 31% of members surveyed in our 2018 Global Retirement Reality Report placed "friends and family" in their top three places of where they would seek help, setting Ireland apart from other countries.

Whilst these findings may appear to be anomalies when compared with the other regions surveyed, previous research has supported the strength of the family influence in Ireland. In a 2012 survey of Irish attitudes and values, 62% of people identified family and home as the biggest influences on their thinking and opinions.¹ This appears to still hold true in 2019: 83% of our plan sponsors believe friends and family are a core source of advice for members. It is therefore clear that savers look to the people in their immediate surroundings for help and guidance and we should consider why that is. Is it a trust issue? Is there concern that advice from other sources may be confusing or too technical? Or concern that lack of financial knowledge may lead to a sense of inadequacy when speaking with experts? People recognise that they need advice and should be comfortable that they can source, understand and trust advice from industry experts.

In addition to where the responsibility of providing advice should sit, we asked our respondents about their views around who should bear the cost of this advice. The average response globally to this question was the "employee themselves." Again, our Irish respondents showed a different result, with 67% saying that the cost of advice should be covered by the government.

Policy makers may want to consider communications and education campaigns that help deliver information on retirement options at a wide scale. Beyond this, employers and providers should look to build trust with their members by using simple, consistent language in familiar settings.

Doing Good *and* Doing Well ESG Isn't Expected to Harm Returns

All plan sponsors surveyed in Ireland said they felt that it is important to incorporate environmental, social and corporate governance (ESG) considerations into their plan's investments.

Despite this perceived popularity among ESG-focused investments, we know in practice that many plans have not yet taken the step to incorporate ESG in their investment line up to date.

We asked respondents what the reason for not incorporating ESG so far was. In the past, choosing values such as ESG or performance was often presented as a zero-sum game (i.e., driving impact came at the cost of better returns). We believe this is a false choice and that a company's environmental actions, social behaviors and governance practices can have a meaningful impact on performance.² Our survey indicated that many plan sponsors have also recognised this false choice, with only 33% reporting "lower returns" as the key reason for not incorporating ESG to date.²

Close to half of plan sponsors (47%) attributed not incorporating ESG to limited product availability, and 40% noted cost as an inhibitor. The Irish government's recently launched "Ireland for Finance" strategy for the development of the international financial services sector to 2025 includes sustainable finance as one of its three "horizontal" priorities.³ Recognising that Ireland has done some significant work in this sector, action points will be identified with a view to delivering improvements that will enable Ireland to increase its global competitiveness in this area.

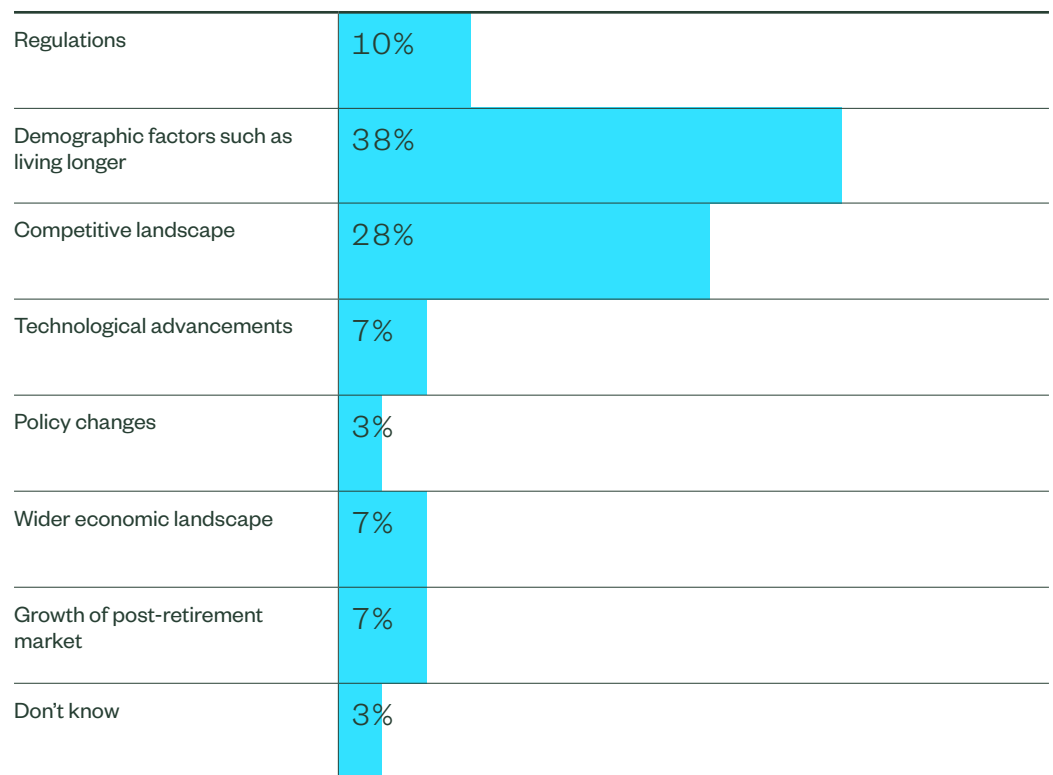
This will supplement the call for the industry to continue to innovate in products that not only incorporate ESG values, but also offer value for money. We believe ESG index funds can help achieve these goals.

Changes Ahead There is Confidence that Auto-enrolment will be Introduced, but Perhaps Behind Schedule

Irish plan sponsors felt that demographic factors such as living longer and the competitive landscape would be the greatest source of change for the pensions environment over the medium term. This is somewhat surprising given the amount of attention that has been given to the pension's roadmap and pension reforms of late. It may, however, reflect the bruising that government has taken during the consultation process. Matters such as entry ages, delayed state pensions payments, income levels and tax relief are among some of the many reasons the pensions industry in Ireland is unhappy. This could suggest that our plan sponsors feel these reforms are further away than the 2022 deadline.⁴

What do you think will be the main source of change for your plan over the next 3–5 years?

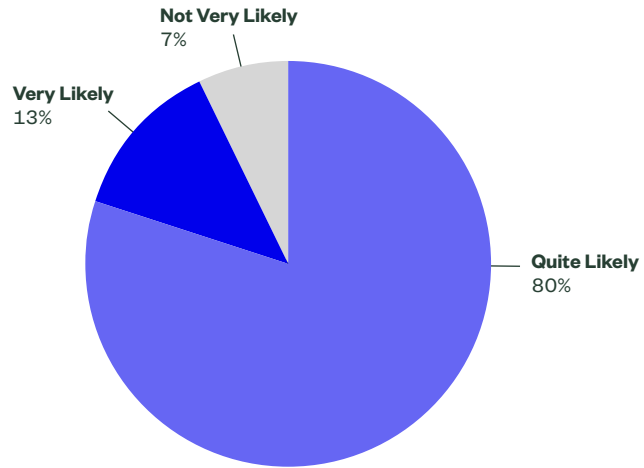
Figure 8
Demographics to be Main Source of Change



Source: State Street Global Retirement Reality Report 2019. n=30.

There is, however, still a high degree of confidence that auto-enrolment will be implemented in Ireland, with 93% of respondents stating this was likely.

Figure 9
**The Future Of
Auto-Enrolment**



Source: State Street Global Retirement Reality Report 2019. n=30.

We asked respondents what the most important elements of the auto-enrolment system should be. Responses included:

“ **Affordability and transparency**”

“ **The individuals enrolled should remain in the plan**”

“ **Flexible and transparent pension saving plan**”

Conclusion

Although Ireland has already embarked on the journey to greater DC adoption, the DC pension system is still relatively new. As a reflection of this, Irish plan sponsors in our survey showed a greater degree of ownership towards savings adequacy and communications/ advice. This is a trend that we may see fade to some extent as there is wider acceptance that individual savers are most responsible for their retirement outcomes.

Although change is expected, we believe the key findings in this report can help guide employers, policy makers and service providers.

For further help and support, please speak to us about our:

Timewise Target Retirement Funds A dynamic, adaptable and intuitive investment solution for DC members, robust to the uncertainty that plan sponsors face.

ESG Capabilities Aiming to deliver both on return and values.

Member Engagement Expertise helping you develop a clear and educational communications campaign.

Policy Perspectives See our insight on the Irish pensions policy debate:
<https://ssga.com/dc/2019/smart-defaults.pdf>.

Endnotes

- 1 The Irish Times, "The Changing Irish Family," 21 March 2015. <https://irishtimes.com/life-and-style/the-changing-irish-family-1.2146952>.
- 2 State Street Global Advisors, "Building a Core with a Conscience," 31 May 2018. <https://ssga.com/defined-contribution/uk/en/articles/2018/building-a-core-with-a-conscience.html>.
- 3 Government of Ireland, "Ireland for Finance," 26 April 2019. <https://gov.ie/en/publication/526a06-ireland-for-finance/>.
- 4 Irish Association of Pension Funds (IAPF), "Ireland misses 80% of target dates in pension reform plans," 3 June 2019. <https://iapf.ie/News/News/?id=108>.

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