IRISH CONGRESS OF TRADE UNIONS, JULY 2018

YOUR QUICK GUIDE TO GOVERNMENT'S PROPOSED CHANGES TO THE OLD-AGE CONTRIBUTORY PENSION

Government is changing the way entitlement to the Contributory State Pension is calculated.

Congress recognises the failings and unfairness with the current 'Yearly Average' method, and agrees in principle with the move to a 'Total Contributions Approach'. However, Congress rejects a number of the rules and conditions being proposed and are actively campaigning for amendments*.

Government's Proposal	Congress's Response
40 qualifying years (2080 social insurance contributions in total) will be required for a full pension of €243.30p.w.	This is too high a target for many older workers for whom paying contributions was not compulsory in the 1970s and '80s. 30 qualifying years as originally committed to by Government is a fairer requirement.
The new calculation method will be introduce for all applicants reaching pension age from January 2020 onwards.	An option to calculate pension entitlement under the old or new method and be awarded the higher pension must be available to people nearing retirement and who have a reasonable expectation that their State pension entitlement would not change significantly.
A 10-years (520 contributions) cap on the credits awarded for gaps in employment over an applicant's working life due to specified circumstances, e.g. unemployment, illness.	Increase the cap on credits in line with any increase beyond 30 qualifying years for a full pension to preserve the level of protection of workers' insurance record. Introduce credits for career breaks taken to retrain.
20-years credits (1040 contributions) for caring for your own children up to age 12 or caring for a sick relative of any age.	The limit on backdating caring periods to post-1994 will be removed, something Congress has called for. By international standards, the HomeCaring Credit is a reasonable provision for preserving the pension of carers.
Retaining the minimum paid contributions test of 10-years (520 contributions) for a reduced pension.	Immediately reinstate the pre-2012 paid contribution test of 5-years (260 contributions). Over time follow the UK in abolishing this requirement and remove the distinction between paid contributions and credits.
Benchmark the payment rate at 34% average earnings and index-linking future increases in the pension to increases in wages and prices.	This move will provide pensioners with greater income certainty on the value of their pension and keep them above the poverty line. The 34% target should be viewed as a guaranteed minimum and surpassed as finances allow.
The qualifying pension age will increase to 67 in 2021 and to 68 in 2028. There will be no further increases prior to 2035. Thereafter changes will be linked to increases in life expectancy.	Government is going too far too fast – we will have the highest pension age in the developed world in 2028. Reinstate the transition State pension. Consult on steps to address population ageing. A lower pension age for workers who worked from a young age.

* **Congress's submission to the consultation on the Total Contribution Approach is available at www.ictu.ie**