THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

IRISH PENSION SCHEMES, 1969

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BROADSHEET No. 5 *May 1971*

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The paper has been accepted for publication by this Institute and the authors are responsible for the contents of the paper, including the views expressed therein.

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FOREWORD

Interest in pension schemes has grown considerably in recent years. This is mainly due to two factors, the emphasis placed on fringe benefits by employees and trade unions and the need to encourage savings to provide increased employment opportunities and to reduce inflationary pressure.

The importance male manual workers attach to pension schemes was brought out in a recent survey of a representative sample covering the whole country.[1] To the question "Would you prefer any one of the following instead of a pay increase or not?" 27 per cent expressed a preference for a pension scheme or a better pension. Another survey by the Economic and Social Research Institute[2] showed that in 1969 amongst manufacturing firms employing more than 500, superannuation schemes were very common and covered 96 per cent of salaried staff and 84 per cent of wage-earners. For the smaller firms such schemes were less common and in the size group 100-149 covered only 57 per cent of salaried staff and 53 per cent of wage-earners.

This report covers 114 out of the 381 manufacturing companies who employed 100 or more persons in 1968. The companies included were selected on the basis of the relevant information being readily available and are not a random sample. Resort was made to this method of selection in order not to burden companies with the completion of a long and detailed questionnaire and in the expectation that the accuracy of the information would be greater if the data were supplied by the administrators of the pension schemes rather than by the companies.

The procedure adopted was as follows. A list of companies employing 80 or more wage-earners in manufacturing industries in 1968 was obtained from the records of the Department of Labour. It was assumed that all the 381 companies on this list,

[1] "Views on Pay Increases, Fringe Benefits and Low Pay", by Hilde Behrend et al, Economic & Social Research Institute, Paper No. 56, 1970.

[2] "Fringe Benefits in Irish Manufacturing Industries", by Nuala Johnson, Management April, 1971.

together with their salaried staff, employed 100 or more persons. The 123 companies whose superannuation schemes were administered by Irish Pensions Trust Ltd. and the six whose schemes were administered by the Royal Trust Company (Ireland) Ltd. were asked for their co-operation. This was forthcoming from 114 companies—88 per cent of those approached. Most of the answers to the questionnaire, which is attached as an Appendix, were supplied by IPT and the RTC. Unfortunately, it did not prove possible to obtain the total numbers employed for all companies covered by the returns. This information was only available for 67 firms.

In spite of the method of selection adopted it is suggested that the findings of the survey are reasonably representative of firms employing 100 or more persons in manufacturing industry.

The 114 companies who co-operated completed 102 questionnaires as several of the returns covered groups of two or more companies. Schemes confined solely to executives earning over £2,000 per annum were excluded.

Details were obtained separately for four groups of employees —male salary-earners, female salary-earners, male wage-earners and female wage-earners.

Companies were not asked whether membership of the pension scheme was voluntary or compulsory, because it was known that membership is always voluntary when the pension scheme commences but is invariably a condition of employment for new employees.

IRISH PENSION SCHEMES, 1969.

I. INTRODUCTION

The purpose of this survey is to explore a field in which data are at present singularly lacking.

In recent years, there has been a rapid increase in occupational pension schemes and these have now become an integral part of most companies financing operations. The number of separate schemes is estimated to have quadrupled since 1960 and to be about 2,700 in 1970. In the last three years, new schemes have evolved by negotiations between trade unions and employers, providing uniform pension and death benefits for wage-earning employees in whole branches of industry which are referred to as "Federations". The time is, therefore, considered appropriate to conduct a survey on pension scheme provision in this country.

The Nature of Pension Provisions

An employer who wishes to provide pensions for his retired employee can do so either

(*a*) out of revenue, or

(*b*) by funding in advance for the benefits that he wishes to provide.

Under (*a*) pensions are paid in the same way as wages and salaries and are allowed as an expense for relief against income tax and corporation profits tax. This method has two major disadvantages. Firstly, the employee cannot be certain that when he retires the profits being earned by his employer at that time will be sufficient to finance his pension or even that his employer will still be in business. Secondly, the employer will not be availing of the tax reliefs available if he funds in advance within the framework of Revenue approval for the benefits contracted.

As regards (*b*) above, the employer can fund in advance by setting up an insured scheme or, alternatively, a private fund administered by himself or with the assistance of outside advisors.

Under both methods, contributions are paid during the working lifetime of the employees. On retirement, pensions under an insured scheme are paid by the insurance company while under the private fund, they are paid out of the accumulated fund.

The ultimate cost of a funded pension scheme will largely depend on (1) the mortality experienced by the members and if the scheme is insured, by the members of all schemes underwritten by the insurance company; (2) the yield obtained on the investments of the fund or of the insurance company which underwrites the scheme; (3) the expenses charged by the insurance company or incurred in the administration of the scheme; (4) the rate of salary progression if benefits are related to salary and (5) the level of benefits being provided. The optimum aim in any scheme is to maximise the yield obtained on the investments and to minimise the expenses incurred in administration. The risk of unfavourable mortality can be minimised by insuring all or part of the scheme.

No attempt was made to measure the efficiency of pension scheme funding because this varies according to the experience of the scheme and the method of funding used. For example, in the event of an above average number of deaths, an insured scheme providing large death benefits would be much cheaper than a private fund providing similar benefits and vice versa in the event of a below average number of deaths. To measure the efficiency of funding in a particular scheme, one would have to equate the actual costs incurred under the funding method adopted with the costs that would have arisen under alternative methods of funding.

The cost at any point of time is not a true measure of the efficiency of the funding because this will only reflect the expected rather than the actual experience of the scheme in future years. Also, a good or poor performance in previous years is not necessarily a reliable guide for the future. This survey sets out to record and describe details of schemes in operation at the end of 1969. It makes no attempt to assess their efficiency.

Flexibility

Pension provision is extremely complex because it is largely influenced by legislation and by the variety of funding techniques available for pension funding. Each scheme can be designed to suit all the employees or varied to suit particular sections whose needs may differ from those of the rest. For example, where bonuses and commissions are a major proportion of an employee's remuneration, they could be included in the definition of salary for the purpose of calculating pensions, whereas they would normally be ignored in cases where they represent only a small proportion of the employee's remuneration. The provisions of occupational schemes can be geared to the needs of their members but they do not offer individual freedom of choice. Membership of a pension scheme is almost invariably compulsory for employees joining service after the commencement of the scheme. In a contributory scheme, a member normally cannot decide for himself how much of his current income he wishes to sacrifice to provide retirement benefits for himself or his widow, because he must pay at least the contributions stipulated under the scheme. In some schemes, however, he may opt to make additional contributions in order to increase his retirement benefits. In no circumstances may he pay a contribution less than that stipulated under the rules, unless he decides not to join the scheme.

Investment

Funded occupational pension schemes benefit the community because they build up funds, which are invested and which help to produce economic growth over and above the growth which would result if that investment had not taken place. In addition, the pensioner is not a charge on the community because the necessary fund has already been built up to provide his pension entitlement when he retires. If, however, the pension entitlement is insufficient for the pensioners support due to inflation or other reasons, the pensioner may be a charge on the community but less so than an individual with no pension.

The total contributions under occupational pension schemes in 1969 of the 114 companies participating in this survey were £1·8 million; of this less than 15 per cent was contributed by employees. The £1·8 million was approximately 8 per cent of the wages and salaries of employees covered by the pension schemes, say £86 per employee. This overall average, however, hides the very substantial differences between the four groups of employees distinguished in this survey—the average contribution for male salary-earners was £178, for female salary-earners £127, for male wage-earners £38 and for female wage-earners £22. Contributions (employers and employees) as a percentage of earnings were estimated to be respectively 11·5 per cent, 12·0 per cent, 3·8 per cent and 4·6 per cent. (These percentages should be treated with reservation as they are based on a low number of returns—53 for male salary-earners, 30 for female salary-earners, 44 for male wage-earners and 23 for female wage-earners.)

Contributions are lower for wage-earners because

(1) benefits for wage-earners are usually reduced to allow for social welfare benefits as both the employer and employee are obliged to contribute for social welfare benefits, and

(2) overtime, which is more common for wage-earners, is usually ignored in assessing benefits and this produces a lower percentage when the cost is related to total earnings.

Social Welfare Provisions

Prior to 1961 it was not possible to integrate occupational pension schemes with social assistance. The only financial assistance given to old people was the non-contributory old age pension. This was awarded at the age of 70 subject to a means test which, however, did not take into account income up to £52 10s. per year but abated pensions for income above this amount (e.g. 5s. per week for incomes between £52 10s. and £65 10s.; no pension if income exceeded £104 15s.). As a result, membership of any occupational pension scheme awarding pensions in excess of 20/- per week meant that members lost their entitlement to either the whole or part of their old age pension.

In 1961 a contributory old age pension, not subject to a means test, was introduced for all employees covered by social insurance—broadly all manual workers and lower paid salaried staff (the present salary limit is £1,200 p.a.).[1] This led to a

[1]In April 1971, the Minister for Social Welfare announced that it was the Government's intention to raise the limit from £1,200 to £1,600.

substantial increase in the number of pension schemes for employees covered by social insurance. These were designed to provide the desired level of pension by topping up the contributory social welfare old age pension.

Even after 1961 there was the problem that the contributory old age pension became payable only at the age of 70 while retirement normally took place at the age of 65. This problem was overcome by assuming that all retired employees would for the first five years of their retirement avail themselves of their entitlement to unemployment benefit without requalification. The Social Welfare Act, 1970, introduced a retirement pension, between the ages of 65 and 70, for all covered by social insurance at the same rate as unemployment benefit, (currently £4 10s. for a single person and £7 13s. for a married couple). At 70 this is replaced by the contributory old age pension at a rather higher rate (£5 for a single person, £8 10s. for a married couple). The vast majority of Pension Plans which are now being set up for employees who will become entitled to social insurance retirement and old age pensions are non-contributory.

Revenue Approval.

In order to obtain the maximum tax benefits, it is necessary to have occupational schemes approved by the Revenue Commissioners. If approval is not obtained, members do not receive tax relief on any contribution paid by them and, in addition, the employer's contribution is assessed on the members as income for tax purposes. The principal requirements for approval are as follows:

(*a*) The maximum pension permitted is two-thirds of salary at retirement if the employee has completed 20 years service. When service is less than 20 years, lesser limits apply. If an employee has less than 40 years service and is entitled to benefits from previous employment, the maximum pension which he may receive is two-thirds of his final salary inclusive of the pension equivalent of his benefits from previous employment.

(*b*) The maximum approvable death benefit is the capital equivalent of the maximum approvable pension for the member. Thus, for example, for a male member whose retirement age is 65, his death benefit could be approximately ten times the maximum approvable annual pension.

(c) The maximum percentage of pension that may be commuted for a tax free lump sum is normally 25 per cent.

(d) The maximum widow's pension that may be provided on death after retirement is one half of the member's pension entitlement.

(e) Cost of living adjustments may be provided in pensions after retirement subject to their not exceeding the increase in the Consumer Price Index since the member's retirement.

(f) The employer must contribute at least one third of the cost of each member's benefits under the scheme.

The Irish Revenue Commissioners tend to follow the UK Inland Revenue's legislation and practice and it is hoped that they will follow the changes in practice set out in the recent Board of Inland Revenue publication[1] in the UK aimed at simplifying the pension codes. The Conservative Government, however, intend to review certain aspects of the new code.

On the question of death benefits, however, there are important differences between Irish and UK law. In the UK death benefits under occupational pension schemes can be paid wholly in cash and they are normally free of estate duty. The Irish Revenue allow a certain amount to be paid in cash, normally one year's salary; the balance must then be used to purchase pensions for the member's dependants. Under Irish legislation, death benefits under occupational schemes which exceed £5,000 in value are aggregated with the member's main estate for the assessment of estate duty. Where they are less than £5,000 in value there is no liability for estate duty provided the benefits are paid to the widow or dependent children.

Funding

The level of benefits provided under occupational schemes and the pace of funding depends on the level of contributions which

[1]Occupational Pension Schemes, Notes on approval under the Finance Act, 1970, I.R. 12 (October 1970).

employers and employees are willing and able to meet. The cost of pensions for past service can either be liquidated by one lump sum payment or, alternatively, can be paid over a number of years. The decision on which alternative to adopt will largely be influenced by such factors as the liquidity of the company and the anticipated rate of earnings on funds invested in the business.

In an insured scheme the employer has the choice of funding for retirement benefits that emerge either—

(*a*) in pension form, or

(*b*) in cash form with an equivalent pension guaranteed by the underwriter.

Under (*a*) the underwriter simply pays the guaranteed pension whereas under (*b*) the cash sum can be taken from the underwriter at death or at retirement and used to secure a pension on the most favourable rates available on the insurance market at that time. Currently the best available rates would provide about 35 per cent more pension than the pension guaranteed by the underwriter.

Funding to capital enables the employer, if he so wishes, and without additional expenditure on his part, to provide the member with benefits in excess of his strict entitlement under the rules of the scheme. Such is the flexibility of funding to capital that the excess can be used to provide

(*a*) additional pensions for the member subject to Revenue limits,

(*b*) cost of living increases in the member's pension after retirement, or

(*c*) a widow's pension commencing on his death after retirement.

In the past, the decision to ask members to contribute to the scheme was taken partly because employers considered that contributory schemes resulted in a higher employee morale and partly to provide pensions in excess of the level which the employer could afford out of his own resources.

The modern approach, however, is to set up a non-contributory pension scheme in conjunction with a voluntary life assurance scheme towards which the employee can opt to contribute according to his choice. Such combined schemes offer the employee much greater flexibility because under the voluntary life assurance scheme, the employee can borrow on his policy for house purchase or any other purpose and the benefits emerge in cash tax free. The cash proceeds can then be used to purchase a pension on the most favourable terms available in the insurance market and in addition, the capital element of the pension is not taxable.

II. COVERAGE OF SURVEY

TABLE 1: *Estimated Number of Companies Employing over 100 Persons in 1968 and Companies Covered by Pension Survey—Analysed by Industry Group*

Industry Group	*Companies employing over 100 persons*	*Returns*	*Companies covered by the returns*	*Percentage Coverage*
	Number	*Number*	*Number*	%
1. Food	73	27	32	44
2. Drink and Tobacco	15	5	5	33
3. Textiles	42	11	11	26
4. Clothing and Footwear (including Hoisery)	96	12	12	13
5. Wood and Furniture	12	3	3	25
6. Paper and Printing	31	5	5	16
7. Chemicals and Chemical Products	11	6	6	55
8. Glass, Clay Products and Cement	17	7	9	53
9. Metal and Engineering	62	19	24	39
10. Other Manufacturing	22	7	7	32
Total	381	102	114	30

This table classifies by industry groups, companies employing over 100 persons in 1968, returns received and companies covered by the returns. For two groups—"Clothing and Footwear" and "Paper and Printing"—mainly on account of a poor response rate the number of companies covered is very low while for two others—"Chemicals and Chemical Products" and "Glass, Clay Products and Cement"—it is relatively high. The average number of companies covered is almost one third.

TABLE 2: *Number of Returns by Number of Employees included in Pension Schemes*

Number of employees covered by pension schemes	*Number of returns*
50	33
50 — 99	13
100 — 199	26
200 — 299	10
300 — 399	3
400 — 499	3
500 — 999	11
1,000 — 1,999	3
Total	102

This table analyses the distribution of returns by number of employees included in pension schemes.

A large proportion of the schemes—46 per cent—have less than 100 members and only one fifth have more than 300 members.

The fact that almost half of all schemes have less than 100 members, though only companies employing 100 or more were included, reflects the partial coverage of pension schemes for reasons, some of which are analysed in the following tables—minimum age, minimum length of service, maximum age and normal pension age. Furthermore, in many schemes employers reserve the discretion to exclude certain groups of employees.

TABLE 3: *Proportion of Employees Covered by Pension Schemes**

	Salary-Earners		*Wage-Earners*		
	Male	*Female*	*Male*	*Female*	*Total*
Number of firms with schemes					
A Giving number employees	74	46	57	33	
B Not giving number employees	23	17	15	10	
Total number employees in A	5,104	1,592	14,599	5,975	27,270
Members of pension scheme in A	3,961	657	9,757	1,623	15,998
Proportion of members covered %	78	41	67	27	59

*This relates to employees of the companies with pension schemes who provided full information regarding numbers employed.

From this table it is evident that the proportion of males included in pension schemes is greater that that for females. This reflects the more stringent eligibility requirements for females (see Tables 7 and 8). It is also evident that the proportion of salary-earners included in schemes is higher than the proportion of wage-earners. This is due principally to more stringent service requirements imposed in schemes for wage-earners (see Table 8).

TABLE 4: *Number of Persons in Pensionable Employment Covered by Returns According to Industry Group*

Industry Group	*Salary-Earners* *Male*	*Female*	*Wage-Earners* *Male*	*Female*	*Total*
1. Food	1,430	345	4,452	753	6,980
2. Drink and Tobacco	374	91	555	166	1,186
3. Textiles	290	18	866	35	1,209
4. Clothing and Footwear (including Hosiery)	292	72	515	642	1,521
5. Wood and Furniture	29	6	11	1	47
6. Paper and Printing	555	95	405	45	1,100
7. Chemicals and Chemical Products	489	71	1,076	38	1,674
8. Glass, Clay Products and Cement	502	44	1,835	13	2,394
9. Metal and Engineering	1,137	183	1,735	70	3,125
10. Other Manufacturing	377	64	1,294	205	1,940
Total	5,475	989	12,744	1,968	21,176
Number of Pension Schemes	97	63	72	43	

The table shows the distribution of persons in pensionable employment covered by the returns analysed by industry group. Almost one third are in the Food Groups.

TABLE 5: *Proportion Providing Pension Schemes for various Categories of Employees*

	Salary-Earners *Male*	*Female*	*Wage-Earners* *Male*	*Female*
	%	%	%	%
With pension schemes	95	62	71	42
Without pension schemes	5	38	29	58
Number of returns	102	102	102	102

The percentages of the returns with and without schemes for the various categories of employees are shown in this table. Coverage is greater for salary-earners than for wage-earners and greater for males than for females.

Pension coverage is less for females because:

(*a*) Their withdrawal rates are much higher.

(*b*) They have normally no dependents to be provided for on death.

It is unusual to find a company which has a scheme for wage-earners but not for salary-earners. There are, however, a small number of companies whose wage-earners are in a Federation scheme, while no formal pension provision is made for their salary-earners.

III. DATE OF COMMENCEMENT OF SCHEMES

TABLE 6: *Commencement of Schemes*

	Salary-Earners		*Wage-Earners*	
	Male	*Female*	*Male*	*Female*
	%	%	%	%
1955 and before	20	20	14	14
1956/60	28	30	7	7
1961/62	9	8	4	—
1963/64	12	14	11	5
1965/66	9	8	7	5
1967/68	16	10	28	30
1969	6	10	29	39
Number of schemes	97	63	72	43

It is interesting to note that approximately half of the schemes for salary-earners commenced in or before 1960, while only about a fifth originated in 1967 or after. The position for wage-earners schemes is the reverse; only one fifth commenced in or before 1960 while the overwhelming majority date back only three or four years.

IV. QUALIFICATION FOR MEMBERSHIP

TABLE 7: *Minimum Age Limits*

Minimum age at which employees may join pension scheme	*Salary-Earners*		*Wage-Earners*	
	Male	*Female*	*Male*	*Female*
	%	%	%	%
No minimum age limit	5	3	3	2
Age 21 or less	42	22	47	24
Age 22–25	39	14	46	28
Higher age than 25	2	51	3	44
Discretionary	12	10	1	2
Number of schemes	97	63	72	43

The table shows the minimum age at which employees may join the pension schemes. For males the usual age is 25 or less. There are much wider variations for females with minimum ages above 25 quite common. For this there are two principal reasons:—

(*a*) Many employers do not include females until they reach the age at which their expectation of marriage begins to decline.

(*b*) Death in service benefits are not considered as important for females because the proportion who have persons wholly dependent on them is lower than the corresponding proportion amongst males.

It is interesting to note that for females minimum age limits tend to be lower for wage-earners than for salary-earners. This can be attributed to the lower minimum ages incorporated in the Federation schemes introduced in recent years.

In just over ten per cent of the schemes for salary-earners membership is at the discretion of the employer. In schemes for wage-earners discretionary membership is extrememly rare.

TABLE 8: *Minimum Length of Service*

Minimum length of service before joining scheme	*Salary-Earners* *Male*	*Female*	*Wage-Earners* *Male*	*Female*
	%	%	%	%
1 year or less	34	30	25	16
2–4 years	20	14	43	26
5 years or more	9	24	15	35
No minimum	26	22	15	21
Discretionary	11	10	2	2
Number of schemes	97	63	72	43

The minimum period of service which has to be completed before becoming eligible to join the pension scheme is shown in this table. The object is to exclude employees during the early years of service when turnover of staff is likely to be high. The higher turnover of females than of males and of wage-earners than of salary-earners is reflected in the table.

TABLE 9: *Maximum Age Limits*

Maximum age at which employees may join pension scheme	*Salary-Earners* *Male*	*Female*	*Wage-Earners* *Male*	*Female*
	%	%	%	%
50 years and under	20	30	9	11
51–54	—	—	—	—
55–59	37	43	28	26
60–64	27	17	32	23
65–69	6	2	25	35
70	—	—	3	—
Discretionary	10	8	3	5
Number of schemes	97	63	72	43

The table shows the maximum age at which employees are permitted to join the pension scheme. The principal factors determining this are:—

(*a*) The normal pension age under the scheme.

(*b*) The initial cost of the pension scheme that employers are willing to incur.

In many cases, *ex gratia* payments are made to employees who are over the maximum age when the scheme commences.

V. PENSION AGES

TABLE 10: *Normal Pension Ages*

Pension Age	Salary-Earners Male	Salary-Earners Female	Wage-Earners Male	Wage-Earners Female
	%	%	%	%
55	—	1	—	—
60	1	51	—	16
62	—	—	—	2
63	1	—	—	—
65	96	48	96	82
70	2	—	4	—
Number of schemes	97	63	72	43

The table shows the normal ages at which members of the pension scheme retire. Females tend to retire earlier than males and female salary-earners earlier than female wage-earners. None of the schemes has a variable normal pension age.

VI. CONTRIBUTORY SCHEMES

TABLE 11: *Contributory and Non-Contributory Schemes*

	Salary-Earners Male	Salary-Earners Female	Wage-Earners Male	Wage-Earners Female
	%	%	%	%
Contributory	37	33	17	9
Non-Contributory	63	67	83	91
Number of schemes	97	63	72	43

For salary-earners nearly two out of every three schemes are non-contributory while for wage-earners the proportions are even higher. The arguments against contributory schemes are:—

(*a*) At the commencement the employee's "take home pay" is immediately reduced if he joins the scheme. This tends to encourage pressure for higher salaries or wages.

(*b*) Some employees may refuse to join the scheme because they do not wish to incur a reduction in "take home pay".

This may leave the employer in an embarrassing position when these employees reach retirement age without any pension entitlement.

(c) Employees who are in financial difficulties may decide to leave the company's service in order to obtain a refund of their contributions.

TABLE 12: *Level of Members' Contribution*

Contribution	Salary-Earners Male	Salary-Earners Female	Wage-Earners Male	Wage-Earners Female
Percentage of Pensionable Salary	%	%	%	%
2%—2½%	14	14	17	25
3%—4%	24	32	25	50
5%	43	32	8	—
6%—6½%	8	4	—	—
Fixed amount p.a.	3	4	50	25
Other	8	14	—	—
Number of contributory schemes	37	22	12	4

The usual contribution is five per cent or less. The contribution rate is usually struck to make up the difference between the cost of the desired level of benefits and the contribution which the employer is willing or can afford to pay.

VII. RETIREMENT BENEFIT

TABLE 13: *Basis of Retirement Benefit*

Type of Benefit	Salary-Earners Male	Salary-Earners Female	Wage-Earners Male	Wage-Earners Female
	%	%	%	%
Based on final salary	87	89	15	9
Based on career average	8	9	4	5
Fixed amount for each year of service	—	—	60	72
Lump sum and pension	1	2	—	—
Lump sum only	—	—	14	7
Other basis	4	—	1	2
No retirement benefit	—	—	6	5
Number of schemes	97	63	72	43

Over 87 per cent of schemes for salary-earners provide pensions based on final salary while over 60 per cent of schemes for wage-earners provide pensions related only to years of service. There is, however, growing pressure for parity of benefits between all employees. This is all the more desirable in view of the rapid increase in the cost of living in recent years. For salary-earners career average schemes are now comparatively rare.

The schemes providing no retirement benefit simply provide a benefit on death in service prior to normal pension age.

TABLE 14: *Benefit Based on Final Salary*

Fraction of salary for each year of service	*Salary-Earners* *Male*	*Female*	*Wage-Earners* *Male*	*Female*
	%	%	%	%
1/60th	36	37	36	50
1/60—1/72	4	5	—	—
1/80th	44	36	46	25
1/90—1/100	2	9	9	25
Fixed proportion of final salary				
2/3rds	2	2	—	—
50—40%	10	11	9	—
33—25%	2	—	—	—
Number of schemes providing pensions based on final salary	84	56	11	4

By far the most popular fractions of final salary are 1/80th or 1/60th, in that order, for each year of pensionable service. In a few cases, pension benefits are based on final salary irrespective of service, but the proportion of salary paid in pension for employees having only short service has to be restricted in accordance with Revenue regulations.

Final salary is usually defined as either:

(*a*) Salary in the final year of service.

(*b*) Average salary over the last three years of service.

(c) Average salary over the last five years of service.

(d) Salary five years before normal pension age.

(e) Average salary over any three consecutive years out of the last 10.

The definitions most commonly adopted are (c) and (d).

There is a noticeable trend towards basing pensions on salary as near to pension age as possible. This is, of course, a factor which increases the cost of pensions.

In comparing pensions based on final salary, the following variations have to be considered:

(1) Pensions are normally based on basic salary but in some cases commissions and other fluctuating incomes are taken into account.

(2) Pensions may be adjusted to allow for social welfare benefits.

(3) Service prior to the commencement of the scheme may be ignored or may be taken only partially into account.

(4) The number of years of service ranking for pension may be limited, e.g. some schemes with a pension fraction of 1/60th limit service ranking for pension to 30 years.

TABLE 15: *Adjustments for Social Welfare Benefits in Final Salary Schemes*

	Salary-Earners		*Wage-Earners*	
	Male	*Female*	*Male*	*Female*
	%	%	%	%
Adjusted	21	23	82	75
Not adjusted	79	77	18	25
Number of final salary schemes	84	56	11	4

In final salary schemes, adjustments for social welfare benefits are more common in schemes for wage-earners than for salary-earners because salary-earners are not compulsorily insured for social welfare benefits if they earn over £1,200 p.a.

For female salary-earners retiring at 60, adjustments are extremely rare because social welfare benefits, other than disability benefit, may not be claimed continuously between ages 60 and 65. Some companies incorporate adjustments in their schemes on the understanding that they will make up the shortfall in social welfare benefits between ages 60 and 65.

Adjustments for social welfare benefits are usually expressed as a deduction from the salary or wages on which the pension is based. In contributory schemes the member's contribution is based on the reduced salary or wage. In a few cases, the adjustment is made by reducing the member's pension.

TABLE 16: *Service Prior to the Commencement of the Scheme*

	Salary-Earners		*Wage-Earners*	
	Male	*Female*	*Male*	*Female*
Credit given for prior service	%	%	%	%
Full	80	79	85	83
Half	2	2	2	2
Discretionary	2	3	3	5
None	14	13	8	5
No information given	2	3	2	5
Number of schemes with pensions related to service	86	61	65	42

Some four out of every five schemes give full credit for service completed prior to the date of commencement of the scheme. When a scheme commences, it is considered desirable to give members full credit for past service but as this will increase the employers' cost, the deciding factor is the expenditure which the employer is willing to incur.

TABLE 17: *Member's Contribution and Level of Pension*

Pension	*Male Salary-Earners*		
	Contributory	*Non-Contributory*	*Percentage Contributory*
	Number	*Number*	%
1/60th of final salary for each year of service	11	19	37
1/80th of final salary for each year of service	7	30	19

The proportion of contributory salary schemes for male salary-earners is greater when the pension is based on 1/60th rather than on 1/80th of final salary for each year of service. By pitching the member's contribution at an appropriate level, employers can provide pensions based on 60ths for approximately the same cost as a non-contributory scheme based on 80ths.

TABLE 18: *Cash Options at Retirement*

	Salary-Earners		*Wage-Earners*	
	Male	*Female*	*Male*	*Female*
	%	%	%	%
25% of pension	77	73	17	7
100% of pension	2	—	12	7
Fixed amount	—	2	10	7
Discretionary	2	—	—	—
No option	19	25	55	74
No pension benefit	—	—	6	5
Total number of schemes	97	63	72	43

About three-quarters of the schemes for salary-earners provide the maximum tax free cash payment permitted by the Revenue Commissioners, i.e. the capital equivalent of 25 per cent of pension. For a male retiring at age 65, the capital equivalent is approximately 10 times his pension. The schemes providing 100 per cent commutation were established prior to the passing of the Finance Act, 1958, or are excepted schemes, i.e. schemes providing benefits not exceeding £3,000 in value.

Tax free capital is more advantageous than the equivalent pension because the capital element of the pension purchased on the open market is tax free and the balance is taxed as unearned income. For a male retiring at age 65 approximately 50 per cent of the pension would currently be tax free. This produces a higher net income after tax than pensions coming directly from occupational schemes which are taxed as earned income.

Contributions for non-commutable pension benefits are allowed by law to accumulate free of tax, whereas contributions for commutable pension benefits are subject to tax on their interest accumulation. As a result, the provision of commutable pension benefits, i.e. a cash option, normally increases the cost of the scheme. The above distinction in tax legislation will be abolished in the UK if the proposed new code comes into force.

Cash options are not as common in schemes for wage-earners primarily because Federation schemes do not normally provide a cash option in lieu of pension. Nor are tax considerations as important for wage-earners because their pensions are normally smaller.

TABLE 19: *Post-Retirement Pension Increases*

	Salary-Earners		*Wage-Earners*	
	Male	*Female*	*Male*	*Female*
	%	%	%	%
No increase	69	67	75	70
Given at discretion	30	32	25	30
Contractual	1	1	—	—
Number of schemes	97	63	72	43

Only a tiny proportion of schemes for salary-earners and none for wage-earners provide contractual increases in pensions after retirement. This is principally for reasons of finance. The cost of contractual increases of $2\frac{1}{2}$ per cent per annum compound on a male's basic pension from age 65 is approximately 20 per cent of the cost of basic pension. Where such increases are provided, the Revenue Commissioners have stipulated that the overall increase in pensions since retirement must not exceed, at any time, the corresponding increase in the Consumer Price Index over the same period.

A growing number of employers, at present just under one third, grant discretionary increases to their salary-earners while rather fewer do so for wage-earners. The latter, however, receive regular increases in social welfare benefits.

The rapid increases in the cost of living in recent years have made post-retirement increases in pensions more necessary, if the pensioner is to maintain the standard of living he enjoyed immediately after retirement. However, it is to his advantage to receive the maximum possible fixed pension at retirement rather than a smaller pension with attaching cost of living increases. It is extremely doubtful whether many pensioners, if given the choice, would sacrifice immediate income in return for future increases payable only if they survive and if the cost of living increases.

In schemes where capital emerges at retirement the capital sum is usually more than sufficient to provide both the member's pension and cost of living increases thereon at a rate of three per cent per annum.

TABLE 20: *Benefits on Death after Retirement*

	Salary-Earners *Male*	*Salary-Earners* *Female*	*Wage-Earners* *Male*	*Wage-Earners* *Female*
	%	%	%	%
Widow's pension	4	—	1	—
Pension guaranteed:				
2 years	—	—	1	2
5 years	95	94	78	81
7 years and over	1	2	—	—
Until payments equal member's contributions with interest	—	2	—	—
No benefit	—	2	20	17
Number of schemes	97	63	72	43

The vast majority of pensions are guaranteed for five years i.e. payable for five years or until death, whichever is the later. In the schemes where capital emerges on retirement the capital sum is usually more than sufficient to provide the member's pension entitlement together with a widow's pension on his death after retirement equal to 50 per cent of his entitlement. In the majority of these cases the widow's pension is given. Where widows' pensions are provided, under the rules of the scheme they are usually equal to one half of the pension which the member was receiving at the date of his death.

The maximum benefit on death after retirement which the Revenue Commissioners will approve is a pension guaranteed for five years, together with a widow's pension equal to one half of the member's pension entitlement, before commutation, at retirement. Cost of living increases may be added to the widow's pension.

The no benefit schemes provide a lump sum on retirement but no pension.

VIII. DEATH IN SERVICE BENEFIT

TABLE 21: *Type of Benefit on Death in Service*

	Salary-Earners		*Wage-Earners*	
	Male	*Female*	*Male*	*Female*
	%	%	%	%
Widow's pension only	1	—	—	—
Lump sum	95	84	100	98
Lump sum and widow's pension	4	3	—	—
Return of contributions without interest	—	13	—	—
No benefit	—	—	—	2
Number of schemes	97	63	72	43

The overwhelming number of schemes provide for a lump sum on death in service. This is principally because a capital sum provides greater flexibility, part can be taken in cash and the balance used to provide pensions for the member's dependents, thus providing not only for the widow but also for other dependants such as children or parents.

The maximum amount that can be taken in cash under current legislation is the highest of:

(*a*) £1,000.

(*b*) The member's annual average remuneration in the three years preceeding his death.

(*c*) 1/30th of the member's remuneration as in (*b*) above for each year of service up to the date of death, subject to a maximum of 45/30ths.

(*d*) Return of member's contributions with interest.

The balance must be used to purchase pensions for the member's dependents. These are normally defined as the widow, children under age 18 or in full time education or anyone who was dependant on the member for the ordinary necessities of life.

TABLE 22: *Level of Lump Sum Death Benefits*

	Salary-Earners		*Wage-Earners*	
	Male	*Female*	*Male*	*Female*
Based on salary:	%	%	%	%
1 year or less	4	24	—	—
$1\frac{1}{2}$ to 3 years	24	24	6	5
Over 3 years	7	—	—	—
Based on pension:				
2—7 times	4	8	3	—
10—13 times	53	17	8	2
Sum assured and accrued bonuses	6	6	4	—
Lump sum for each year of service	—	—	11	7
Fixed lump sum	2	21	68	86
Number of schemes providing lump sum benefit	92	53	72	42

For male salary-earners the most common death in service benefit is the capital equivalent of the member's pension expectation. This, for a male retiring at 65, is about 10 times and for a female retiring at 60, about 13 times the annual pension. For a male with a pension expectation of $\frac{2}{3}$rds. of his salary at age 65, the capital equivalent of his pension would be $6\frac{2}{3}$rds. times his salary at the date of death.

The maximum lump sum which may be provided is the capital equivalent of the maximum member's pension approved by the Revenue Commissioners.

Fixed lump sums, irrespective of earnings and length of service, are the normal provisions for wage-earners. Their widows are also entitled to contributory pensions under the social welfare scheme—£4 10s. plus increases for children (October, 1970). Females tend to receive lower lump sums as they are less likely to have dependents.

IX. ENTITLEMENT ON LEAVING SERVICE

TABLE 23: *Company Policy on Disposal of Benefits Secured by its own Contributions—Leaving Through Redundancy*

	Salary-Earners		*Wage-Earners*	
	Male	*Female*	*Male*	*Female*
Position of member regarding benefit:	%	%	%	%
Absolute right	92	90	68	51
Absolute right after 10 or more years' service	2	5	3	5
At discretion of company:				
Generally exercised	1	—	1	2
Generally not exercised	1	—	6	9
No provision for payment	4	5	22	33
Number of schemes	97	63	72	43

Salary-earners in the vast majority of schemes are on leaving through redundancy, entitled as of right to the benefit of the employers' contribution. For wage-earners somewhat fewer schemes give this right—68 per cent for males and 51 per cent for females. For male wage-earners a fifth and for females a third of the schemes do not give the member the benefit of the employers' contributions. In any case, revenue rules do not permit a refund of employers' contributions to employees on leaving service except in schemes where benefits to each member, are limited to £3,000 in value.

In contributory schemes a member who opts to take a refund of his contributions forfeits under present legislation, the benefits secured by the employers' contributions.

In a recent survey[1] of salary-earners' pension schemes in Great Britain the view was expressed by 70 per cent of the companies

[1]Company Pensions Policies, published by the British Institute of Management, Management House, Parker Street, London W.C.2, July 1969.

participating that 90 per cent or over of their salary-earners, on leaving employment, opt for a refund of their contributions rather than preservation of their pension rights.

TABLE 24: *Company Policy on Disposal of Benefits Secured by its own Contributions—Leaving Voluntarily*

	Salary-Earners		*Wage-Earners*	
	Male	*Female*	*Male*	*Female*
Position of member regarding benefit:	%	%	%	%
Absolute right	—	—	—	—
Absolute right after 5 years' service	1	2	—	—
Absolute right after 10 or more years' service	5	8	3	7
At discretion of company				
Generally exercised	5	6	1	21
Generally not exercised	83	78	29	2
No provision for payment	6	6	67	70
Number of schemes	97	63	72	43

Vested rights on leaving service voluntarily are very rare. In the vast majority of schemes, there is no provision for payment to the member of the benefits secured by his employer's contributions, or the disposal of the benefits is at the discretion of the employer and generally not exercised in favour of the member. There is still a long way to go before full preservation of pension rights becomes a reality.

As pensions are generally regarded as deferred pay it seems only logical that employees leaving service should be entitled to the benefits secured up to the date of leaving. There is a growing opinion both here and in the UK that preservation of pension rights should be available for all. In some, but not all, of the Federation schemes, the trade unions have insisted on transferability of pension benefits within the industry concerned. At the present time, it seems unlikely that general preservation of pension benefits will come about unless legislation is enacted for this specific purpose.

TABLE 25: *Refund of Members' Contributions—Entitlement on Leaving Service*

	Salary-Earners		*Wage-Earners*	
	Male	*Female*	*Male*	*Female*
Refund of Contributions:	%	%	%	%
With Interest	8	9	8	—
Without Interest	84	86	84	100
Surrender Value	8	5	8	—
Number of Contributory Schemes	37	22	12	4

The vast majority of contributory schemes give members a refund of their contributions without interest on leaving service. Tax has to be deducted from cash refunds paid.

APPENDIX I

PUBLIC SERVICE AND FEDERATION SCHEMES

Having analysed the provisions of occupational pension schemes in manufacturing industries a comparison with the provisions of both public sector and industry-wide federation schemes was considered to be of interest.

Public Service Schemes

Table 26 gives particulars of the pension schemes of four public services—the Civil Service, Coras Iompair Eireann, Aer Lingus and the Elecricity Supply Board.[1]

The Civil Service pension scheme which dates back to 1834 was the first in the country. The schemes for the three State sponsored bodies were all set up by 1950, at which time less than a fifth of the pension plans in private industry covered in this survey were in operation.[2]

[1]The particulars given are those referring to January 1970. At that date, the schemes of Aer Lingus and CIE were in the process of being revised. The information given here covers the same period as those of the pension schemes in private industry.

[2]The pension schemes here refer to the largest open schemes operated by these public services. In addition, Aer Lingus has five other pension schemes, two of which, the Pilot's scheme and scheme for catering staff are reserved for a particular category of employee and three of which, The Manipulative Employees Scheme, The General Presuperannuation Fund and the Manipulative Presuperannuation Fund have a membership of approximately 100.

CIE operates three other schemes: Salaried Officers and Clerks (Great Southern Railway) Superannuation Scheme, Group Life and Pension Scheme for ex-Dublin United Tramways Company Staff and a Female Clerk's Provident Fund, which were inherited on taking over other transport companies. Membership is small and decreasing.

The ESB runs one separate scheme covering about 100 persons who are Local Authority staff "taken over" in 1928.

Coverage and Eligibility

In the Civil Service 32 per cent of the males and 19 per cent of females were not covered by pension schemes. All of these were temporary, non-pensionable staff. For permanent staff, no minimum age nor length of service is prescribed for entry to the scheme. The maximum age for entry is 55 years.

The CIE Superannuation Scheme 1951 excludes 20 per cent of male and 7 per cent of female salary-earners and 27 per cent of male and 76 per cent of female wage-earners. (The number of female wage-earners is only 365 and a large number of these may be part-time or temporary employees). No minimum length of service is required for any category of staff. For salary-earners, there is no minimum age, for wage-earners the minimum age is 20 years. The maximum age is 50 years except for male salary-earners where it is 55 years.

The Aer Lingus scheme excludes 16 per cent of both male and female employees. For the purpose of the scheme, no distinction is made between salary-earners and wage-earners. The minimum age for entry is 20 years and there is no service qualification required for entry.

The ESB Scheme excludes 16 per cent of male salary-earners, 36 per cent of female salary-earners and 52 per cent of male wage-earners. The high percentage of male wage-earners excluded would be largely made up of casual employees. The minimum age at entry is 20 and there is no service qualification required for entry.

Normal Pension Ages

In all four schemes being considered, the normal pension age is 65 for males and 60 for females except for the Civil Service and the ESB where the normal pension age is 65 for both sexes. In the Civil Service and CIE however, members can retire at any time within five years prior to normal pension age.

Members' Contribution

The Civil Service scheme is non-contributory for the officers' pension but contributory for widows' and orphans' pensions. For CIE wage-earners, there is a fixed maximum weekly con-

Table 26: *Public Service Schemes, January 1970*

	Civil Service		*CIE*				*Aer Lingus*		*ESB*		
			Salary		*Wage*				*Salary*		*Wage*
	Male	*Female*	*Male*	*Female*	*Male*	*Female*	*Male*	*Female*	*Male*	*Female*	*Male*
Date of Commencement	1834	1834	1945	1945	1945	1945	1950	1950	1943	1943	1943
Number included in Scheme	16,115	8,827	2,149	860	12,361	86	3,730	934	2,211	396	3,773
Number excluded from Scheme	7,479	2,085	537	60	4,606	279	700	175	426	221	4,012
Minimum Ages	16	16	None	None	20	20	20	20	20	20	20
Minimum Service	—	—	—	—	—	—	—	—	—	—	—
Maximum Age	55	55	55	50	50	50	65	60	65	65	65
Normal Pension Age	65	65	65	60	65	60	65	60	65	65	65
Members' normal Contribution	1·5%	—	5%	5·5%	9/- p.w.	3/6d. p.w.	5%	5%	5·9%	5·5%	5%
Retirement Benefit	Pension of 1/80th of final salary for each year of service—maximum 40/80ths plus lump sum of 1/30th of final salary for each year of service—maximum 45/30ths	Pension of 1/80th of final salary for each year of service—maximum 40/80ths plus lump sum of 1/30th of final salary for each year of service—maximum 45/30ths	1/60th of final salary for each year of service—maximum 40/60ths	1/60th of final salary for each year of service—maximum 40/60ths	£5 p.w.	£2 p.w.	1/60th of final salary for each year of service—maximum 40/60ths	1/60th of final salary for each year of service—maximum 40/60ths	Pension of 1/80th of final salary for each year of service—maximum 40/80ths plus lump sum of one year's final salary and 1/30th of final salary for each year of service in excess of 30 years—maximum 45/30ths	Pension of 1/80th of final salary for each year of service—maximum 40/80ths plus lump sum of one year's final salary and 1/30th of final salary for each year of service in excess of 30 years—maximum 45/30ths	Pension of 1/80th of final salary for each year of service—maximum 40/80ths plus lump sum of 1/30th of final salary for each each of service—maximum 30/30ths
Definition of Final Salary	Salary at Retirement		Average over last 10 years preceeding retirement		—	—	Salary at Retirement		Average over the last year preceeding retirement		
Adjustments for Social Welfare Benefits	None	None	None	None	None	None	Yes	Yes	None	None	None
Credit for Past Service	Full	Full	Full	Full	Full	Full	Full	Full	One-Half	One-Half	One-Half
Cash Option at Retirement	Lump Sum—See Retirement Benefit	Lump Sum—See Retirement Benefit	None	None	None	None	25%	25%	Lump sum. See Retirement Benefit	Lump sum. See Retirement Benefit	Lump sum. See Retirement Benefit
Post Retirement Pension Increases	*Ad hoc*	*Ad hoc*	*Ad hoc*	*Ad hoc*	*Ad hoc*	*Ad hoc*	*Ad hoc*	*Ad hoc*	*Ad hoc*	*Ad hoc*	*Ad hoc*
Death in Service Benefit	60%—150% of salary plus widow's pension of ½ the member's expected pension at age 65 based on salary at the date of death plus children's pensions	1/30th of salary for each year of service—minimum 30/30ths—maximum 45/30ths	Member's pension based on final salary and service at the date of death, payable for 5 years	Twice the member's contributions	Normally a refund of contributions or a pension for 5 years	Normally a refund of contributions or a pension for 5 years	Widow's pension equal to ½ member's expected pension based on salary at the date of death	One year's salary	Two year's salary	Two year's salary	1/30th of wages for each year of service—maximum 30/30ths minimum £400
Death after Retirement	Widow's Pension equal to ½ member's pension plus children's pensions	Nil	Guaranteed for 5 years	Guaranteed for 5 years	Guaranteed for 5 years	Guaranteed for 5 years	Guaranteed for 7 years	Guaranteed for 7 years	Guaranteed for 5 years	Guaranteed for 5 years	Guaranteed for 5 years
**Employer's Benefit on Leaving Service:*											
Own Free Will.	No right	No right	No right	No right	No right	No right	Vested right after 15 years	Vested right after 15 years	No right	No right	No right
Redundancy	No right	No right	No right	No right	No right	No right	Absolute right	Absolute right	No right	No right	No right
Member's Contribution on Leaving Service	No Interest	No Interest	No Interest	No Interest	No Interest	No Interest	With Interest	With Interest	With Interest	With Interest	With Interest

*There is complete transferability of benefits between most semi-state companies and the Civil Service.

tribution of 9/– for males and 3/6d. for females; for all other categories of staff in the State sponsored bodies, including wage-earners of the ESB, employees normally pay pension contributions between 5 per cent and 6 per cent of their incomes.

Pension Benefits

Civil servants and ESB employees of all categories receive a pension of 1/80th of final salary for each year of service plus a lump sum of 1/30th for each year of service. The maximum pension is 50 per cent of final salary and the maximum lump sum is 1½ times final salary. No adjustment is made for social welfare benefits because these employees are not insurable for the old age contributory social welfare pension. In the ESB scheme there is a minimum lump sum of one year's salary. The CIE wage-earners receive a maximum flat rate pension of £5 for males and £2 for females. All Aer Lingus employees and CIE salary-earners receive a pension of 1/60th of final salary for each year of service. The CIE pensions are not adjusted for social welfare benefits but do not provide a cash option. Aer Lingus employees' pensions are adjusted for social welfare benefits and 25 per cent of the capital value of the pension may be converted into a cash lump sum. For men retiring at 65 after 40 or more years of service, the value of the benefit based on the Civil Service scheme is roughly equivalent to that of the Aer Lingus or the ESB schemes.

The pensions of civil servants who have retired are adjusted at irregular intervals by Pension Increase Acts and while not keeping up with salary increases do compensate them at least in part for changes in the purchasing power of money. State sponsored bodies give similar adjustments. The Government is committed to the principle of adjustments in line with current salaries but it will be sometime yet before this becomes effective in practice.

For example, an excutive officer retiring from the Civil Service in April, 1960, after completing 40 years service and earning £1,045 per annum received a pension of £523 per annum. If he survived to April, 1970, his pension at that date would have been increased to £800 per annum to equal that of an officer in the same grade retiring in February 1964 with a salary of £1,600. The salary appropriate to his grade at 1st April, 1970 was £2,000, giving entitlement to a pension of £1,000 per annum.

Death in Service Benefits

The "death in service benefits" show a wide diversity. A lump sum varying from just over 60 per cent to 150 per cent of salary is payable to the estate of a male civil servant while his widow is entitled to a pension equal to one half of the pension the husband would have received had he survived till 65, i.e. normally one quarter of his salary. In addition, children's pensions equal to 1/6th of the widow's pension are payable in respect of each child under 16 or under 21 if receiving full time education, subject to a maximum of six children. The estate of a female or unmarried male civil servant receives between one and one and a half year's salary depending on service completed. The widows of Aer Lingus male employees receive one half of the member's expected pension, i.e. a maximum of one third of the salary he received but no lump sum payment. The estate of a female employees receives one year of her salary. The salary-earners of CIE and ESB are less well provided for. In the latter, the estate of males and females receives up to two year's salary, while in CIE, if the member has completed 10 years service, his widow or children receive for five years the pension which would have been payable to the member had he retired on the day of his death. In CIE, the estate of other male and female members receives twice the amount paid in contributions.

In the case of CIE wage-earners, the estate receives a refund of contributions without interest if the member has completed less than 20 years service or is under the age of 55 for males and age 50 for females. If the member dies after completion of 20 years and is over age 55 in the case of males and 50 in the case of females, the estate receives a pension for five years calculated as a proportion (based on the ratio of years of actual service, to the years of potential service, to normal retirement age) of the members pension expectation. For ESB wage-earners the benefit is 1/30th of wages for each year of service, subject to a maximum of one year's wages and a minimum of £400, a much less favourable provision than for similar categories of staff employed by other State sponsored bodies.

Death after Retirement

The normal provision is for the pension to be payable for life or for a stated period whichever is the longer. For Aer Lingus, the stated period is seven years and for all categories of CIE and ESB staff it is five years. The widows of male civil servants receive for life one half of the pension which the husband was receiving and in addition children's pensions equal to 1/6th of the widows' pension are payable in respect of each child under age 16 or under age 21 if receiving full time education. If the total payments received by a civil servant after retirement by way of pension and lump sum are less than one year's salary at retirement, the deficiency is payable to his estate.

Leaving Service

There is complete transferability of benefits between most State sponsored bodies and the civil service. Members leaving service for any reason are entitled to a return of their own contributions with interest in the case of Aer Lingus and ESB and without interest in CIE. In the Civil Service scheme, contributions under the Widows' and Orphans' Scheme are returned only if the member's wife is still alive or if he was unmarried during his entire career in the civil service. If a member leaves of his own free will he foregos the benefits secured by the employer's contribution except in the case of Aer Lingus employees who acquire after 15 years service a vested right to these contributions. Aer Lingus employees are also entitled, as of right, on redundancy to the full value of their own contributions and that paid by the Company on their behalf. Neither civil servants nor the employees of other State sponsored bodies have any rights to the employers' contribution on becoming redundant. Cases of redundancy in these employments are exceptional and when they occur it would be normal to make a discretionary payment.

Summary

The differences in the detailed provisions of the four public service schemes are more apparent than real. They tend to be somewhat but not markedly more favourable in respect of benefits than those for salary-earners in the majority of schemes in manufacturing industries. However, except for the Civil Service these schemes are contributory for members' benefits while the majority of schemes in private industry are non-contributory. For wage-earners, especially with the ESB, public service schemes are decidedly more advantageous than is common in private industry but these schemes too are contributory while the great majority of wage-earners schemes in private industry are non-contributory.

FEDERATION SCHEMES

In Table 27 particulars are given of the "Federation" pension schemes for wage-earners in the bacon curing and the boot and shoe industries. Both schemes commenced in 1967.

Coverage

It is remarkable that in both schemes the proportion of male and female employees covered is the same—for the bacon curers it is 62 per cent and for the boot and shoe industry is 77 per cent. However, in bacon curing females account for only 10 per cent of all wage-earners while in the boot and shoe industry their proportion is much greater—43 per cent.

Eligibility

In the boot and shoe industry where females are a large proportion of the labour force, the minimum age for joining the pension scheme is low (21 years), even compared with that common for salary-earners, while in the bacon curing industry where fewer females are employed, the minimum age for joining is high (35 years). In both industries, the maximum age for joining for both sexes is about 60 years, a not unreasonably restrictive provision. In the boot and shoe industry, employees join as soon as they commence employment while in bacon curing males must have three years and females five years service before they are eligible to join the pension scheme.

Normal Pension Age

The normal pension age for both sexes in both industries is 65 years.

Pension Benefits

In the boot and shoe industry, the pension benefit is 1/– per week for each year of service with a maximum of £2 per week for both males and females. This is equivalent to 40 per cent of the social welfare contributory old age pension and 44 per cent of the retirement pension of a single man or woman. In bacon curing the benefits are higher, for males 2/– per week with a maximum of £3 and for females 1/4d. per week with a maximum of £1 16s. On the assumption that male earnings in the two industries are about £18 and female earnings £11 per week, the maximum pension benefit inclusive of social welfare benefits for females was some 60 per cent of earnings and for males it was 40 per cent in bacon curing, but only 35 per cent in the boot and shoe industry. It ought, however, to be remembered that all married male members of the Federation schemes are entitled to a dependents allowance in respect of their wives, which would bring their total pension benefits up to 60 per cent of earnings in bacon curing and 55 per cent in the boot and shoe industry.

Both the schemes are non-contributory and provide full credit for past service but neither offers cash options on retirement. The tax advantage of cash options is not as important for wage-earners as for salary-earners whose pensions and, therefore, tax liabilities tend to be higher.

Death in Service Benefits

The death in service benefit for both sexes in bacon curing and for females in the boot and shoe industry is about equal to one year's earnings, for males in the boot and shoe industry, it is equal to only about six months earnings. This is low compared to the quite common benefit of 3–5 years salary for male salary-earners. However, the widows of members of the Federation scheme are entitled to social welfare widow's pensions, currently £4 10s. per week plus increases for dependants, while those of male salary-earners often have no such entitlement.

TABLE 27: *Federation Schemes*

	Bacon Curing Industry Wage		*Boot and Shoe Industry Wage*	
	Male	*Female*	*Male*	*Female*
Date of Commencement	1967	1967	1967	1967
Number included in Scheme	1,038*	110*	864*	649*
Number excluded from Scheme	624*	65*	260*	190*
Minimum Ages	21	35	21	21
Minimum Service	3	5	—	—
Maximum Age	58	60	60	60
Normal Pension Age	65	65	65	65
Member's Contribution	—	—	—	—
Retirement Benefit	2/- p.w. for each year of service maximum £3 p.w.	1/4 p.w. for each year of service maximum £1 16s. p.w.	1/- p.w. for each year of service maximum £2 p.w.	1/- p.w. for each year of service maximum £2 p.w.
Adjustments for Social Welfare Benefits	None	None	None	None
Credit for Past Service	Full	Full	Full	Full
Cash Option as Retirement	None	None	None	None
Post Retirement Pension Increases	Pensions may be reviewed from time to time	Pensions may be reviewed from time to time	Pensions may be reviewed from time to time	Pensions may be reviewed from time to time
Death in Service Benefit	£1,000	£600	£500	£500
Death after Retirement	Guaranteed for 5 years	Garanteed for 5 years	Guaranteed for 5 years	Guaranteed for 5 years
Employer's Benefit on Leaving Service:				
Own free will	No right	No right	No right	No right
Redundancy	At discretion of the Company but generally not given	At discretion of the Company but generally not given	Absolute Rights	Absolute Right

*These numbers do not include employees of companies who have set up their own individual schemes and are not participating in the group schemes.

Benefits on Death after Retirement

After retirement, the pension in both industries is payable for five years or until the death of the pensioner, if later.

Leaving Service

In the boot and shoe scheme benefits are fully transferable within the industry and vested rights are given on redundancy. In the bacon curing scheme, however, benefits are not transferable within the industry and on redundancy the benefits are solely at the disposal of the employer. Neither scheme provides benefits on leaving service voluntarily.

Summary

These two Federation schemes are in some respects inferior to pension arrangements for salaried staff. In an age of inflation the greatest weakness inherent in the schemes is that they are unrelated to final salary. In practice, however, the benefits may be reviewed from time to time to bring them into line with up-to-date wages. The greatest advantage is the transferability of pension rights between companies within the boot and shoe industry. (No similar provision operates for bacon curing). They undoubtedly have greatly improved the standard of living of wage-earners who have recently retired.

APPENDIX II—THE QUESTIONNAIRE

The following is a sample of the questionnaire forms which were sent to all the companies who were willing to participate in the survey. Separate forms were completed for males and females.

Questions 14b and 14c were originally included with a view to estimating the net annual increase in the funds relating to the schemes under review. Unfortunately, this had to be abandoned because the relevant information was not readily available.

As the sample used was not random it was considered inappropriate to enquire whether the scheme was insured or privately funded.

	Wage-Earner		*Salary-Earner*	
	Numbers	*Earnings* £	*Numbers*	*Earnings* £
1. Number of employees				
(*a*) Included in pension schemes				
(*b*) Excluded from pension schemes				
2. Type of benefit provided by Schemes (For questions 2–9 inclusive, tick appropriate answer and indicate relevant Scheme)				
(*a*) Based on final salary				
(*b*) On Career Average or Unit Scale				
(*c*) Fixed amount for each year of service				
(*d*) Lump sum plus pension				
(*e*) Lump sum only				
(*f*) Other basis				
3. Death in Service				
(*a*) Widow's pension. State amount or Proportion				
(*b*) Lump sum payment. State amount.				
(*c*) Lump sum plus pension State amounts or proportion				
(*d*) Return of contribution with interest without interest				
(*e*) No benefit				
4. Death after Retirement.				
(*a*) Widow's pension. State amount or proportion				
(*b*) A pension guaranteed for a period certain or until payments equal to the member's contribution with or without interest have been paid. State the duration of the period certain.				
(*c*) No benefit.				

	Wage Earner	*Salary Earner*
5. Basis of assessment of member's contributions		
(*a*) I Percentage of Pensionable Pay		
II State the percentage		
(*b*) I Level sum		
II State the sum		
(*c*) Other basis		
(*d*) None		
6. Where applicable, are members' contributions adjusted for social insurance contributions?		
(*a*) By disregarding a specific portion of pay.		
(*b*) A specific deduction from contributions		
(*c*) Any other adjustment		
(*d*) No adjustment		
7. Are pensions adjusted for social insurance benefits?		
(*a*) By disregarding a specific portion of pay.		
(*b*) A specific deduction from benefits.		
(*c*) Any other adjustment.		
(*d*) No adjustment.		
8. (*a*) Are you a member of an industry wide scheme?		
(*b*) If so, state the name of the scheme.		
(*c*) Does the scheme provide transferability of benefits within the industry?		

9. If the employee leaves service other than covered by 8, is he entitled to the employer's part of his pension benefit?

	Leaving of own free will		*Through Redundancy*	
	Wage Earner	*salary Earner*	*Wage Earner*	*Earner Earner*
(*a*) As an absolute right				
(*b*) i. As an absolute right after completion of a minimum number of years of service				
ii. State number of years				
(*c*) At the discretion of the company, but generally given to the member.				
(*d*) At the discretion of the company but generally not given to the member				
(*e*) No benefit at all				

10. In contributory schemes, if the employee leaves service, is he entitled to his own contribution?

	Leaving of own free will		*Through Redundancy*	
	Wage Earner	*Salary Earner*	*Wage Earner*	*Salary Earner*
With interest				
Without interest				

11. Are there arrangements for augmenting the pensions provided by the scheme when regarded as insufficient?

	Wage Earner	*Salary Earner*
At the moment of retirement?		
After retirement?		

12. Is augmentation on an *ad hoc* basis or is it automatic. (Tick appropriate answer and indicate relevant scheme).

At the moment of retirement	*ad hoc* automatic
After retirement	*ad hoc* automatic

13. Reasons for exclusion of employees from pension schemes.
    - Too young
    - State minimum age
    - Too old
    - State maximum age
    - Service too short
    - State qualifying service period
    - Employment not eligible
    - Other reasons state

	Wage Earner	*Salary Earner*
14. (*a*) Total contributions paid in 12 months ending 31st December, 1969 By Employer By Employee		
(*b*) Total benefits paid in 12 months ending 31st December, 1969 To former employees To widows and dependents To member's estate		
(*c*) Ex-gratia payments to former employees, widows and dependants		
15. What is the normal retirement age?		
16. Have members the right to take part of their pension in lump sum form? If so, state the percentage that can be so exchanged.		
17. In computing pension benefits, are members given credit for service prior to the commencement of the Scheme? If so, state the basis on which credit is given.		
18. Date of commencement of the Scheme.		