

19th January 2017

Public Service Pay Commission,
3rd Floor,
St. Stephen's Green House,
Earlsfort Terrace,
Dublin 2

Dear Members of the Public Sector Pay Commission,

I understand that one of the issues you will examine as part of your review is superannuation. I wish to make a submission about the spouses and children's superannuation scheme for public sector employees. The submission link on the website is not working for me.

I am a public sector employee and at present 1.5% of my gross salary every month is deducted toward the spouses' and children's scheme which will pay benefits to my spouse and children (within certain age limits) in the event of my death.

I do not have a spouse and I don't have children. Furthermore I do not intend to acquire a spouse or children. I am being forced to contribute 1.5% of my gross monthly salary towards benefits that will never become payable? I work a 39 hour week. This means that every week I work just under an hour (58.5 minutes) for the sole benefit of the spouses and children of other public sector workers.

Assuming I did have a spouse and children, payment of these benefits is contingent on me dying. They are therefore life assurance benefits rather than pension benefits. One of the basic tenets of life assurance is that for the insurance to be valid there must be an insurable interest. In the case of the spouses' and children's superannuation scheme the insurable interest exists because the beneficiaries (i.e. the spouse and children) stand to suffer a direct financial loss in the event of the insured person's death. I do not have a spouse or children to suffer a direct financial loss in the event of my death. Therefore there is no insurable interest; therefore there can be no insurance; therefore I am not eligible to be included in this scheme.

What should actually happen is that if I get married or have a child I am then included in the spouse's and children's scheme with the appropriate waiting period. As with all other types of insurance / life assurance, my premium is calculated based on the risk I bring to the group at the time of becoming eligible and joining – my age, my health, my lifestyle, the age of my spouse, number of eligible children and their ages etc.

I realise that this scheme is structured on a "group insurance" basis and therefore, like any insurance, payment of benefits will not arise in respect of all members. However, the "group" in this instance is people with spouses and/or children, not the entire public sector. If no benefits are paid for an individual it should be because the individual with a spouse and/or children did not die in service. It should not be because the individual who died in service did not have a spouse and/or children in the first place.

It has been argued that I should be included in the scheme because I might get married or I might have children. This is not a valid argument. If it was a valid argument then why isn't everybody in the country forced to have

- mortgage protection insurance in case they ever take out a mortgage,
- home insurance in case they ever buy a house,
- car insurance in case they ever buy a car,
- public liability insurance in case they ever start a business
- pet insurance in case they ever get a pet
- holiday insurance in case they ever go on holidays

The "why not" is because an individual cannot be forced to pay insurance contributions for something in case they might happen to join the particular risk group in the future; they must be a member of the risk group at the time of the insurance; there must be an insurable interest. Insurable interest was legislated for in the Life Assurance Act 1774 (also known as the Gambling Act). The legislation was extended to Ireland by the Life Insurance (Ireland) Act 1866 and still applies. The spouses' and children's superannuation scheme is an insurance scheme with payment of benefits dependent on the death of the insured person AND the insured person having a surviving spouse and / or children. I do not have a spouse or children therefore the legal requirement for insurable interest is not met; therefore I cannot be included in the scheme.

It was pointed out to me that the scheme also provides benefits for post-retirement marriages. It is utterly ridiculous to expect me to pay 1.5% of my salary for my entire working life in case I get married after I retire and then die before my potential spouse. That is the very essence of gambling and is exactly what the Gambling Act 1774 was introduced to eliminate. What should happen is that if I acquire a spouse after I retire I would have the following options:

- o Join the spouses' and children's scheme because a valid insurable interest has been created / established. The premium should reflect the risk I bring to the group at that time.
- o Or; Commute part of my own retirement pension to provide a spouses pension. The amount of pension I would commute and the amount of death-in-retirement spouses' pension it would provide would be based on annuity rates in force at the time.
- o Or; Assume that my newly acquired spouse has made sufficient provision for themselves and keep my money.
- o Furthermore, there should be a waiting period for new spouses so that if a husband/wife dies within a certain period of getting married then no benefit is payable to the surviving spouse. This is a standard practice throughout the insurance industry for new policies and increases in benefits. Its aim is to prevent selection against the insurance company and applies for all classes of "long-term" insurance including life insurance.

The fact that this is insurance means that people who are eligible to be included because they have a valid insurable interest should pay a premium that reflects the risk they bring to the group. It is totally unfair that everyone pays a flat premium of 1.5% of salary.

- o Why should a person with a spouse pay the same as a person with a spouse and three children?
- o Why should a sixty year old with a spouse who is also 60 years of age pay the same contribution as a sixty year old with a spouse who is 30 years of age?

I may be wrong and am happy to be corrected if I am, but it is my understanding that this scheme dates back to a time when women were not allowed to continue working once they married. In such circumstances it was right and proper that the breadwinner should be forced to make provision for his spouse and family in the event that he died in service leaving his family with no income. However, times have changed and many families (probably the majority of families) now have both

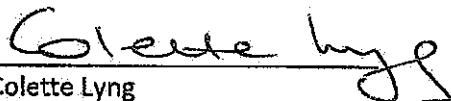
parents working and as such the need to make provision for surviving spouse and / or children may not be such a priority for them. Indeed many may want to make alternative arrangements that better suit their needs and perhaps the best approach now is to have a scheme that married people and people with children can choose to opt in to. As with any insurance scheme of this type, if they join at the first available opportunity they are automatically covered without having to undergo any medical underwriting. If they decide to join at a later stage then they must complete a medical questionnaire and possibly attend a medical assessment.

The bottom line is that the spouses' and children's superannuation scheme is a form of life insurance because payment of benefits is contingent on the death of the insured person. For insurance to be valid there must be an insurable interest. I do not have a spouse or children therefore the insurable interest required for payment of the benefits under this scheme does not exist, therefore I am not eligible to be included in the scheme and should not have 1.5% of my salary deducted towards it. It is, in effect, a form of stealth tax being levied on a specific subsection of public sector employees to subsidise the benefits for other public sector employees. I have no idea if this is legal, but it is definitely discriminatory and is not fair, moral or ethical.

I am now asking you, the Public Service Pay Commission, to recommend in your report that this situation be rectified. It is unfair and discriminates against single people with no children by forcing us to pay 1.5% of our gross salary for benefits that we are not eligible for.

I look forward to hearing from you.

Yours Sincerely,


Colette Lyng

