

## Remarks by the Tánaiste and Minister for Finance

### Remarks by the Tánaiste and Minister for Finance Brian Cowen, TD at the Launch of the Green Paper on Pensions 17th October 2007

Pensions policy is a subject that is of huge importance and should be of interest to everyone in this country. Given the growing significance of pensions in coming decades, it is important that we have an informed public discussion and debate on the subject. The Green Paper is a key part of that process of informed debate.

It is also not just about our pensions system. It is about all of us - our priorities both as individuals and as a society, how long we live, our expectations for retirement and the prospects for our children. It is of relevance to anyone with an interest in the shape of Irish society in the decades ahead.

Behind all the text and statistics in this comprehensive paper is a shared desire to create a pension system that can be financially, economically and socially sustainable in the face of demographic change. We face a significant challenge and some difficult choices if we are to realise this ambition.

Although we currently have a younger population than most European countries, this is set to change dramatically over the coming decades. A key message coming from the Green Paper is the nature and pace of the change we can expect.

By mid-century, it is projected that there will be around 1.7 million people in our population aged 65 and over, compared to about half a million today. More importantly, from the point of view of funding pensions, is the projection that that we will move from a ratio of six people of working age for every older person today, to a comparable ratio of two to one by 2050.

Thankfully, life expectancy has been increasing steadily for decades. In 1926, an Irish male could expect to live to be 57 - some 8 years short of the 65 year retirement age. Since then, average life expectancies have increased by about 30% for men and by 40% for women. This trend is expected to continue. For example, it is projected that those born around the middle of this century will be living until their mid to late eighties on average.

While the fact that our people are living longer and healthier lives than ever before is a cause for celebration, demographic change also brings a challenge. Significantly increased spending commitments are projected across a range of headings, with the bulk of the increase in age related public expenditure being accounted for by pensions.

The key driver in this respect is the rising dependency ratio. As is made very clear in the Green Paper and in the results of the Actuarial Review of the Social Insurance Fund, which are also being published today, we face a difficult task in ensuring the financial and economic sustainability of our pension system as the task of financing increased pension spending falls to a diminishing share of the population.

The establishment of the National Pensions Reserve Fund was a judicious and farsighted initiative. The Fund, which currently has a market value of some 21 billion euro, will go some way towards easing future funding concerns. However, those assets will fall far short of the projected pension liability.

The Green Paper discusses a range of measures that could help address this challenge. The Government is not committed to any of them at this stage, but wishes all the options to feature in the forthcoming debate. The reality is that the challenges presented by demographic change are such that difficult options must be discussed if we are to have an open and honest debate on our future pension strategy. It is very important that the scale of this challenge is understood before policy decisions are made in this area.

The challenges outlined in the Green Paper are not unique to Ireland. They are at the heart of the debate on pension reform in many countries, particularly where the pace of demographic change is more advanced. The good news is that because our demographic situation will remain relatively favourable for some time we have a reasonable, but by no means indefinite period, to learn from the experiences of other countries and to decide how best to address them.

The Green Paper sets out the issues involved, while also discussing a wide range of other aspects of our pension system. It does not make any recommendations. It was never expected that it would. It has always been clear that this would be a discussion document that would provide the basis for informed public debate.

The consultation process will allow all interested parties the opportunity to contribute towards shaping a framework for addressing the pensions agenda over the longer term. It will be important that all stakeholders participate constructively in this process as we work towards the achievement of a pension system that can meet the needs of those currently in retirement, and those of future generations.

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