



## **Government launches Green Paper on Pensions**

An Taoiseach, **Bertie Ahern, TD**, the Tánaiste and Minister for Finance, **Brian Cowen, TD** and the Minister for Social and Family Affairs, **Martin Cullen, TD** today launched the **Green Paper on Pensions**.

The Green Paper covers the background to the Irish pension system and a broad range of issues related to social welfare, occupational, personal, and public service arrangements. The demographic and sustainability challenges facing Ireland in the decades ahead are outlined and a number of scenarios and options are discussed. These include measures to address the sustainability challenge, maintaining the status quo, universal provision, increasing social welfare pensions, SSIA-type tax incentives and soft mandatory and mandatory approaches. Other elements covered include annuities, the role of regulation and issues related to work flexibility in older age.

Speaking at the launch of the document the **Taoiseach** said: "Now that we are living fuller, longer and more productive lives, we need to shift our thinking. Let us look at how we can create advantage from demographic trends to enhance the quality of life of individuals. The pensions issue is a challenge which will be facing us for decades to come and will require a fair and flexible approach."

**The Tánaiste** said: "The Green Paper makes it very clear that we face a difficult challenge in ensuring the financial and economic sustainability of our pension system as the task of financing increased spending on pensions falls to a



diminishing share of the population". He added 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."

**Minister Martin Cullen** said: "Pensions is one of the major issues the country must tackle for the future and any decisions we take at this stage will impact on society for decades to come. There are no easy answers. People are living longer in retirement. However as a country we are fortunate that we have time before this change impacts." Minister Cullen added: "It is a challenge that I and the Government are determined to meet so that current and future generations will have in place a pensions system that will deliver a secure and fulfilling retirement for all."

A public consultation process is planned following today's publication of the Green Paper. **Minister Cullen** commented: "The essential purpose of this Paper is to promote debate and build consensus. Given the importance of the issue, I am anxious to ensure that the consultation process is as inclusive as possible and that people have ample time to study the Green Paper and to formulate their ideas. We need to consider the type of retirement we want and how we might pay for it. I am pleased that we are about to embark on that debate. I have an open mind on how the pensions system should develop in the future and I look forward to hearing the views of all interested parties on how we should proceed."

In addition to the Green Paper, the Government also launched the *Actuarial Review of the Social Insurance Fund 2005* and the *Review of the Irish Annuities Market*. Both of these documents provided important information and context that informed the development of the Green Paper.



## **Department of Social and Family Affairs**

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The Green Paper on Pensions and the other two reports launched today are available on a new website [www.pensionsgreenpaper.ie](http://www.pensionsgreenpaper.ie) and on the Department of Social and Family Affairs website [www.welfare.ie](http://www.welfare.ie)

### **ENDS**

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#### **Note for Editors:**

The Green Paper sets out a number of questions to which the Government would like the pensions industry, social partners, the public, and all interested stakeholders to respond.

The consultation process will involve a reasonable time to allow for adequate review of, and reflection upon, the many issues involved and the options available.

The consultation process will run until mid-2008. Submissions received will be put on the website [www.pensionsgreenpaper.ie](http://www.pensionsgreenpaper.ie) to contribute to the debate. As part of that consultation process, a major national conference will be held in 2008. In addition, a number of regional events will also be held.

Submissions on the Green Paper can be made at:

the website: [www.pensionsgreenpaper.ie](http://www.pensionsgreenpaper.ie),

emailed to: [pensionsgreenpaper@welfare.ie](mailto:pensionsgreenpaper@welfare.ie), or

faxed to: 01-7043457.



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posted to: Green Paper on Pensions Consultation  
Pensions Policy Unit  
Department of Social and Family Affairs  
Áras Mhic Dhiarmada  
Store Street  
Dublin 1

**ENDS**

### **Q&A on the Green Paper on Pensions**

#### ***What is the Green Paper on Pensions?***

The Green Paper on Pensions is a Government discussion document. It sets out the background to the demographic and sustainability challenges facing Ireland and the options that we might consider for future pensions development. In doing so, the Green Paper covers issues related to social welfare pensions, personal, occupational and public service pensions. In addition, the Green Paper discusses incentives for retirement saving, defined benefit and defined contribution schemes, annuities, the role of regulation, and work flexibility in older age.

The Green Paper sets out a number of questions to which the Government would like the pensions industry, social partners, the public, and all interested stakeholders to respond.

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Hard copies of the Green Paper can be ordered by telephone – (01) 7043053

### ***Why are we producing a Green Paper on Pensions?***

Our population is ageing. According to new data in the Green Paper, the number of people of working age for each person aged 65 and over will fall from almost 6 in 2006 to just under 2 in 2061. This demographic change poses a challenge for the sustainability of the pension system because of the expected substantial increase in age-related expenditure in the decades ahead. This issue needs to be considered in the context of our aims to increase supplementary pension coverage and to enable people in retirement to have adequate replacement incomes.

At present, we have a 'window of opportunity' in which to address these concerns. Thus, the objective of this Green Paper on Pensions is to carefully consider the issues involved, before making appropriate decisions for ourselves and future generations.

Developing a Green Paper on Pensions is a specific commitment in the current social partnership agreement – *Towards 2016*. Following the consultation, the Government will develop a long-term framework for pensions. The essential purpose of this Green Paper is to stimulate debate. Key questions for consideration are posed and some possible approaches to pension development are set out.



***What is in the Green Paper?***

The Green Paper reviews the existing system and identifies the key issues and challenges as set out below. Major topics include:

- The demographic challenge
- Issues in relation to sustainability
- Maintaining income adequacy in retirement
- Work flexibility in older age
- The roles and relationships of social welfare, private, occupational and public service pensions
- The role of tax incentives in the current system and their efficiency and effectiveness in supporting Government objectives
- The role of annuities and the operation of that market
- The role of regulation including the charges levied by pension providers.

***What are the key statistics?***

- The population share of those aged 65 and over is expected to more than double between now and mid century, from 11% to 28%;
- The pensioner support ratio (the number of people of working age compared to the number of people aged over 65) will decrease from 6 (2006) to 2 (2061);
- Life expectancy for males is projected to increase from 76 years to 84.6 years by 2061. Female life expectancy is projected to increase from 81.1 years to 89 years;
- Spending on public pensions (social welfare and public service) is projected to increase from 5% of GDP (6% of GNP) at present to 13% (15% of GNP) by 2050. The National Pensions Reserve Fund will meet only a portion of the increased costs;
- The occupational/private pension system is still relatively immature with just under 32% of pensioners having occupational pension income. Around half of pensioners get 80% or more of their income from social welfare;
- Half of people at work expect that their main retirement income source will be occupational or personal pensions. Relatively few people at work without pensions are building up other investments to fund their retirement;
- 62% of those who are working and are aged between 30 and 65 are making provision for a pension, an increase of 4% since 2002. The target recommended in the National Pensions Policy Initiative and reaffirmed in the National Pensions Review is 70%;



- The limited evidence available indicates that many people with defined contribution pensions and personal retirement savings accounts (PRSAs) are under-saving for retirement.
- On average, employer contribution rates to defined benefit schemes have almost doubled in the past six years. The average employer contribution rate to a defined benefit pension scheme is now 16.8% of pensionable salaries, compared to 11.4% three years ago and 8.8% six years ago.

***What recommendations are contained in the Green Paper?***

The purpose of the Green Paper is not to recommend any particular course of action but rather to set out the challenges our pension system faces in the future and to seek views on a number of suggested ways in which we might proceed. In this regard, the Green Paper puts forward a number of scenarios and options on which views will be sought including maintaining the status quo, measures to address sustainability, an increase in social welfare provision to 50% of gross average industrial earnings, use of SSIA-type tax incentives in a pensions context, soft mandatory approaches and mandatory provision. The reports completed by the Pensions Board in 2006 have been important inputs in this area.

***What happens after the Green Paper is published?***

A consultation process will follow the publication of the Green Paper and this will involve a reasonable time to allow for adequate review of, and reflection upon, the many complex issues involved and the options available. A dedicated website – [www.pensionsgreenpaper.ie](http://www.pensionsgreenpaper.ie) – has been set up.

The consultation process will run until mid-2008. Submissions received will be put on the website to contribute to and inform the debate. As part of the consultation process, a major conference will be held in the second quarter of 2008.



## **Department of Social and Family Affairs**

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Following the consultation process, the Government will produce a long-term framework for pensions.