



Department of Social and Family Affairs

Minister To Publish Major Pensions Strategy Report To Encourage Robust Debate On Shaping Future Direction

Brennan Says Lack Of Communication & Complex Language From Some Providers Hindering Pensions Take-Up

The Minister for Social Affairs, Seamus Brennan T.D., said today that the major statutory review of pensions strategy that he had ordered, and which is currently being completed by The Pensions Board, would be published so as to generate a robust debate at national level on the future shape and direction of pensions policy in Ireland.

Minister Brennan said that earlier this year he had asked the Pensions Board to bring forward the review by more than a year because he felt that this country is failing to mobilise sufficient numbers of people to start contributing to pensions for their later life. That review was now nearing completion and he expected to be in a position to make the findings public inside a matter of weeks.

"I firmly believe that everyone should be entitled to a decent pension in retirement, and it is that belief that has guided my decision to accelerate ways to tackle the pensions problem", Minister Brennan said. "As the situation now stands, out of a current workforce of 2 million, in the region of 900,000 do not have a private or occupational pension. Unless this trend is aggressively addressed and reversed then hundreds of thousands of people face into a retirement on the basic social welfare pension of less than €10, 000 a year. That is why the forthcoming review is of such national importance and I am confident that it will deliver recommendations that will be central to deciding and shaping future policies."

Minister Brennan was speaking in Dublin when officially launching the first Annual Report of the Pensions Ombudsman, Paul Kenny.

The Office of Ombudsman was established in late 2003 and from then to the end of 2004 it had received over 450 official complaints and had dealt with over 1,500 telephone queries. The Ombudsman investigates and decides complaints and



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disputes involving occupational pension schemes and Personal Retirement Savings Accounts (PRSAs). He is completely independent and impartial.

Minister Brennan said that he had reiterated to the Pensions Board in recent weeks that he was particularly concerned that only 46% of women in the national workforce have private or occupational pensions. When you take away those women on public service pensions then the stark reality is that only about one third of all other working women have pensions, and many have pensions that are far from adequate.

Minister Brennan said that he had also reminded the Pensions Board of his interest in having their view and assessment of the merits of an "opt-out" pensions scheme, as has been introduced in other countries, most notably the KiwiSaver account in New Zealand. Under the "opt-out" system, all those starting work are automatically enrolled in a pension scheme and a minimum percentage of their wages is deducted and paid into the account. Each employee is entitled to terminate involvement in the scheme but to do so must make a formal written application. Such schemes are based on the assumption that only a minority of employees would go to the trouble of terminating the pension scheme while the majority stay contributing and build up pension entitlements.

Referring to the Ombudsman Report, Minister Brennan said that pensions are, and would remain, key concerns for our society and for a lot of people pensions now represent the single most valuable asset that they own. It is, therefore, very important that people should have assurance that their pensions are secure and are being administered properly.

Similarly, where people have problems with their pensions it is important that they should have an avenue of appeal to allow them to have their complaints heard in an effective and inexpensive manner.

"In addition to the annual report, the Pensions Ombudsman has produced a very useful digest of cases which outlines some of the more interesting cases that he has dealt with since the office has opened", the Minister said. "Some of the issues that he has highlighted are not particular to the pensions industry but occur all too frequently in other areas as well. In particular I am struck by the number of



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complaints that have occurred primarily because of a poor communication – or a complete lack of it - on the part of pension providers, rather than because of a particular problem with the pension scheme *per se*.

At a time when we are trying to encourage people to plan better for their retirement it is important that they are not discouraged from taking out pension plans because of either the perceived complexity of the products on offer or the complexity of the language being used by pension providers. In addition to providing redress to the consumer where maladministration has occurred, a large part of the value of his Office must be the lessons that can be learned from the complaints received and the action taken to ensure that the risk of similar errors in the future is diminished.”

ENDS