



**Speech by Mary Hanafin T.D  
Minister for Social and Family Affairs**

**IAPF Annual Conference 2008  
Dublin Castle  
2<sup>nd</sup> October**

Firstly, I would like to thank your Chairman, Patrick Burke, for inviting me here this morning to address your Annual Conference.

At the outset I want to acknowledge the work the IAPF and its members do in the pension area in terms of managing and securing the retirement incomes of many people, and in raising awareness in relation to pensions and putting forward its views on the future direction of policy in this very important area. The IAPF is an important voice on pensions and its input to the policy and legislative process in this vital area is appreciated by all concerned.

The brochure for today's conference suggests that pensions have reached a crossroads and it is not clear which direction will now be taken. Certainly there are few people who would argue with that conclusion as we are faced with many challenges today, some which are entirely predictable, and others which form part of the serious



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turmoil which has engulfed financial markets in recent times. The situation calls for some long-term and some short-term initiatives and I will say a few words with regard to both.

In relation to the long-term situation, I know they have been set out on many occasions, but I think it is important that we keep reminding ourselves of the challenges we face in the future so that we do not lose sight of the importance of reforms in this area.

- The population aged 65 and over will increase by 59% to 2021 and by a further 142% to 2061.
- There will be a relatively rapid and severe decline in the Pensioner Support Ratio - the ratio of the number of people of working age to the number of people over pension age - from about 6 to 1 at the moment to less than 2 to 1 in 2061.
- In the years ahead the State faces an additional bill for pensions, which in 2007 terms, amounts to some €8 billion per annum.
- Despite vastly improved awareness of pensions issues and the need for people to provide for their retirement, this is not trans-



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lating into pensions coverage in the numbers or the quality we would wish for. The coverage rate for occupational and private pensions has been hovering between 50% and 55% for a number of years.

This Government has shown an unparalleled commitment to improving the State pension and this has resulted in a very significant reduction in the poverty risk for older people. The extent of our achievements in this area can be gauged by the fact that just 2% of our older people are now in consistent poverty. As you may know we recently celebrated the centenary of the Old Age Pensions Act which was introduced in 1908 by Lloyd George and I think our achievements in the area of social welfare pensions are a fitting tribute to his vision which sought to remove the spectre of the workhouse from the lives of older people. Mind you, from what we read, a lot of people who qualified for pensions in Ireland at that time were not quite as old as the authorities were led to believe.

While it is only right that we should celebrate our achievements in this area people should not lose sight of the purpose of our State pensions. Their aim is to provide a decent basic income for everyone in retirement. They are not intended to track most peoples pre-



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retirement earnings. Accordingly, for many people, if they want to maintain their standard of living in retirement they need to add to the social welfare pension. At present there are about 1 million people working who have made no such provision and, if they fail to take action, will face retirement relying almost entirely on the State pension.

As you know, we are close to the end of a very protracted policy review of issues in this whole area which started with the publication by the Pensions Board of its National Pensions Review and its report on mandatory pensions, Special Savings for Retirement, just over 2 years ago. The Green Paper was published this time last year and this broadened the debate to encompass all aspects of pensions policy in this country.

While many of you might have thought that that I might outline my strategy for the future today, - as indicated by the title of my address in the earlier conference programme - unfortunately, I must disappoint you and leave you waiting for a little while longer. However, let me assure you that I, and my colleagues in Government are working to ensure that our commitment to finalise the framework for future policy on all aspects of pensions will be met by the end of the year.



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As you know, we completed a very successful consultation process at the end of May. The IAPF itself made a very comprehensive submission to the process and I would like to thank you for the time you took to formulate it and to let us have your views on the wide range of questions posed in the Green Paper. My Department has been meeting a number of groups over recent weeks to explore their submissions in more depth, and I know that the IAPF have been part of that process.

As I said, overall the consultation process was a great success, and while there is a general acceptance that we need to reform our pensions system, no consensus on the way forward has emerged. I will not go into any great detail at this stage on the views expressed as Orlaigh Quinn from my Department will be presenting on this later. However, suffice to say, they cover the full range of possible solutions, with at one end of the spectrum, an earnings related pension operated through the PRSI system, and at the other end a continuation of the existing voluntary arrangements with enhanced incentives. I think the IAPF would be at the latter end of the spectrum.



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It is disappointing that no consensus has emerged but it is probably not that surprising. However, we must be clear that no matter how it is organised a good pension system will involve sacrifices from all concerned.

The challenge is to strike the right balance between the responsibilities of all those who can contribute, including the State, employers and employees, and to ensure that whatever system is decided on reaches the group who are most in need of pensions coverage, low to middle income earners.

This is the challenge with which we are grappling at the moment and, as I said, the aim is to announce a framework for future policy by the end of the year.

While a lot of effort is being focussed on the long-term future of pensions I am also very conscious of the short-term difficulties posed by the current financial turmoil for pension trustees and scheme sponsors. All pension funds are currently required, under the Funding Standard, to state on an annual basis whether their assets would be enough if the scheme wound up to meet the scheme's liabilities. If there is a shortfall, trustees are required to submit a funding proposal



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to the Pensions Board, designed to eliminate the shortfall over an agreed time period.

Given current market circumstances, and the difficulties that this has placed on schemes in trying to devise their funding plans, I have asked the Pensions Board to allow additional time for the preparation of funding proposals, as a temporary measure. This means that schemes with funding certificates with an effective date falling between 1 January and 31 December inclusive will have an additional 6 months to complete their proposals. This measure should provide schemes with sufficient time to deal with the issues in an orderly manner. However, let me stress that no additional time is being granted for the submission of the Actuarial Funding Certificates which are especially important in current circumstances. In addition to this, I understand that the Pensions Board are continuing to consider the issues involved for schemes who are experiencing difficulties in returning to a fully-funded position. I know the IAPF has also agreed to offer technical proposals in this regard, and I look forward to receiving them in due course.

With regard to the operation of the Funding Standard in general, this is being considered in the context of the Green Paper and the framework



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for future policy which, as I already indicated, will be finalised by the end of the year. Officials of my Department have discussed the operation of the standard with various interested parties and your suggestions for changes are always welcome and will receive serious consideration.

While acknowledging the current difficulties, the Government is confident about the strength and resilience of the Irish pensions system. The value the Government places on pensions as long-term investments is evidenced by the strong support that we give by way of expenditure on tax reliefs, and providing a sound regulatory environment.

While I am introducing a short term measure today, and the Pensions Board is considering other issues, as a way of easing some of the pressure in the system which has resulted from current international financial market developments, let me emphasise that effective regulation is essential in protecting pension scheme members and sustaining pension schemes.

Finally, may I wish you the best with the rest of your interesting programme today, and I look forward to further discussions with you



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in due course when the Government announces its long-term pension proposals by the end of year.

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