



**National Pensions Forum 2006**

**Dublin Castle Conference Centre – Friday 5 May, 2006**

**“Irish Pensions, Changing Times, Challenging Future”**

**Opening Remarks by**

**Seamus Brennan T.D.**

**Minister for Social Affairs**

**Minister Feels Pension Forum Provides Only A Short Window Of  
Opportunity For Reforms**

***Brennan Says Half Of 2 Million Strong Workforce Have Private  
Pension For Later Years***



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I asked the Pensions Board to bring forward the National Pensions Review because of the serious concern over the lack of real progress on pension coverage rates, adequacy of existing pensions and other issues such as funding standards and funding arrangements.

I published that report in January. Since then, up and down the country, at local, regional and national level, the various pensions options have been discussed. Now, I have convened this national forum to provide a platform to debate the many issues raised and to hear the views of the various stakeholders on how we should proceed from here.

I see one of the main objectives of the day being to assist me, and the Government, in deciding on how we proceed in relation to national policy on pensions. Today's Forum will help inform us on the best way to progress policies and reforms in pensions that should be seen as important and necessary.

I think it is clear to all of us that we have reached an important crossroads in the debate about the impact of the demographic and social changes facing Ireland. As a nation we need to understand how the impact of these challenges can be best managed in ways that support security and dignity for everyone in their later years.

This is, without doubt, one of the most important social, economic and political challenges facing this country. We are not alone in grappling with an impending pensions problem—the ageing population is a truly global phenomenon. Indeed, the presence of Mr Spidla here this morning is testimony to the priority attaching to this particular issue at EU level.

While Ireland faces an increasingly serious pensions challenge, to some extent we are lucky in that, for now, we are not faced with the looming crisis that many of our European neighbours must confront. But there is no room for complacency. By now most of us know the statistics. The scale and depth of the pension's problem Ireland faces cannot be overstated.



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- We now have over 4 people at work for every person over 65, which is one of the best ratios in Europe.
- In 20 years time that will have dropped closer to 2 people for every pensioner and in 50 years we are heading for a 1 to 1 situation.
- Right now, almost half the country's workforce of 2 million does not have any personal pensions.
- Well over half of these are women who are particularly vulnerable.
- Outside of the public sector, only some 43% of private sector workers have personal pensions.
- The number of people aged over 65 will more than treble, from a current level of about 464,000, to 1.5 million over the next few decades.
- The cost of our social welfare and State pension system will spiral from just over 4% of GNP at present to almost 14% in less than 50 years, which will be the situation in the EU generally at that time.

A look at some particular employment sectors tells its own disturbing story. Almost 85% of workers in the hotel and restaurant services have made no provision for private pensions. In the wholesale and retail trade it's almost three quarters of all workers. And so on – agriculture, forestry and fishing (64%), and construction (56%).

In fairness, overall, it is always worth reminding ourselves that the pensions dilemma we are facing in the future is directly linked to the fact that men and women are going to live longer lives. The fact that we can now look forward to longer and healthier lives is a tribute to the great advances that were made during the 20th century in science, technology, health and of course, welfare.

Life expectancy for men retiring today in this country at age 65 is a further 16 years, 23 years for women—and, unfortunately for us men, that gap is not going to close. Fast forward and that life expectancy climbs dramatically, increasing by at least an extra year for every decade. One fascinating statistic is that a baby girl born today in Ireland stands a 50-50 chance of reaching the age of 100.

So, as we begin our journey into the 21st century, it is clear that we can anticipate an acceleration of the advances in the area of longevity. But this tremendous



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opportunity for living longer and more active lives also brings tremendous challenges. That challenge is inter-generational. It is not just for this Government to solve. It is a challenge that all of society must face up.

This Government is facing up to the challenge and responding by seeking solutions that will, at least, lay out stepping stones towards a lasting pensions solution. A solution that will allow all of our people to live their later years with a decent pension and to have lives that have security and dignity.

The National Pensions Review will be a valuable contribution to the future design and delivery of pension reforms and improvements. As the Review makes clear, our choices are limited. Put simply, we can reduce benefits, increase taxation, work longer or boost the advance provision we make through the National Pensions Reserve Fund, or through personal savings.

The first two options - reduce benefits and increase taxation - are fairly unpalatable and not something any Government would consider lightly. The National Pensions Reserve Fund now stands at over €15 billion but this is only part of the solution to the difficulties we face in the years ahead. In fact, by 2025 when we start drawing on the Pension Reserve Fund, the reality is that it will cover only about one third of the cost of public service and contributory pensions at that time.

The State pensions continue to increase significantly. It is now available at 66 years to over 300,000 pensioners. It is now heading for €200 a week, one of the highest State pensions in Europe.

These pensions are a vitally important contribution to security in retirement. However, they were never intended to bring people up to their pre-retirement level of income or standard of living. I would like to mention that, in the overall context of a pensions solution, I have asked my Department and the Chairman of the Pensions Board to examine whether there is a case for unifying the Contributory and Non-Contributory pensions so as to build an even more solid pillar of State support for older people.



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As regards retirement ages, I have spoken a number of times of the need to allow older people to have choices when it comes to retiring or remaining at work. For example, I am examining closely the Pensions Board proposal to allow people to defer taking social welfare pension at age 65 in favour of having it increased on an actuarial basis at a later date.

Empowering older people in the workplace, enabling them to choose to work for longer must be a key part of any response to the ageing challenge and security in later years. As a society, I believe we can not afford to squander the skills and contributions of anyone who chooses to work on later in life.

Overall, there are many incentives to help people start or improve pensions. Let's not forget that the taxpayer is each year funding tax relief on private pensions to the tune of some €2.7 billion. The new incentives announced recently by the Minister for Finance on SSIA's - in which the State gives €2,500 for every €7,500 of SSIA savings invested in a pension - is a very positive development. It will help us to capture some of the savings in these accounts and consolidate them into long-term pensions savings, especially for low and middle-income earners.

PRSA's are enjoying some success but sales in this area appear to be slowing down. The Pensions Action and awareness promotions are bringing the need for personal pensions home to more and more people.

However, the reality is that we need a long-term solution to our problems. Over the last two years I have continually drawn attention to the challenges we face and I believe that, thanks to all our efforts, pensions are now firmly established on the national agenda and at the Partnership Talks. Today's Forum is further evidence of the increasing attention and importance attached to the pensions issue.

The Government is giving serious consideration to the need for pensions reform. Overall, the Government is of the view that this is an issue that is inter-generational and one that goes beyond the confines of day-to-day politics. It is about what kind of country we want in the future. It is about what kind of society we want to live in. And it is about what quality of life we want for ourselves, our children and the generations that follow.



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In the Review, a majority of the Pensions Board considered that the existing voluntary system has, with the right incentives, the potential to deliver the increase in personal pensions coverage we require. I have no doubt that generous tax relief; improved incentives and regular awareness drives should deliver increased coverage.

However, international experience suggests that no fully voluntary system will deliver the level of pension cover we must aspire to. If we are serious about achieving the goal of deliver a decent pension for all of our people on retiring then we must also be prepared to consider more radical approaches.

There is a view that some form of mandatory or quasi mandatory provision is the only way of ensuring that people make adequate provision for their retirement. As many of you will know, I have asked the Chairman, Tiarnan O Mahony and the incoming Pensions Board to look urgently at the options in the whole mandatory and soft mandatory area. I expect to have that report in June.

I have to say I was encouraged by the recent survey by the Pensions Board, which found that 64% of respondents had the view that pensions should be compulsory. Interestingly, almost half of those surveyed said they would be willing to pay a higher PRSI rate to fund security in later years. The indications of something of a sea change in attitudes to mandatory or soft mandatory has also been evident in recent global surveys.

Today, I look forward to hearing of the Australian experience, and in the months ahead to keeping a close eye on neighbouring New Zealand as it introduces the KiwiSaver initiative. As an aside, it is interesting to note that the KiwiSaver scheme makes no mention at any time, anywhere, of the word "pension". It appears the word turns off young people. Perhaps the Kiwis have stolen a march on the rest of us.

In conclusion, let me say that, along with a lot of the other people at this Forum, I have dedicated a considerable amount of time over the past 18 months or so to probing the best ways to respond to the pensions challenge. So many people have put a great deal of effort into advancing the debate and coming up with options.



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I now believe that over the next few months there is a real political window of opportunity to begin laying the foundations for lasting pension solutions.

**Ends**