



SPEECH BY

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ON RECEIVING THE

ANNUAL REPORT for 2006

OF

THE PENSIONS BOARD – AN BORD PINSEAN

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Department of Social and Family Affairs

Members of the Pensions Board; Mr Brendan Kennedy, Chief Executive of the Pensions Board and staff; colleagues from my own Department of Social and Family Affairs; ladies and gentlemen:

Introduction

It is a pleasure to be here today to receive the annual report of the Pensions Board for 2006. This is my first visit to the Board and I look forward to working with you and the Executive in the months and years ahead.

Regulation

The primary function of the Board is to monitor and safeguard the interests of almost 900,000 people who are members of occupational pension schemes or have Personal Retirement Savings Accounts. In my view, it is vital that the Board uses its powers to the fullest extent possible to ensure that trustees, scheme administrators and employers fully comply with the provisions of the Pensions Act.

In 2006, the Board took nine prosecutions, all of which were successful, against trustees and employers. I was particularly pleased to see that a number of these prosecutions arose as a result of the activities of social welfare investigators who are supporting the Pensions Board in policing employer PRSA obligations. In 2006 our investigators carried out almost 1,900 enquiries in support of the Pensions Board.

A key priority for the Board has been to progress an "on the spot fines" system, which it can use as an alternative when it is considering a prosecution. The necessary provisions were included in the last two Social Welfare and Pensions Acts. The Board is at present finalising the procedures necessary to implement the new regime in consultation with my Department, and I understand that it will be possible to commence the new arrangements in September. This approach should strengthen the hand of the Board in enforcing the Pensions Act, and its effectiveness in this regard will be reviewed by the Board in due course.

I am aware that the Board is reviewing its overall regulatory approach with a view to taking a more pro-active and hands on approach in supervising schemes, and I would be supportive of this approach.



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Pensions Policy

The Pensions Board has played a leading part in highlighting pensions issues over recent years. Last year, pensions were very prominent in the negotiations for *Towards 2016* and also featured in the manifestos of most parties in the recent general election. Pensions policy has now taken centre stage as one of the major issues facing the country in the years and decades ahead and it is certainly one of my own key priorities.

In 2006 the Pensions Board produced two major reports on pensions policy; The *National Pensions Review* and *Special Savings for Retirement*, which dealt with the options, which could be considered in relation to mandatory pensions. Both reports were major inputs to the drafting of the Green Paper on pensions.

As we are all aware, there is a commitment from Government in *Towards 2016* to publishing a Green Paper, having a consultation process and developing a framework to address the pensions agenda over the long term.

I am anxious to make progress in this area as quickly as possible. I am aware that my Department has finalised a draft of the Green Paper in cooperation with the Departments of An Taoiseach, Finance and Enterprise, Trade and Employment and that it has been submitted to Government. I wish to take time over the summer to examine this carefully, with a view to publication in September. I would like to thank the Board for its considerable input to this document.

Funding Issues

I note from the annual report that the funding position of defined benefit pensions continued to improve in 2006, with 70% of schemes satisfying the Funding Standard as against 57% in 2005.

However, defined benefit provision continues to be under pressure because of the increasing costs of this type of pension and because of accounting standards, which make these costs very apparent on the balance sheet of a company. While we have been spared the wholesale winding up of schemes - which we have seen in other jurisdictions, nevertheless, we have seen many such schemes closing to new members.

Too often in such circumstances people see things in black and white, with either defined benefit or defined contribution arrangements the only choice. While the closure of any defined benefit



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scheme, in my view, is a cause for regret, I am aware that imaginative arrangements, which combine elements of defined benefit and defined contribution, are being put in place, which can go a long way to meet the needs of both employers and employees. Recent developments in the financial services sector are an example of what can be achieved.

As part of its obligations under *Towards 2016* the Pensions Board has completed an information booklet on hybrid pension arrangements, which I understand will be published shortly.

Awareness and Information

The Pensions Board has run the National Pensions Awareness Campaign (NPAC) each year since 2003. The purpose of the campaign is to highlight the need for supplementary pension provision and to ensure that those with existing pension provision address the adequacy of that provision. The campaign has, I think, fulfilled its primary objective with extremely high levels of awareness being achieved. In 2003 about 60% of people had a general awareness of pensions issues and most recent research puts this at 87%. The challenge we face is to maintain this level of interest but, more importantly, to translate it into actual pensions coverage.

Positive action was the theme for the campaign in 2006. The annual National Pensions Action Week took place in May 2006 and involved an intense advertising and promotional focus on the age group of 25 – 39 years under the theme “Action and Adequacy”. The activity included on-the-street promotional activity, outdoor, ambient and online advertising, national print advertising, regional and national radio and TV advertising.

The Pensions Board is to be complimented on the very imaginative and effective campaigns it has run on behalf of the Government since 2003. I understand the results of the campaign to date and its future direction are at present being considered in consultation with my Department.



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Board Membership

As some of you are aware, Anne Vaughan, who is currently my representative on the Board, will be resigning her membership as she is taking up a position in the Department of An Taoiseach for a year or so. I plan to appoint Dr Orlaigh Quinn to the Board from 1 August. I would like to thank Anne sincerely for her hard work and commitment to the Board and I wish both Anne and Orlaigh well in their new posts.

On a sadder note, I would like to extend my sympathy to the Board on the death on the 1st July of Tom Wright, who represented the Consultative Committee of Accountancy Bodies on the Board. While I did not know Tom, I am aware from what Anne has told me that Tom made a huge contribution to the Board and to several of its committees over many years; was always extremely helpful and knowledgeable with attention to detail, but was overall a thorough gentleman, who will be sadly missed by all who knew him and, of course, by his family in particular.

Conclusion

In conclusion, on behalf of myself and on behalf of my Department, I would like to thank the Chairperson of the Pensions Board, Tiarnan O Mahoney, the Board members, Pensions Board staff and the Chief Executive, Brendan Kennedy, for their tremendous work. The strong desire of Government to deal with the pension issue means a busy time ahead for all concerned and I look forward to working closely with you on this very important issue.

Thank you.

SPEECH ENDS