



Address By

Seamus Brennan, T.D.,  
Minister For Social Affairs

To The

Irish Congress Of Trade Unions

**The Pensions Summit 2007**

Croke Park Conference Centre

14<sup>th</sup> February 2007

**MINISTER ANNOUNCES THAT GOVERNMENT GREEN PAPER  
ON THE FUTURE OF PENSIONS IN IRELAND WILL BE  
COMPLETED IN MARCH**

***SEAMUS BRENNAN-WE MUST DEBATE, INVESTIGATE &  
GIVE SERIOUS CONSIDERATION TO ALL OPTIONS,  
INCLUDING MANDATORY PENSIONS***



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Like most countries in the developed world, Ireland is facing an increasingly serious pensions challenge.

By now we all know the extent of that challenge-stripped down to its starkest we know that:

- Right now, some 900,000 people - almost half the country's workforce of 2 million - do not have any personal pensions
- We now have over 4 people at work for every person over 65 - one of the best ratios in Europe.
- In 20 years time that will have dropped closer to 2 people for every pensioner
- In 50 years we are heading for a situation where there will be just one person in work for every pensioner.
- 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 to 1.5 million over the next few decades.
- The cost of our social welfare system and State pension system will spiral from just over 4% of GNP at present to almost 14% in less than 50 years.

And, of course, all of this is against the backdrop of increased life expectancy - men retiring today can expect to live on average a further 16 years, 23 years in the case of women.

All of these factors combine to make it imperative that we confront the pensions issue and seek to put in place long-term solutions. Failure



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to do so will consign more and more of our workers to retiring on incomes that will meet basic day to day needs but will not maintain the lifestyles, dignity and security they aspire to, and should have earned through a lifetime of work.

Before considering the extent of the challenge ahead it is important to also remind ourselves of the huge progress that has been made over the last decade in improving social welfare pensions. In the most recent Budget, for example, we achieved, and in cases exceeded, our target rate of €200 per week for the State welfare pensions. We are spending some €2.8 billion each year on our main social welfare pension schemes. Over the past decade the State pensions have increased by over 100%, or nearly 50% in real terms. On top of that EUR2.8 billion, tax relief on pension contributions and investment returns is of the order of a further €2.5 billion a year.

But, despite the best efforts of all involved in promoting greater awareness and take-up of pensions, the reality is that the overall coverage rate remains disappointing. I think all of you here this morning would agree when I say that, thanks to all of our efforts, pensions are now firmly established on the national agenda. For example, pensions were at the very top of the agenda during the negotiations on the new Partnership Agreement, Towards 2016.

Of course there are differing views on how we should achieve our objectives in the pensions area. Indeed, the agenda for your conference today, the contributions to the National Pensions Forum last May, and the many other opinions and proposals that have emerged, reflect the diversity of options and choices available. So, in



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the space of not much more than a year, we have had two major reports on future pensions policy, a National Pensions Forum, Cabinet discussions, Oireachtas debates, greatly increased funding for extensive Pensions Awareness Campaigns, new incentives for SSIA savers, and many thought provoking conferences like we have here today.

As you can see, in a relatively short time we have travelled some distance along the road towards finding ways forward and exploring solutions to the pensions challenge. But there is still a long and challenging road ahead. There is now a clear momentum to the pensions issue that I am determined to maintain and drive forward.

As you all know, as part of the Partnership Agreement - *T-16* - the Government committed itself to publishing a Green Paper on pensions outlining the major policy choices, the challenges in this area and the views of all involved.

As I set out from the start, the Green Paper will consider all aspects of the system and all of the options and proposals. The Green Paper is looking at international experience, lessons from abroad, on what works and what doesn't work. It is assessing the need to use our well-established social partnership processes to ensure that proposed solutions are capable of enabling a new pensions consensus to be reached. Also, and crucially, it is probing the need to ensure that pensions are adequate and avoid the risk of poverty. And it will also fully explore all of our options to increase pensions coverage - including some form of mandatory pension provision, or a soft mandatory system.



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The Green Paper is also examining issues in relation to state pensions as well as supplementary pension provision. The forthcoming Green Paper will offer options for reform - for both state and supplementary pensions - that are sensible and realistic. It will outline the challenges that our pension system faces, setting out our current demographic situation and the latest projections on how our population will look over the coming decades.

Against that background, I expect the Green Paper to reassess the objectives of our pension system and examine how we can ensure the adequacy of pensioner incomes both now and in the future. This should include a focus on particular groups - such as those on low incomes and women - for whom pension coverage adequacy is a particular problem. In reaching targets for adequate retirement incomes, however, we must ensure that whatever reforms are proposed are sustainable. The Green Paper should comprehensively examine the financial, economic and social sustainability considerations of adopting particular proposals. This should include the costs associated with proposed reforms and their potential social consequences.

In addition, I expect the Green Paper to address particular issues associated with supplementary pensions, with which many of you will be familiar. These include the shift from defined benefit to defined contribution provision, the role of regulation in supplementary pension provision, and the kind of incentives that might increase pension saving. It will consider all aspects of the system including current retirement ages and measures to encourage, facilitate and offer



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choices to remain part of the workforce for a longer period if that is what people want.

In short, the Green Paper should address all the relevant issues and provide a platform for a full and frank debate on the shape of pension provision in Ireland. This debate should involve everyone.

As I have said many times, the pensions challenge, which we face, is inter-generational and one that goes beyond the confines of day-to-day politics. It is not just for this Government to solve. It is a challenge that all of society must face up to. 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 and the generations that follow.

It is important to reiterate in the strongest terms here today that the compiling and producing of the Green Paper is not a finger lengthening exercise. And I certainly do not see it as the beginning of a process. In many ways it is bringing about the beginning of the end of a process of examination, consideration and national debate. I can assure you today that the compiling of the Green Paper is on schedule and I am confident that it will be completed, as promised, by the end of March.

The Green Paper is about drawing together all the strands that have already been produced, including the two reports from the Pensions Board, the inputs from the National Pensions Forum and the views from the Partnership talks, and other views. The Green Paper will formalise in a comprehensive policy document the progress that has been made and, more important, set out all of the options that need to



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be considered as we move towards making hard decisions on future pensions policy.

For example, the Green Paper will look closely at the proposals from the Pensions Board, both for improved SSIA type contribution incentives from the State instead of existing tax relief arrangements, and for a mandatory style system targeted at lower to middle income earners built around contributions shared between employers, employees and the Exchequer.

In this regard I am very interested in what was recommended by the UK's Pension Commission - now better known as the Turner Report - and the subsequent White Paper. I believe that the UK proposals for a Savings Scheme, in which employees would be automatically enrolled into a pension when they start a new job, but also be given an opt out clause, should be given very careful consideration in the preparation of our Green Paper.

When it comes to the mandatory pensions route, I know several people have spoken out and advised me that a mandatory system is not the way to go. Mind you, I generally find that the people strongly opposed to mandatory pensions tend, in most cases, to be people who have more than adequate pensions for themselves. I believe we should debate, investigate and consider all options, including mandatory or quasi mandatory.

At the end of the day we have a responsibility to find some way of ensuring that those 900,000 out there without pensions will have decent incomes in retirement and well-earned security in old age.



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It was interesting to read recently a Financial Times assessment of the mandatory pension savings system in Australia. This concluded that it had given the Aussie's a retirement savings system that is now the envy of most developed countries.

On the road to making decisions on whether or not mandatory is the best route to take, maybe we should also look at the idea of taping into the success of the SSIA scheme and build on the savings habit that has been created.

### **Conclusion**

In conclusion, let me say that in Government, and through the Pensions Board, the pensions industry itself and the social partners, we are identifying the challenges ahead. We are responding by seeking solutions that will, at the very least, lay the stepping-stones towards a lasting pensions solution. This is a solution that in time will allow all of our people to have a decent pension in their later years and to have lives that have security and dignity.

**ENDS**