ESRI pensions research timely contribution to debate as we plan future direction – Hanafin

The Minister for Social and Family Affairs Mary Hanafin T.D., today (25th November 2009) welcomed the new research on pensions produced by the ESRI. Launching Pension Policy: New Evidence on Key Issues, Minister Hanafin said the research was “timely and valuable as the outlook for pensions has changed dramatically since the launch of the Green Paper on Pensions.”

Minister Hanafin said we live in very different times to when the Green Paper was published in October 2007. The assumptions we made then are no longer valid, for example;

- GNP growth was at 5.7 per cent in 2007 – it is now at minus 8 per cent
- Employment growth was at 4.4 per cent – it is now at minus 7.8 per cent
- Unemployment was at 4.6 per cent – it is now at some 12 per cent.
- The Social Insurance Fund, from which we pay the contributory State pensions, is now in deficit and the current surplus will be exhausted next year.

“This will require the Government to subvent this Fund some five years earlier than planned” said the Minister

Minister Hanafin pointed to some of the recent changes made by the Government to support the pensions industry, including the introduction of the Pensions Insolvency Payment Scheme (PIPS) as an alternative to annuity purchase for trustees of DB schemes in deficit where the sponsoring employer is also insolvent.
“We are also allowing schemes greater flexibility and time to recover funding positions to reduce the pressure on under-funded schemes. We have re-ordered the wind-up priorities so that more funds are available for active and deferred members. There is also greater flexibility for schemes to restructure in the event of under-funding as well as strengthened the regulatory role of the Pensions Board.”

The ESRI research shows the huge turnaround in the demographic trends in the coming decades which will see many more people reaching pension age while there are less working supporting those who are retired, than in previous years. This places huge demands on pension provision. “I know that many people are already taking on responsibility for their own pensions and as a Government we must work to further promote that aim. However, we must do so by ensuring that Government incentives are provided equally to all pension holders.

The recent commitment in the new Agreed Programme for Government to introduce a 33% rate of tax relief for all those who contribute to pension schemes is aimed at delivering such equity. I am very pleased that the ESRI research shows that such an approach favours those on lower and middle incomes, who are a core group that we wish to see providing for their own retirement.”

The Minister welcomed the acknowledgement by the ESRI that older people have seen a substantial reduction in the “at risk of poverty” and “consistent poverty” levels, mainly due to the significant increases in State pensions, over the past number of years.
Minister Hanafin said that National Pensions Framework being worked on by the Government will set out a plan for the future, but will not have an immediate implementation, as the Government was anxious that there would be no further pressures on people or the industry and there will have to be a lead in time for any proposed changes which impact on the individual, the employer and the State. The Minister concluded by thanking the authors of the report, Professor Tim Callan, Claire Keane and John R. Walsh “for drawing together the most up to date information as well as the international experience which both challenges and raises questions for policy makers.”

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