

Social Welfare & Pensions Bill 2013

This legislation is very welcome. I want to congratulate the Minister for bringing it forward.

In 2012, the OECD conducted a review of our pension system here in Ireland, at the request of the government, and it concluded that there is “unequal treatment of public and private sector workers due to the prevalence of DB plans in the public sector and DC plans in the private sector”.

We didn't need their report to tell us that, we know this. I'm not trying to bash public servants, but those in the public sector in receipt of defined benefit pensions, as the vast majority are, are incredibly fortunate to have the state sovereign backing their entitlements. Those DB schemes in the public sector will never need for this legislation being debated today.

That is a good thing, for them. We want people's pensions to be protected from insolvency. But we have to recognise the great advantage that this gives to those who are employed in the public sector when we debate things like pension reform, or the length of the working week, or changes to salaries, or reforming work practices in the public sector.

And, when we make comparisons with the private sector, which often as a result are not fair comparisons because this crucial issue of pension entitlements is not taken in to account. If we want to achieve fairness, as this bill attempts to do in one particular area of pensions, then we have to recognise this.

We have a bigger problem though. And it concerns how we pay for all these pensions, as well as the state pension. Though the working age is going up, incrementally, our working lives still are shortening. People are starting work later as they receive more education, with the expectation of retiring earlier and living longer. How is a shorter working life meant to financially sustain a lengthening non-working life? And when you take changing demographics in to consideration, despite baby boom blips, it's like constructing an inverted pyramid. It will not stand.

Total pension payments across the system currently is over 3 billion gross, today. We don't know what the future liability is in the health sector because nobody has calculated it. In 2009 the future liability for public sector pensions on the state was estimated, roughly at 116 billion euro. Given the changes that have happened since then, the C and AG is preparing another review to try and

get a better estimate of what's coming down the line. And when that work is done we need a full and proper debate in here.

When this crisis ends, and it will end, this pension problem will still be facing us.

I find it odd when people rail against tax reliefs for private pension contributions. Because these tax reliefs are a short term expense to the state for a long term and much greater saving. It saves the state money by having individuals provide for their pensions privately. Why would you be against that when the result is greater resources for the state pension and for the public purse generally – resources that can and should go to those who really need them. The call for universality here is terribly misconceived.

And we cannot ignore the fact that more than one third of the Social Protection budget goes on the state pension already. That is a huge figure in comparison to other state expenditures. We need to make it sustainable.

So we should be pushing people in to private pension schemes. We should be encouraging young people to start providing for their own futures – not telling them that they can and should always depend on the state. In this regard then, I think the pension levy was and is a mistake.

Insofar as this particular legislation is concerned, we need to restructure the defined benefits pension priority order, if we are to achieve greater fairness in how we manage pension schemes, as well as employers, that have become insolvent.

Insolvency of pension schemes as well as so-called “double insolvency” is not happening on a very wide scale, but it is very much a concern in the current economic landscape.

A balance needs to be achieved. Obviously on one side of the equation, you have the pensioner, who has made some form of contribution to the scheme, is now retired and no longer has earning capacity, and so relies almost 100% on this pension. That person has to be protected, for obvious reasons.

At the same time you might have an employee (present or former), who has been paying in to the same scheme for a number of years – they might even be close to retirement – and with insolvency, their investment is wiped out. That

person also needs to be protected. It's amazing that we weren't doing this before now. So this change is very welcome.

I would be interested to hear more about the points raised in terms of single solvency scenario, and why we are taking a different path to the UK. If there is best practice to be found elsewhere let's adopt it. We don't need to try and reinvent the wheel. I look forward to hearing more at the next stage of the legislative process.