

THE MINISTER AND THE GREEN PAPER

By Jill Kerby



The extra €14 per week that was given to pensioners in the Budget may not have been as generous an increase as previous years, but it was a sign that at least one promise the Government made looks like it will be fulfilled before the next election - to get the state retirement benefit up to €300 a week before 2012. It was the one 'giveaway' that the new Minister for Social and Family Affairs, Martin Cullen, TD was willing to say would be in the budget, when Irish Pensions caught up with him in late November writes Jill Kerby.

It's been something of a baptism of fire for the new Minister who has only been in the job since June: not only did he have to get to grips with his huge brief (and staff) in the high-spending department, but he also had to immerse himself in the Pensions Green Paper, which was finally launched in mid-October.

COMPREHENSIVE

This huge document contains the most comprehensive analysis of pensions in Ireland since the NPPI Report back in the late 1990s, which introduced huge legislative changes. Hopes are running high amongst the social partners, the pensions industry, pension fund managers

and economic analysts that the Green Paper will shape the 21st century pension landscape – and allow us to avoid the huge fiscal pressures to provide adequate retirement incomes that many, more mature EU states are now experiencing.

There's a lot hanging in the balance, says Minister Cullen, and partly explains why so much time is being taken to gather submissions and views.

By giving at least six months to the discussion period, and holding regional meetings in the early part of next year, there will be no question of anyone "complaining that they didn't have a chance to put across

their point of view," he says. "I think people believe that we are serious about resolving the [pensions] issue and that we're not just going to put it on the long finger."

A conference will be held in Dublin sometime early next summer of 2008 to bring all the parties together for a final meeting of minds. It will be then up to the government to introduce the legislation and other changes that completes the circle.

In the first month alone after the Green Paper was launched, and the public was invited to submit their views, there had already been over 2,700 hits on the Green Paper website and 32 formal submissions from individuals and organisation.

Minister Cullen is hopeful that the long process of consultation will help break down "the narrow vested interests that many of the stakeholders have. It is in everybody's interests to get a solution and that no matter who you are, it is a win-win situation."

"I will certainly engage myself with stakeholders early next year. I intend to meet with employers, the pensions industry and indeed people in the financial markets. I also want to take a look a good look at what is going on internationally."

"Some countries are already at a point where it is a crisis, whereby we have a window of opportunity, albeit a narrow one, to sort this out. My hope is that some innovative things, some outside the box thinking will happen to help solve this issue."

Everyone knows what the problems are, he says – "now let's use this time to find the way forward. We have to reach some kind of consensus." He sees his role as a navigator for all the different parties who want to reach the same destination – higher pension coverage – but who may be trying to get there by very different routes. There's always a "a spread of pain" when change happens, he says, "but the thing we have to ensure is that the pain doesn't just fall on one sector."

Acknowledging that the government's timing in trying to reform the pensions system is happening just as the economy is retrenching after a decade of growth, Mr Cullen insists that the process must

continue. "I don't think it removes the underlying principle that people still have to have pensions. People are living substantially longer; the retirement age is an issue because many are starting work later in life, so we have to face the problem."

"This is where innovative thinking comes in. I don't know what will come out of it, but we need to ask, where does the responsibility of the State, individual and the markets begin and end?"

"For example, two people are sitting side by side in an office. One has a private pension fund that may do exceptionally well and the other, one that could collapse. How do you cater for that? How do you ensure that everyone has a floor of value beneath them that is sustainable?"

With a 40 year perspective in mind – the period before the demographic picture will seriously deteriorate if we do nothing – Mr Cullen says he expects there will be other economic cycles to get through. "The pathway we come up with is not contingent on the markets being up or down at the moment. You'd like to be doing [these reforms] in a more conducive economic time when everyone feels really positive about it, but my job is to find a formula that is sustainable for the State, employers and members; where everyone who comes onto the labour market at 18 years of age eventually leaves with a pension."

No stranger to controversy in his other Ministerial positions in the Departments of the Environment and Transport, the Minister skirts around giving any personal opinion about the type of pension or system that he would personally like to see come out of the Green Paper process.

"My job is to drive the debate. If I were to give a clear view of my preferences, it becomes a debate about my views and they might think it's what the Government is thinking should happen."

"The Government has an open mind and we haven't come to any fixed position. I think I've hinted that I think people have to see pensions as an important part of their asset base. The first thing a young person might want after getting a job is a car, and eventually a house, but they have to see pensions in that same context."

Like his immediate predecessor, Seamus Brennan, and Mary Coughlan before him, Martin Cullen says he is disappointed that PRSAs have not been more successful, "notwithstanding that 112,000 people have gotten involved". He notes that there seems to be a lot of support for the introduction of an SSIA-style pension, "but SSIA's were based on a very short period and pensions clearly require a much longer time frame."

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Nevertheless, he says that whatever model emerges, it should include the SSIA features that were so appealing – flexibility, transparency and fairness.

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He says he is particularly concerned about the way certain industrial sectors – hotel and leisure services and retail – are not well represented when it comes to pensions and women workers, and particularly part-time women workers.

He also acknowledges that the lack of certainty about the size of the final pension that people can expect if they do save and invest is also part of the problem that needs to be addressed in new legislation. The size of the tax relief that is given is open for scrutiny, he says, along with annuity purchase and even the future of civil and public service pensions.

Whatever the outcome of the consultation period, and whatever system or model of pension provision that arises from it, at the end of the day, says Mr Cullen, the legislative outcome and other reforms will come down to "who pays and how sustainable it is. We do know that the current system is not sustainable. The Department of Finance knows this.

"I don't think [pension provision] can all be on the State; employers have to step up to the mark and equally, so do employees. People starting in the workforce, I think, are going to have to accept that starting a pension is going to have to be part and parcel of what they do."

He says he "refuses to accept" the notion that some employers have said that the defined benefit pension is dead and should be written off". Instead he is heartened by the hybrid pensions that are being created – the 'outside the box' thinking that the country needs more of.

"I genuinely believe that between the mix of people who work and deal with pensions – in both the private and public sectors and government – there are the innovative solutions that we need. We just have to find them in the next coming months."

Contributions to the Pension Green Paper debate can be made by accessing the website: www.pensionsgreenpaper.ie or by sending your submission by post to:

**Green Paper Consultation
Pensions Policy Unit Floor,
1 Department of Social & Family
Affairs, Áras Mhic Dhiarmada,
Store Street,
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