Opening statement by Dr Laura Bambrick, Social Policy Officer, Irish Congress of Trade Unions to the Joint Oireachtas Committee on Employment Affairs and Social Protection

11th April 2019

Chair, Deputies, Senators,

On behalf of the Irish Congress of Trade Unions I would like to thank the members of the Committee for the invitation to input to the Pre-Committee Stage scrutiny of the Pensions (Amendment) (No 2) Bill 2017 and to outline the views of Congress on the regulation of defined benefit pension schemes. I am accompanied by Billy Hannigan, National Secretary at Fórsa.

Congress is the largest civil society organisation on the island of Ireland, representing some 700,000 plus workers across the economy.

Congress has been to the fore in highlighting the serious need for radical reform in the area of second-tier pension provision. Not least because less than half (47 per cent) of all workers have an occupational or private pension to supplement their State pension - 90 per cent of public sector workers do, compared to one in three workers (35 per cent) in the private sector. As the State pension is paid at a flat rate, rather than earnings-related, workers without a supplementary pension are exposed to a significant drop in their living standards in old age.

Congress represents the great majority of members of defined benefit pension schemes. Most DB schemes were first established in the collective bargaining system when trade unions and employers agreed the terms, rules and benefits of the schemes. With pension assets plummeting due to the international financial crisis many DB schemes, already under pressure, fell in to deficit from 2008. Today, over 90 per cent of DB plans are closed to new entrants. However, while in decline approximately 102,000 pensioners, 111,000 active members and 415,000 deferred members draw, or will draw, retirement income from DB schemes. As such, the DB sector, with assets under management of over €62 billion, remains a very important part of pension provision.

Congress has played a leading role in the attempts to rescue the DB system from the sustainability challenges it faces. We have done this in two ways. Firstly, by negotiating the restructuring of individual schemes and secondly by engaging with government to strengthened regulation and oversight so that there is greater protection for workers who are members of private pension schemes. Indeed, we had several meeting with the then Minister for Social Protection, now Taoiseach, Leo Varadkar, and we had a general understanding that he was well disposed to legal measures to protect against the preventable demise of DB pension provision. The publication of the Heads of the Social Welfare, Pensions and Civil Registration Bill 2017 confirmed this by:

- Requiring employers to put forward funding proposals within six months of the actuarial funding certificate (S.11);
- Obliging employers sponsoring DB Schemes, whether in deficit or not, to give 12 months' notice to the trustees of their intention to cease contributions (S.12);
- Enable the Pensions Authority to determine a schedule of contributions that will restore DB schemes, which do not meet the funding standing/ reserve, to solvency, in circumstances where the employer has failed to engage with the trustees to develop and agree a funding proposal (S.13).

However, government has failed to-date to legislate for these measures.

In February of last year, government published an ambitious five-year plan for pension reform, covering the entire pension landscape. One of the Roadmap's six strands focuses exclusively on improving protection for DB pensions schemes in the form of more effective regulatory oversight and transparency. Disappointingly, the action deadlines set out in the Roadmap have been missed.

Congress therefore welcomes the Committee's scrutiny of Deputy O'Dea's Bill and the issues it highlights. In short, as the Committee will be aware, this Bill aims to protect DB scheme members against the risk of employers winding up the scheme. It proposes to provide an appeals mechanism for members where a scheme is being wound up by the trustees, and to make it illegal for a solvent company to wind up a scheme in deficit without consent. The Bill also proposes to give new powers to the Pensions Authority.

This Bill together with the Roadmap makes clear that there is political consensus that stronger regulation is required to support DB pension schemes and to protect the interests of members of these schemes.

A key weakness with the current regulatory regime is that there are no safeguards to prevent an employer unilaterally deciding to cease making contributions into a defined benefit pension scheme. The consequential unfairness of this has been crystallised in a number of high-profile cases where financially secure employers announced their intention to withdraw their support from a DB pension putting the pension benefits of members in jeopardy.

Congress is aware of some employers' concern that a rebalancing of the regulation of DB schemes will result in a deterioration in the financial standing of firms operating such schemes. We do not accept that it is an inevitable consequence. The purpose of what government has proposed and what is proposed in this Bill is to ensure that employers are required to enter into discussions with the trustees to address funding issues where they arise. It is the view of Congress that this is entirely reasonable.

In closing, Congress sees the scrutiny of this Bill as an opportunity to deliver on the political consensus that stronger regulation of DB pension schemes is required so that the hundreds of thousands of active, deferred and retired members of DB pension schemes can rest assured that their interests are protected and that they will get to enjoy the pension benefits they have accrued over their working lives.

I would like to thank you for your attention and we are happy to take any questions.

ENDS