

# DÁIL ÉIREANN

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## AN COMHCHOISTE UM OIDEACHAS AGUS COIMIRCE SHÓISIALACH

## JOINT COMMITTEE ON EDUCATION AND SOCIAL PROTECTION

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*Dé Céadaoin, 27 Eanáir 2016*

*Wednesday, 27 January 2016*

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The Joint Committee met at 1 p.m.

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### MEMBERS PRESENT:

Deputy Catherine Byrne,	Senator Gerard P. Craughwell,
Deputy Áine Collins,*	Senator Jim D'Arcy,
Deputy Clare Daly,	Senator Mary Moran,
Deputy Jim Daly,	Senator Marie-Louise O'Donnell.
Deputy Aengus Ó Snodaigh,	
Deputy Brendan Ryan,	

\* In the absence of Deputy Noel Harrington.

In attendance: Senator Terry Brennan.

DEPUTY JOANNA TUFFY IN THE CHAIR.

**The Pensions Authority: Chairperson Designate**

**Chairman:** Today, we will have an engagement with the chairperson designate of the Pensions Authority. I welcome our guest and I will read him our rules on privilege. I draw his attention to the fact that by virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to this committee. However, if they are directed by the committee to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter to only qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person, persons or entity by name or in such a way as to make him, her or it identifiable.

The opening statement submitted to the committee will be published on the committee's website after this meeting. Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person or persons outside the Houses or an official by name or in such a way as to make him or her identifiable. I remind everybody that mobile phones should be turned off completely or put on safe or flight mode, depending on the device.

As part of the programme for Government, before the chair of a State body is formally appointed he or she gets a chance to engage with an Oireachtas committee. It gives us an opportunity to talk about the role of the chairman and the person's experience and plans for the future.

The role of the Pensions Authority is to regulate and influence policy so that workers in the State are confident they are making adequate provision for their old age and that their pensions expectations will be met. Its activities include promoting and ensuring, as far as possible, compliance with the Pensions Act, good governance of occupational pensions schemes and the provision of advice. The committee has a substantial interest in the area of pensions and has debated recent legislation. Recently, the Tánaiste and Minister for Social Protection, Deputy Joan Burton, announced that Mr. David Begg will be appointed as chairperson of the Pensions Authority for a five-year term. In line with our procedures, the committee now has an opportunity to discuss with Mr. Begg the work of the Pensions Authority and his approach to the role of chairman. I welcome Mr. Begg and ask him to make his presentation.

**Mr. David Begg:** In the considerable public discourse which has attended my appointment as chair of the Pensions Authority, little or nothing was said about the challenges to public policy posed by the requirement to ensure that the pensions regime is sustainable into the future. For that reason, I welcome the opportunity to appear before the committee and set out my views.

I will begin by saying a few words about the Pensions Authority. The authority supervises compliance with the Pensions Act by scheme trustees, PRSA providers, registered administrators and employees representing 150,000 schemes with 730,000 active members holding more than €80 billion in investment assets and more than 226,000 individual PRSA contracts with €4.6 billion in investment assets. The authority is responsible for setting and implementing the funding standard for defined benefit pensions. It can initiate legal action against trustees who are in breach of provisions of the Pensions Act. It monitors compliance by trustees of occupational pension schemes and, as an alternative to prosecution in the courts, can impose on-the-spot fines on trustees who do not conform with the various requirements of the Pensions Act. The authority has had a continuing policy of seeking compliance through co-operation with

trustees rather than by recourse to legal action, although such action is taken where necessary.

The principal objective of the authority is to support a sustainable pensions environment that will provide adequate and reliable pensions for retired and older people and that achieves wide coverage. The authority aims to achieve this by supporting the interests of members of occupational pension schemes and personal retirement savings account holders through effective regulation by supervising the operation of pension schemes and PRSAs, by providing relevant information and guidelines to the public and those involved with pensions and by providing advice and technical support to the Department of Social Protection. The authority is wholly funded by fees levied on occupational pension schemes and PRSA providers. The authority comprises an independent chairperson appointed by the Minister for Social Protection and two ordinary members, appointed on the nomination of the Minister for Social Protection and the Minister for Finance.

I will talk now about the evolution of pensions policy over the past 20 years or so, in which I have to some extent been involved. In the 1990s, the principal objective of pensions policy was to extend coverage of occupational pension schemes. Occupational pension schemes, where they existed, performed fairly well from a return-on-investment standpoint. In some cases, employers were able to take a contribution holiday in defined benefit schemes. However, with the collapse of the dot.com bubble in 2001-2002 market conditions began to change radically. Equity values fell sharply affecting return on investment. This coincided with evidence of increasing longevity affecting annuity costs. It was evident to me at the time that this was a critical juncture with major implications for pensions policy. In my capacity as general secretary of congress, I initiated discussions with the Department of Finance in 2003 with a view to prompting an appropriate public policy response. Initially this was not forthcoming but persistent representations led to the establishment of a pensions review body in 2005 and ultimately a Green Paper in 2007 intended to identify the choices available to Government. It included some discussion on the possibility of a mandatory second-tier pension to complement the State pension but this was not pursued at the time.

The strains on defined benefit schemes were exacerbated by industrial restructuring and by changes in the accounting standards, particularly the introduction of what is known as FRS17, which required pension liabilities to be stated on the balance sheet of a company. The result was that shareholder pressure pushed companies in the direction of defined contribution schemes because they did not see any reason they should have this liability on the balance sheet.

The main difference between a defined benefit and defined contributions scheme is that the former requires an employer to fund a specific pension promise to an employee, usually to fund up to half pay, less social welfare benefits, on retirement. The latter involves no specific employer commitment and a person's pension depends on the amount of pension the money his or her pension pot can buy on retirement. In effect, changing from defined benefit to defined contribution changes the risk from employer to employee and, ultimately, to the State because no developed country can allow its elderly population to fall into poverty and indignity in their final years.

As already mentioned, these trends were identified by me in their embryonic state in 2003. Unfortunately, they accelerated in the intervening years resulting in large scale abandonment or closure of defined benefit schemes to new entrants. Given the importance of the issues for employees, this development led to major industrial disputes involving, among others, the banks, ESB, RTE, Aer Lingus, Dublin Airport Authority and Waterford Glass. I was involved in the resolution of many of these disputes.

The Irish Airlines Superannuation Scheme will illustrate the complexity of what was involved. The scheme was a joint one involving four employers and six trade unions. There were several classes of beneficiaries, including retired staff, deferred staff, serving staff and staff who had resigned and were re-employed. There was a deficit of €720 million in the fund. The ultimate resolution also involved the trustees, the Pension Authority and the High Court. It required a complete restructuring of the scheme and an injection of €200 million in new funds. My involvement was quite complex because I was general secretary of congress and a director of Aer Lingus at the same time. I had to craft a solution that, at least to some degree, satisfied shareholders, serving staff and deferred pensioners. It took three years to work all of that out.

A great deal of what was said in the Dáil on this case was a travesty of the truth. I am willing to discuss my involvement in finding solutions to a range of pension problems over the past few years for as long, and in as much detail, as the committee wishes. I hope the committee will accept that, contrary to what has been asserted, I have at least some knowledge of pensions.

I will turn now to the strategic challenges for achieving sustainability of pensions for the future. The most important concern is that half the population has no pension coverage other than the State old age pension. Approximately 90% of people in the public service have a pension and yet only 41% of people in the private sector have one. The concept of a mandatory second tier pension, as mentioned in the Green Paper, is now under active consideration but there are many issues to be resolved. Experience in other countries suggests that it is difficult to make this work effectively for lower paid workers or people in precarious employment. Moreover, it may be hard to get contributions up to an adequate level to provide sufficient income replacement in retirement.

The alternative approach would be to significantly improve universal provisions via the existing State structure. This implies a major diversion from tax expenditure in the form of incentives for personal provision into direct State expenditure. This, of course, would have implications for the viability of existing occupational schemes. What I am saying, therefore, is that there is an element of path dependency in all of this. We cannot take a blank sheet of paper and reconstruct a new situation. It is a question of making the transition from an unsustainable position to a more sustainable one. Occupational pensions coverage varies from around 90% in the public sector to 41% in the private sector, with overall coverage amounting to 51%.

Ireland is unique in having a very large number of pension schemes, some 50,000. Of all pension schemes in Europe, half are in Ireland. The Netherlands, for example, has 400 schemes. Pension funds of €90 billion equate to approximately half of Ireland's GDP and are the third highest in Europe after the Netherlands and UK.

At the beginning of 2011, there were 1,103 defined benefit schemes subject to the funding standard. By the end of September 2015, this number had reduced to 725. Of this number, 59% meet the funding standard. Almost all of the 725 defined benefit schemes remaining are closed to new entrants and a significant minority are closed to the further accrual of benefits. The continuing decline of defined benefit schemes accelerated during the financial crisis. However, a recovery in investment markets helped nearly half of the defined benefit schemes to meet the minimum funding standard in 2013 and most of the others to submit a recovery plan to the Pensions Authority. However, recent stock market volatility and the uncertain future for the Chinese economy are a cause for concern.

The problem with defined contribution schemes is that risk resides with the employee and contributions tend to be much lower than for defined benefit schemes, with the attendant risk of

pension inadequacy in retirement. On average, defined contributions are approximately 11.1% while defined benefit contributions are approximately 20%. Even if people retire with a decent defined contribution fund, they are confronted with very difficult choices. They can buy an annuity to secure a guaranteed income or take the chance that they will not live long enough to exhaust the fund at the chosen draw down rate. Unfortunately, annuities are now very expensive. The typical cost of buying an annuity at 65 years of age with no provision for future increases was €241,000 per €10,000 of annual income in August 2015, representing a 40% cost increase over the past five years.

Defined contribution pension schemes and PRSAs are highly vulnerable to poor investment decisions. In many cases, individuals and trustees are poorly equipped to make these decisions or, in the case of trustees, to advise on them. Clearly, this is compounded by the exceptionally large number of schemes. It militates against any possibility of ensuring that trustees acquire the skills to advise members on investment decisions ranging up to 40 years ahead. These decisions are difficult to make.

Risk and uncertainty cannot be removed from pension planning. Apart from investment decisions, account must be taken of demographic factors, including population levels, migration flows, changes in the age profile and longevity. Migration flows are one of the key variables showing most volatility. Current assumptions about births, deaths and migration flows suggest that in 2046, 25% of the population will be aged under 20, 51% aged between 20 and 64, and 24% aged 65 or over. However, this could be wrong and future planning for uncertain outcomes requires the development of policy options which allow for flexibility to accommodate widely varying outcomes.

The current pensions landscape in Ireland presents a picture which is not sustainable and considerable reform will be necessary to make it so, not least in regard to the number of occupational and private pension schemes in respect of which Ireland is an outlier in Europe. The first pillar, mandatory social insurance pension, the State pension, will remain central because of its role in preventing poverty in retirement. Approximately 90% of elderly people receive a social welfare pension and these pensions account for 62.7% of their retirement income. Social transfers reduce the “at risk of poverty” rate for those over 65 from 88.3% to 12.2%.

I will now consider the European dimension. There are considerable variations between welfare state models in Europe. Mostly, they were designed after the war to cater for social risks that have since changed quite dramatically. The most obvious change relates to demographics and the evolution from a male breadwinner related risk profile to the feminisation of the labour market and the caring issues that arise therefrom. High lifetime labour force participation at high levels of productivity is the single most important macro-economic prerequisite for maintaining living standards while sustaining inclusive welfare states and thereby citizen well-being.

For this reason, the functioning of labour markets has a direct bearing on pensions. For example, projections about the impact of artificial intelligence are quite worrying. A recently published report by the World Economic Forum suggests that increased automation and artificial intelligence in the workforce will lead to the loss of 7.1 million jobs over the next five years in 15 leading economies, while helping to create just 2 million jobs over the same period. Moreover, in the United States in 2012, figures from Department of Labour show that the average tenure in a job was 4.6 years. Were that to become the norm in Europe, it would pose enormous problems and challenges for pensions provision, particularly for mandatory second tier pensions, because it would be an enormous administrative task to try to ensure people’s

movements between jobs were catered for.

Deepening European integration, if it happens, will surely bring a greater EU influence to bear on pensions policy-making in Ireland. At present, proposals for a revised directive governing occupational pension schemes are being considered by the European Parliament. It is likely that it will require a more intrusive regulation of the governance of occupational schemes in Ireland than is provided for under current legislation. Brian Hayes MEP is the rapporteur on that committee and I spoke to him about this yesterday. His understanding is that it is very likely this legislation will come to a conclusion sometime in September of this year and thereafter, approximately 18 months will be allowed for transposition of the directive into Irish law.

As a matter of interest, in terms of my personal involvement, I have written fairly extensively about social investment in the context of European integration in a book to be published by Palgrave Macmillan next month.

The task of regulating the Irish pensions regime is one which requires a balance between security and viability in circumstances of fragility and uncertainty about the future. Frankly, it will be a formidable challenge. My suitability for the position of chairman of the authority has been discussed at length, if not in depth, in recent weeks. Obviously, my own view is subjective. I have attached a copy of my curriculum vitae on which members can make their own judgment.

**Chairman:** Thank you. We will now proceed to questions. We have an agreed order, which we will follow.

**Deputy Aengus Ó Snodaigh:** I thank Mr. Begg for his presentation. I did not have a copy of it in front of me but I took some notes. I will look at the transcript later as the presentation was quite wide ranging. We have a Minister for Social Protection who sets policy and yet Mr. Begg seems to suggest the Pensions Authority has a remit in terms of setting future policy. Will he elaborate on that? He said it was a small group, himself and two others. On whom would the authority rely? What type of discussions would take place before the Pensions Authority would take a position on different policies?

There is a need for a debate and I am not trying to restrict that. I am trying to figure out how those debates happen and how we can contribute to them. Obviously, Mr. Begg has experience, as every trade union leader would have, in terms of the concerns of members and society in general. His opening statement reflected that in terms of the concern about the sustainability of pensions. He mentioned that, in some ways, these are figures which in time could turn out to be right or wrong. The concern about the sustainability of pensions may, in fact, be wrong. Mr. Begg would be aware that some economists have suggested that it is wrong while others suggest it is a low estimate of what is required. Is it Mr. Begg's intention to try to get another report similar to the one done by KPMG, I think, in 2012? That could present us with more variables, for example, if the population increases or decreases. What is the timeframe on that? That would be important as a new Government is coming in within a number of months.

As chairman of the Pensions Authority, will Mr. Begg be able to comment in an individual capacity or must it always be as the chairman of the authority? As chairman designate, has he a view on deferred pensioners who are in defined benefit schemes and their lack of rights when a scheme is wound up or transferred into defined contribution one? We had a huge debate here about that. I will not try to tease it all out again but it is something we need to revisit.

If members have the patience, there are questions to which I might come back.

**Deputy Clare Daly:** Our time is relatively limited. The challenges facing the pensions industry and the authority are immense. The role of the Pensions Authority has probably not assisted in the crisis over the past period and we will struggle to get to the bottom of it here in one session; even over a Dáil term, we would struggle to do so. It is appropriate that we take the opportunity to question Mr. Begg's expertise for the appointment. We were certainly led to believe that was part of the role of this committee, even if that role is a little bit weak when it is not going to make any difference to the appointment. Mr. Begg is obviously aware of the discussion around whether that appointment was appropriate, although it was not his decision. It is something that is in the public domain.

The Chairman pointed out that the key function of the authority is to regulate and influence policy regarding pensions in order to ensure that the expectations of pensioners are met and that schemes are run with good governance. Given that function, it is appropriate to question Mr. Begg's role in terms of some of the pension schemes he has been involved in, including the one to which he drew attention in his presentation, namely, the Irish Airlines Superannuation Scheme, IASS. As he said, that was a very complex scheme involving multiple employers and groups of people, existing and deferred pensioners and current contributors. It had a huge deficit and moneys were put into it to defray some of that deficit. The real travesty is not anything said in the Dáil but rather the impact of those decisions on the livelihoods of those affected by what went on.

One of our considerations here is meeting legitimate expectations. Since that scheme was restructured, retired members, numbering approximately 5,000 people, have seen incomes reduced by €500,000 a month. These people were specifically excluded from any of the talks in the negotiation process. Mr. Begg, both in his roles on the board of Aer Lingus and, more particularly, in ICTU, stood over the process whereby those people did not have a voice in negotiations, going against the idea of "nothing about us without us". He did so even though decisions that came out of that process meant that they suffered a loss of income. Furthermore, no compensation measures were put in place to defray that loss, even though this took place for other groups. The bitter irony is that their colleagues who worked in America and England got full pension entitlements while their own legitimate expectations were cruelly dashed. How could that process have been stood over? How is that track record going to be beneficial to pensioners going forward? Retired staff associations and, indeed, the deferred members and so on repeatedly wrote to Mr. Begg and to the Irish Congress of Trade Unions seeking assistance and seeking a seat at the table and yet the door was closed on them.

I would also be a little bit concerned that the trade union movement has not advanced the very necessary provision that pensioners who, in many instances, are former trade union members should have access to workplace relations bodies and so on in matters that refer to their pensions once they retire.

**Chairman:** We will try to keep initial questions to around the three minute mark. I will let members back in a second time.

**Deputy Clare Daly:** Fine. I will come back in. I am wondering why Mr. Begg thinks that would help pensioners in his new authority. In light of the Chairman's remarks, what would Mr. Begg say to those who argue that, given that he was a director of the Central Bank for 14 years, and that the banking inquiry has been quite scathing and has made the point that the Central Bank had sufficient powers to intervene-----

**Chairman:** That is not really relevant to the remit-----

**Deputy Clare Daly:** It is, because the role Mr. Begg had in the Central Bank could be viewed to be quite similar to that which he holds in the Pensions Authority - one of oversight. It was the lack of oversight of the Central Bank that caused some of the problems. How do we know we will have a different approach to oversight in respect of the Pensions Authority role? My comments relate to Mr. Begg's previous experience and expertise.

The last question, in deference to the Chairman, concerns the fact that the Pensions Authority only requires trustees of schemes to send on an annual report to existing members - say, trade unions and current active members. Does Mr. Begg have any views on changing that situation so that information is given, on a mandatory basis, to existing current pensioners? Many of my questions concern how the rights of existing pensioners will be improved under the new Pensions Authority.

**Senator Marie-Louise O'Donnell:** Would be possible to get answers to some of those questions, which are quite important, rather than having somebody coming in with four more?

**Chairman:** Fair enough.

**Mr. David Begg:** Addressing Deputy Ó Snodaigh's questions on the policy role of the authority, it can advise the Minister at the Minister's request but can also, on its own initiative, proffer advice to the Minister. The Minister has a separate source of advice in the form of the Pensions Council, which is a separate body from the authority but on which the authority is represented. As for the process by which that would happen, it seems that it would be the collective view of the authority meeting to discuss a particular issue, out of which would come either a response to the Minister or, alternatively, something that the authority felt should be brought to the Minister's attention.

On the second question of sustainability, the element of risk and uncertainty, as Deputy Ó Snodaigh quite rightly said, is very difficult to manage. What might risk be? Risk is that the demographic profile would be worse than we think it is. Uncertainty would be that we do not know what the level of GNP will be in a few years time. There is a necessity to try to balance this. Perverse things can happen. I referred in my evidence after the dotcom bubble in 2002 to how very interesting things happened at that time. There was a collapse in the value of equities, which had a major impact on pension schemes, but the economy did not cease to grow. One makes choices then as to whether one thinks that privately provided pensions are the best option or risk can be better handled in some extension of the State scheme. These are very difficult and important questions and the committee is quite right to identify them.

The question of deferred pensioners also arose in Deputy Daly's remarks. Let me say first, in response to Deputy Daly, that I took enormous exception to her contribution in the House last week. I thought it was vitriolic, unfair and cowardly in the sense that she used the privilege of the House to say things about me that were unreasonable and unfair, in my opinion. She is quite right about the time being limited in how to deal with some of these problems; that is the only issue on which I can agree with the Deputy.

We can discuss my expertise in all this, starting with the Irish Airlines Superannuation Scheme, IASS, and what I did in those circumstances. That particular scheme was enormously complex, involving a number of employers and trade unions. We had a €720 million deficit in the fund, which was critical. That arose because the strain costs on the fund had not been

responded to properly in previous years. There was a large number of restructuring processes in that industry, and the strain costs resulting in the pension scheme had not been responded to. The other problem was there was no agreement on whether the scheme was a defined contribution or defined benefit scheme. That decision would ultimately only be settled in a court of law, if tested, so nobody knew what it was. From the point of view of the board of the company, the formal position was it had no obligation whatever to staff.

The Deputy pointed out that I was a member of the board and general secretary of congress as well. I will park that for a moment before coming back to it. With regard to contacts held with deferred pension personnel, I accept and have made the point that there is a real difficulty as organisations outside the formal structure of the Labour Court are in quite a difficult position because they cannot have effective representation. It is not true that we did not engage with them. I appointed the industrial relations officer of congress, Mr. Liam Berney, to have regular contact with those groups of people. I made strong representations on their issues to the board in the course of the discussions that took place.

I will address the question of legitimate expectations. It is certainly true that employees took an enormous hit but there was one difficulty with that scheme. In certain circumstances it was a co-ordinated scheme but in other circumstances, it was unco-ordinated. If a person served in the scheme until 65 and left on a normal retirement date, the person would have a co-ordinated pension. That meant the person would have an occupational pension less the amount of the social welfare pension. That is the norm in nearly all of the defined benefit schemes around the country. If a person left prior to a normal retirement date - even within one week of turning 65 - there was an anomaly in the scheme that allowed an unco-ordinated pension. If a person had 40 years of service, the person would get 40 eightieths as the pension entitlement plus the old-age pension. That was an extremely beneficial provision but it was unsustainable because it was an anomaly in the circumstances of the pension fund being in deficit to the tune of €720 million.

I worked very hard on the board and as the congress general secretary to try to improve that. I was working at an enormous disadvantage as I could not say what I was doing at the board because I was constrained by confidentiality issues. As most people recall, the major shareholder on the board was totally and utterly opposed to any input of money to fix the scheme's difficulties. In the end, we tried to bring about a targeted benefit scheme that allowed people to have the same expectation as they would have had if they were part of a co-ordinated pension scheme. In the end, the workers of the company voted by a substantial majority to accept that. Of course, the deferred benefit people were at a disadvantage because of not having collective representation so they did not have a direct influence. They did not have access to the Labour Court to argue around any of the decisions emerging from the court relating to all this. I made a strong case to the board of the company for an injection of €40 million and it was eventually secured.

I will speak a little about my role in the Central Bank. I agree with the Chairman in that it has nothing to do with the Pensions Authority and has been brought in extraneously as part of the vilification process that has been ongoing. Nevertheless, I will deal with it directly. I have received no communication from the banking inquiry team regarding my comments on the draft of the report. Clearly, there is nothing in this that bears upon me from the team's perspective. I gave three and a half hours of evidence and made two written submissions, which are available to anybody who will take the trouble to look for them. That is very detailed evidence. In the course of giving evidence, I made a point that was fully vindicated by saying that in 2005,

I pointed out to the board of the bank that there was a serious difficulty in circumstances where people felt they needed to get on a ladder of having a second house. Such second houses were being built by people who came here as migrants to work in the construction industry and would, effectively, have become the tenants for those houses. It would not have taken a genius to figure out that this was an unsustainable circular process.

My comments on this to the board were vindicated by no less a person than the chief economist of the bank in his evidence to the inquiry, such that the inquiry team wrote to me before I gave my evidence to ask if I wished to comment on what the chief economist stated. Not alone did I do it in the Central Bank forum but I also did it publicly at a social policy conference in UCD on 10 October 2005. I gave a copy of my speech to the inquiry and if anybody on this committee wants to find out what is in that, I am sure it can be provided by the inquiry team. It will probably be published as part of the evidence, as I assume all the evidence will be published. I reject completely that there is any connection between my suitability for this proposed role and my appointment to that position in the Central Bank.

I was asked about trustee information. One of the big problems with trusteeship at the moment, as I stated earlier, is that we have 150,000 schemes, which is an enormous amount. That means there is an enormous number of trustees. We should be honest. In many cases, people do not have the necessary investment experience or training to handle responsibilities of this type. It is a serious difficulty. There is a role for professional trustees, of course, who are people from the pensions industry usually commissioned to act on trustee boards. There is a strong case for reform to try to reduce the number of schemes. We will not really have the chance to ensure good investment decisions for people unless we can do that and professionalise the role of trustees. None of that is to gainsay the contribution that trustees make, almost always in a voluntary capacity, to pension schemes. There is a tremendous risk in this area and there should be full transparency. I would support such an initiative with respect to trustee reports. I would have no difficulty with that.

**Senator Marie-Louise O'Donnell:** Will there be more responses?

**Chairman:** I want to allow people who want to raise a question a chance to do so.

**Senator Marie-Louise O'Donnell:** I will go last so.

**Senator Gerard P. Craughwell:** I welcome Mr. Begg and thank him for his fairly comprehensive presentation. I welcome Mr. Begg's appointment to the board. While I have huge reservations about the way we make appointments to these boards I believe Mr. Begg is the right man for the job at this time.

Did Mr. Begg's membership of the board of Aer Lingus cause a problem in respect of the difference between what happened with the Irish Aviation Superannuation Scheme, IASS, and the Waterford Crystal pension scheme? Does he have any problem with dual board membership?

Trustees' training is a major issue in pension schemes, given the large number there are and the role of the professional trustees. Does Mr. Begg intend to merge many of these schemes and develop training schemes, similar to those in the credit union movement, where people must have qualifications to serve on the boards? The professionals generally come from some of the big pension houses and sometimes, because of the lack of training, voluntary members of the board become subservient to them. Does Mr. Begg have any comment on that?

**Senator Marie-Louise O'Donnell:** Mr. Begg's paper was excellent, very comprehensive and frightening about Europe in ways. I would not necessarily agree with his statistics on population growth.

He has had a marvellous and extraordinary career. I want to ask some questions left of centre. Outside his 30 year career, which began in 1985 as a member of the board of Trócaire to being director of Think-tank for Action on Social Change, TASC, what does Mr. Begg think is his best quality to be Chairman of the Pensions Authority, apart from his chairmanships, secretarial posts, work in the technology area and board memberships?

If he had been the chairman of the Pensions Authority at the time, what would his reaction have been to what happened the workers in Clerys?

**Chairman:** That is not quite within the purpose of-----

**Senator Marie-Louise O'Donnell:** It is. Creatively, I want to know what Mr. Begg would have done there.

We sold our lottery for €460 million to the Ontario Teachers' Pension Plan. Why, if there are 150,000 pension schemes here, were we incapable of holding on to that or would Mr. Begg see a place where that might happen in the future? What was wrong with us that we did not have the facility to buy that for ourselves? We needed €460 million for the children's hospital and sold the lottery to Canada.

How can Mr. Begg say that society is not really getting older when 25% of us will be over 65 in 2050? He said he did not think that was true.

**Mr. David Begg:** I was not saying that. I said the opposite, that there is a serious problem about the demographics.

**Chairman:** Senator O'Donnell-----

**Senator Marie-Louise O'Donnell:** Chair, please do not control my questions.

**Chairman:** I am not but I let the Senator in after Senator Craughwell, and when she is finished, I will let Deputy Byrne speak. We will then go back to Mr. Begg.

**Senator Marie-Louise O'Donnell:** I have not finished. Is Mr. Begg's book part of the PhD? There are rumours in the press that Mr. Begg will stand for the Seanad. He might like to scotch them here.

**Chairman:** That is not within the remit. I would like it to be clear that we have a certain remit.

**Senator Marie-Louise O'Donnell:** We were invited in here to talk to Mr. Begg. Some of us are more informed about pension schemes and what happens in them and the Pensions Authority and some of us are pretty creative and would like to ask creative questions.

**Chairman:** That is fine.

**Senator Marie-Louise O'Donnell:** We are not going to be told how we can ask them and when we are to stop asking. What is the point of being here?

**Chairman:** At the same time-----

**Senator Marie-Louise O'Donnell:** People can answer a question and can also tell us things about themselves in the answer that we might not have known before and they are equally interesting for such an extraordinary job.

**Chairman:** Senator, there is no need for conflict, but as Chairman I have to outline what is appropriate. If questions are asked outside the remit of the Pensions Authority, they do not have to be answered. I can chair the meeting.

**Senator Marie-Louise O'Donnell:** Mr. Begg does not have to answer them.

**Chairman:** That is fair enough. I am just pointing that out.

**Senator Marie-Louise O'Donnell:** The person comes in here as a human being. That is why the person comes in.

**Chairman:** I do not think there is any need for this conflict. If the Senator has any further-----

**Senator Marie-Louise O'Donnell:** The Chairman is raising the conflict. The person comes in here as a human being. We are asked to respond to the person, not only as one who is going to take over a job but also as a human being who is capable of doing that.

**Chairman:** Absolutely.

**Senator Marie-Louise O'Donnell:** I am within my rights to ask questions about a person as a human being, and his background and future in the job.

**Chairman:** I am also within my rights.

**Senator Marie-Louise O'Donnell:** It is called creativity.

**Chairman:** I have to chair the meeting as well and I am within my rights doing that.

**Deputy Catherine Byrne:** I welcome Mr. Begg and thank him for taking the time to come in here. I will not get into any controversy because I am not a pensions expert and I know very little about trade unions. I will try to keep my questions as practical as possible.

Reading Mr. Begg's curriculum vitae, there is nobody more competent than him to chair the authority. I come from a very ordinary background and know nothing about pensions and I got a fright listening to his statement that there is a formidable challenge to pensions in the future. He said 91% of people have a State pension and only 40% plus also have a private pension. Will his role involve encouraging young people to take out a pension when they start work? If only 40% of people in the private sector have pensions maybe their employers are not encouraging them to take out pensions to sustain as they get older. I have two girls who are beginning their working life and they have taken out pensions in their workplace. I was encouraged when they said they had done that.

Could Mr. Begg broaden his comment about the formidable challenges? I meet many women who stayed at home to rear their children and I am always taken aback by the fact this country has not been fair to them. They only get a non-contributory pension. What are Mr. Begg's views on that? I know that is a different area but we need to acknowledge that in the past women stayed at home to rear their large families, for example, my sisters who are in their 70s. They do not benefit in the way that someone who went out and got a job does. It is not right that

older women, who gave their lives to rearing their children well in order that they never caused trouble in society and knew how to function as normal human beings, are not acknowledged. I would welcome any comments Mr. Begg might have on that.

I thank Mr. Begg for deciding to take up this very important role, even though he has been appointed to it.

**Mr. David Begg:** Senator Craughwell asked about comparisons between the IASS and Waterford Crystal. They were different in some respects. With regard to the Waterford Crystal case, the expectation of the long-term employees - people who had worked for nearly 40 years - was to get two thirds of a pension entitlement. More or less overnight, the scheme collapsed - it is termed "double insolvency" when a company and a pension scheme collapse - and resulted in the entitlement being reduced from nearly two thirds to an expectation of between 18% and 28%. Unite, which represented the people in Waterford Crystal, assisted by SIPTU, litigated successfully on this in Europe on the grounds that Ireland was obliged to have a pensions protection scheme in place but did not have one. That was a successful case but there was "a degree" question, that is, the extent to which the national system should cover the entitlements or the expectations of people in the scheme. Through a long process that was eventually worked out, an acceptable solution was negotiated and the people in Waterford Crystal were extremely happy with that. Indeed, some of them have said so in print in the past week. I had a role in discussing that with the Tánaiste, who made very considerable efforts to try to bring about a resolution to that situation, which was good in the end.

Senator Craughwell asked if there were difficulties trying to manage my role on the board of Aer Lingus and my position as general secretary of the Irish Congress of Trade Unions. There were enormous difficulties, as it is a very difficult thing to do. There are huge legal constraints on one when one is a member of any board. Frankly, people were watching my every move to see what I did. The possibility of litigation in that situation was very real because the amounts of money involved were enormous. There were people who felt they did not need to, and should not have to, pony up the money which related to the needs of the workers there.

With regard to trustees' training, I absolutely agree that it is important. However, it is consequent on first of all trying to reform the enormous number of schemes in the country. There are 150,000 schemes, which is simply not sustainable and is an unmanageable situation. In my statement, I mentioned that there are 400 schemes in the Netherlands. I also refer to the element of part-dependency. One cannot take out a blank sheet of paper and construct a completely new model. One must have regard to what is already there. While I could see considerable opportunity for amalgamation of a defined contribution schemes, it would be extremely difficult to amalgamate the defined benefit schemes as individuals would have different promises and entitlements under those schemes.

I was asked about the roles of professionals. Given the gap between the experience of lay trustees and of professional trustees, does that mean professional trustees could have an overweening influence? In my experience, professional trustees have always acted extremely honourably and I do not believe they would ever do anything wrong in that case. Obviously, there is asymmetrical information between the two groups and the job of the board should be to try to bring up the skills of the lay trustees so they can, off their own bat, be competent to handle any issue which might come up.

I will now turn to Senator O'Donnell's question about my best qualification for this role. How about the fact I am a pensioner? Would that be a good starting point? I have a lot experi-

ence in different industries and aspects of life. In the past week, I would have said it was the virtue of being an old dog that is not gun-shy because so much fire has been directed at me. If I was gun-shy, I would have gone to ground a long time ago.

I cannot really answer the comments on the Clery's workers' situation because I do not have a knowledge of that particular pension. That problem blew up a considerable time after I left the Irish Congress of Trade Unions. While I am aware of it as it is in the public domain, I do not have a detailed, intimate knowledge of the situation.

With regard to the national lottery and whether it should have been sold, it appears to have been a Government decision designed to increase revenue for the Exchequer. One might say that retaining a profitable lottery into the future would be better but this is a judgment call. I do not want to say too much on it on that front.

I was asked about the statistics. We might have been a little bit at cross-purposes and I am sorry I cut across. The point I was trying to make was that the size of the population of over 65s will increase dramatically. I believe it will double by the year 2056 from what it is currently. This will bring a lot of attendant problems. People will be older and they will live longer but the cost of maintaining people against chronic illness and so on is an aspect of demographics which is very difficult. It is an extremely valuable point. Consider people who may have paid into the VHI all their lives and suddenly they stop working and they have a big drop in income. One of the first things people would look at is whether they can maintain paying for health insurance in these circumstances because, as everybody knows, it is quite expensive. A situation then arises which nobody would want. People who had paid for health insurance all their lives find they cannot avail of it when they most need it. Demands will be placed on the health service with age-related chronic illnesses of diabetes, cancer and so on. There are many issues, not just in pensions, around this demographic which are not explored. There is a malign interaction between the insecurity of pensions and the increased cost of supporting people in old age. It will be a huge strategic challenge for the State.

I was asked about my book which is based on a PhD thesis. It was developed from that. Publishers never admit that anything is based on a thesis or it would not sell. I completed my thesis a number of years ago. I looked at the way in which a number of small open economies in Europe have managed European integration over a 25 year period and at how they ended up and what the lessons were for Ireland. Social investment is a key part in all of that. The book was to update it to the present day and it will be published at the end of February 2016.

Senator O'Donnell asked if I intend to stand for the Seanad.

**Senator Marie-Louise O'Donnell:** It was just speculative.

**Mr. David Begg:** I know. I admit that I have given it some thought but I have not made a decision. To be honest, the project might be completely non-viable now given the amount of hostile abuse I have suffered over the past few days. I do not know whether it would be a good position from which to look for votes. That election is not for a few months.

**Senator Marie-Louise O'Donnell:** I thank Mr. Begg.

**Mr. David Begg:** The Senator is very welcome.

I will now turn to Deputy Byrne's questions. I do not want to frighten anybody but there are strategic issues for us as a country. We are lucky in regard to the demographics in that we are

about two generations better off than most of Europe. That is a strong point we have. However, in the next ten to 15 years, we will be in the same position as Germany, Denmark and countries like that. It is a real and serious worry. The real challenge for us is to use the intervening time to properly plan for this and to address it. Let us face it that for the last 20 years, people have shied away from addressing this issue because of the enormity of the situation. We cannot do that any longer.

On the topic of encouraging people to take up pensions, young people do not generally think about it. I heard it said that pensions are very boring until a person reaches 50 years of age and then one becomes interested in them. By the time one reaches the age of 60 years it becomes a riveting subject, but people lose out as a result of this. A few years ago we had the personal retirement savings account, PRSA, which fundamentally was intended to deal with the coverage question, but it did not. We must look at how we can deal with the issues of coverage and adequacy. The issue of adequacy arises because the amount of money being put into personal pension schemes is not adequate to give people the coverage they need to have a replacement income of approximately 50%. The general parameters of policy are to have a replacement income of 50%, approximately 34% of which is made up by the State pension, and coverage of approximately 70% of the working population. As we have not got near these figures in the past 20 years, there is a real problem.

Much of the thinking behind giving tax incentives is that it would follow that people would seek to have private coverage, but one of the difficulties is that the associated tax expenditures which are almost as large as the amount of money we pay out on the State pension scheme gravitate very much to those on higher incomes. If we take it that only 41% of those in the private sector are covered and two thirds of the benefit of the tax expenditures goes to the higher part of the upper 20% of the cohort of the population involved, we must ask from a policy perspective whether that is the best use. We must open it up for discussion. It is a formidable challenge because policy makers cannot operate in a way that suddenly collapses the fragile existing system we have in place.

The point made about women is absolutely correct. It is a real difficulty. If we look at the statistics, leaving aside occupational pensions, of those in receipt of the State pension, 64% of men receive a contributory pension, while only 27% of women qualify for the maximum rate of State pension alone and some 58% do not have this entitlement. I will use the situation in my house as an example. My wife had to leave the public service when she got married and could not continue her pension arrangements. When our children were young, she was out of the labour force for 17 years. She then went back in and tried to buy back an element of the public service pension. However, as it is a co-ordinated pension scheme, she will not have made enough contributions to qualify for the full State pension. Women are very vulnerable in that regard. The risk of poverty for older women is somewhat higher than that for men.

**Deputy Brendan Ryan:** I welcome Mr. Begg's appointment to the role. He is a great candidate and eminently suitable, as he has demonstrated in his presentation. I particularly welcome somebody from a trade union background because many members of pension schemes come from such a background. Mr. Begg has a lot of experience to bring and a deep insight. Most trade unionists to whom I have spoken in the past week certainly welcome his appointment. I look forward to his input in this very important role in the years ahead.

I wish to raise several issues about the IASS, deferred members and Deputy Clare Daly's point about people having a legitimate expectation of what they might stand to gain on retirement. Mr. Begg referred to an anomaly in the scheme. I have argued that while some called it

an anomaly, what it amounted to was the company exploiting the rules of the scheme to use it as a slush fund and encouraging people to leave on the basis of unco-ordination to achieve the productivity it was seeking to achieve. It benefited from this anomaly, or what I argue were the rules of the scheme. The trustees ought to have been aware of this, but they seem to have been asleep on the job. What are Mr. Begg's general thoughts on this, with reference to what ought to happen in the future in such cases?

I also have a general point to make about the various categories of membership of the scheme. There were active members, deferred members and retired members. We meet them more often than we did in recent years. I have met many of them and members in all categories are disappointed. Active members are dissatisfied with the value transferred from the old scheme. Retired members have lost 10%, while deferred members have lost 50% to 60%. They are seeking to be treated in the same way as retired members, as they had been previously. In Mr. Begg's view, was there any possible outcome which could have led to greater satisfaction throughout all of the groups?

**Deputy Jim Daly:** I welcome Mr. Begg and wish him well on his appointment in a challenging role, as he outlined in his presentation. There are huge challenges on the road ahead and the undertaking to which he has committed is significant. I wish him the very best of luck and hope he and the board will have success in facing some of the challenges, the outcome of which will have a massive impact on the current and future generations.

A point touched on by Deputy Catherine Byrne concerned the lack of pension coverage. Some 41% of workers do not have pension cover. How far does the challenge of increasing coverage extend into Mr. Begg's remit? He has oversight of existing pension schemes. On a related question, would he support the idea of making pension contributions mandatory throughout the public and private sectors? Is this the only solution to the problem? I would appreciate Mr. Begg's views on this question. I appreciate that he is only beginning his role and look forward to further engagement with him as he teases out some of these issues with a better insight, but I would like to hear his initial thoughts.

**Deputy Clare Daly:** I have several points to make about what Mr. Begg said. Perhaps he did not understand the point about being a member of the board of the Central Bank. In essence, the point is that he signed off on financial stability reports, particularly in the period 2003 to 2007 when the Central Bank allowed the banks to borrow 50% of GDP, loan it out and fuel the property bubble. We know that as a result of these financial stability reports, many pensioners were encouraged to buy shares in the banks and that many of them lost their livelihoods.

I find it strange that Mr. Begg categorised some of the comments made about his appointment as hostile abuse. To be honest, that is a gross exaggeration. I am wondering how Mr. Begg could not possibly understand how people who have seen their retirement livelihoods decimated, most particularly in a scheme in which Mr. Begg's organisation had a very direct role, would be upset that he has been appointed to his current role.

Mr. Begg said I was vitriolic. I do not accept that. He said I made some cowardly remarks under Dáil privilege. I would like to know what those remarks were. He said my remarks were unfair. I am sure he did not like them even though they were not personal and certainly not intended to be such. They were not untrue. If Mr. Begg believes they are, I would like him to specify why point by point, after which I will answer him on those points.

Much time has been spent on the IASS because it is directly relevant to Mr. Begg's most

recent appointment in terms of his experience. He justified his role by referring to the scale of the deficit involved in the scheme and the strain costs imposed through management decisions to let people go. It is a fact that, during the time in question, Mr. Begg was on the board of the company that stood over these decisions. Deputy Ryan is actually correct in that it was not a case of an anomaly in the pension scheme; it was an absolute fact that the clause in the pension scheme was used to entice people to sell their jobs and take retirement to lower the costs of the company. Mr. Begg was on the board of the company at the time.

There was a problem in that there were multiple schemes of this kind over the years. It was not a case of just one redundancy scheme; there were multiple schemes throughout Aer Lingus's history. The problem is that it is the pensioners and members of the scheme who have paid the price for this debacle. I appreciate that Mr. Begg can say an effort was made to try to share the pain, but the companies involved did not share it. They did not put in enough money to undo the poor decision-making in which they engaged. Unlike Waterford Glass, these are highly profitable companies that had the money to put in.

I am wondering about this because Mr. Begg made a couple of points that were not really accurate or did not describe the full picture. I was not just talking about deferred members but also about the existing retired members. They comprise two separate groups who were prevented from sitting at the negotiating table. While it is true that ICTU engaged with the deferred group, there was no engagement with the retired group, which was organised and represented by RASA, in particular. While it is true that extra money was made available for defrayal and to compensate the deferred members a little — I do not know whether this is the result of Mr. Begg's input behind the scenes or the work of the pensions committee — Mr. Begg skipped over the fact that no moneys were allocated to compensate the existing retired members, who are the ones seeing €500,000 going out of their collective wage packet every month. They got nothing. While it is true that these groups were outside the Labour Court mechanism, and therefore in a difficult position, the question I am asking Mr. Begg, the former head of ICTU, is what the union did do to alter these circumstances and give the workers a voice and a mechanism, for now and the future?

**Chairman:** Has the Deputy a question?

**Deputy Clare Daly:** I am seeking Mr. Begg's comments on this.

With regard to Mr. Begg's role in the Pensions Authority, is he prepared to order an investigation into what occurred with the IASS, particularly because there were not only poor management decisions but also negligent investment decisions made by the trustees, who decided to divest the pension fund of probably the most unrivalled property portfolio in the city at a time of rising property prices and to put all the money into Irish Life at a time when people connected to Irish Life were also connected to the pension fund? Will it be investigated under Mr. Begg's remit? He said his greatest expertise was being a pensioner. Of how many pension schemes is he a member? How many pensions is he likely to receive from the various posts in which he served over the years?

**Chairman:** I have a point on the Aer Lingus pensions. I am not as familiar with the issue as Deputies Clare Daly and Brendan Ryan or Mr. Begg but I have certainly attended some meetings and have read the correspondence we received and listened to some of the debate. My impression was that, in terms of working out a solution, everybody faced some risk. If one were to go down the legal route and thrash these issues out in court, there would not necessarily be a better deal for the people concerned. It could work out worse. All of these factors are

part of the picture when compromise is being reached. These were my thoughts on the matter at the time.

When reference was made to the second tier of pension, was Mr. Begg referring to the auto-enrolment scenario? What is his view on auto-enrolment? This is a matter the committee has examined. Should there be universal pension provision? Deputy Byrne raised the case of women who had to leave the Civil Service because of the marriage ban and consequently did not have enough contributions for their pensions. Obviously, there are others who are not covered. There are also those who may contribute to a private or public service pension but who do not receive the State pension. Should everybody not get a State pension from the outset as a basic principle? Perhaps everybody should have to make a contribution in that regard. Social welfare recipients obviously receive credit, but this could be tied into the equation also. Those are my questions. Mr. Begg has a lot of ground to cover.

**Mr. David Begg:** I shall respond to Deputy Ryan's comments first. He is quite correct that most, if not all, occupational pension schemes are, as far as I know, the product of trade union and management negotiations. Companies that do not have the collective bargaining remit would be very unlikely to have a defined benefit scheme.

On the anomaly with the IASS, one could perhaps find a better word for it. However, the difficulty I saw, and in respect of which the Deputy and I have had many discussions, was that nearly all pension schemes in the country had a co-ordinated provision by which one's pensionable pay was offset by reference to the social welfare provision. Sometimes it is one times the value of the social welfare provision, but more likely twice that value. The difficulty I found in getting a better result out of all this publicly, leaving aside the willingness, or otherwise, of the company, its investors and shareholders to put money in, was that if one were to legislate on this as a public policy issue, one would have to legislate for a quite unique set of circumstances. Personally, I believed that was unlikely but perhaps others have a different view. Certainly, however, it was very unlikely that one could have allowed for what I describe, particularly in the way it operated because it was a co-ordinated pension under the rules of the scheme if one retired at 65. It was unco-ordinated in practice if one retired short of that age. It was a most extraordinary provision. However, this does not gainsay the fact that it was a very heavy hit for many people, particularly people at the lower end, whose real income would have been reduced significantly as a result of the €12,000 odd associated with the State pension. Nevertheless, this was a quite difficult set of circumstances.

None of us can ignore the fact that the €720 million deficit was enormous. There was no great willingness on the part of the company to put money into the scheme. One of the shareholders - the major shareholder - was said in public to have been against doing anything in this regard. Therefore, it was practically very difficult to try to secure a resolution that would have mitigated the worst effects of the deficit of €720 million. Consider the outcome of a targeted pension to give the same level of co-ordinated benefits. While everybody is probably dissatisfied with the outcome, it was possibly the least worst option. Regarding the trustees and the strain cost over the year, it is very difficult to avoid the conclusion that something was missed. These were important additional strains that were put on it, and it should have been copped much earlier.

I will not make any mistake between the two Deputies Daly. In response to Deputy Jim Daly, only 41% in the private sector have a pension scheme. Extending cover is a serious challenge and a universal or mandatory scheme is being contemplated at a policy level. We should make it mandatory. In Britain, there is a "soft mandatory" arrangement. It would not be ter-

ribly effective, given that young people do not always consider the value of a pension and they may have many other stresses and strains in their lives. Given the choice between paying one's mortgage or paying into a pension, one might possibly opt out of a pension. A separate organisation, the National Employment Savings Trust, NEST, is trying to improve pension coverage in Britain. It will be interesting to see how successful it is.

Deputy Clare Daly asked many questions. I really believe the Deputy abused privilege in the Dáil in the attacks she made about my role in the IASS.

**Deputy Clare Daly:** By all means, specify them.

**Mr. David Begg:** It was completely wrong and I do not believe it was not personal, to be honest. I do not accept it. While I am well used to hostility publicly, the Deputy should consider, from time to time, the damage she inflicts on a person's family. It never seems to go through her head.

While the Central Bank stability reports tended to indicate what the risks were, it can be argued that it did not stress them strongly enough over the years. I can give an account only of my role. I gave detailed evidence to the banking inquiry. If the committee feels it is relevant, it is more than welcome to examine my three and a half hours of evidence to the banking inquiry and the two written statements I made. I also ask the committee to consider the evidence given by the then chief economist of the Central Bank.

On the multiple schemes that affected the straining cost, it is true that from the 1990s, when the Deputy was a shop steward in a company, I was involved in only one, the leave and return scheme, which set up a provision whereby people could enter into a defined contribution, DC, scheme separately. This restructuring was successful, in its way, although it was not very successful for the company which was loaded with many unanticipated taxation costs. For the people involved, it was good enough.

The problem of representation of people at the Labour Court is a difficulty. I am in favour of some opportunity for people to be heard. The Deputy is mistaken in saying we had no engagement with any of the other groups. ICTU staff were available to anybody who wanted to talk to them. I was constrained from doing so for the reasons I mentioned earlier. The difficulty was that there was not enough money. Regarding how to extract more than €200 million from people, maybe other people were better at it than I. It was the best I could do, and it brought a result which, while probably not satisfactory to anybody, as a damage limitation exercise, it was not the worst outcome.

While I am not sure how relevant my situation is, I will tell the Deputy. I have one pension from ICTU of €32,000 per year. Contrary to what was asserted, I do not have a multiple of public appointments. I have reservations as to whether people should be asked to declare such personal information. It has been said by all and sundry that I am a millionaire.

**Deputy Clare Daly:** I have to correct that point.

**Chairman:** I will allow the Deputy to talk in a minute.

**Mr. David Begg:** I did not respond to the Chairman's point about the legal route. There was a fundamental issue of a legal nature as to whether the scheme was a defined contribution or a defined benefit scheme. The company took the view that it was a defined contribution scheme, meaning it had no obligation to put in money to deliver on the pension promised under the old

IASS scheme. The staff view was, on that contrary, that it was a defined benefit scheme. The question could only be determined by way of litigation, such as through the High Court. The risk for either side was that if they lost in court, their case would be over. Therefore, although many people talked about litigating, nobody litigated.

I agree with auto-enrolment. Pensions should be mandatory, not “soft mandatory”. There is a reasonable argument that we would get better results if we took all the money we put into subsidising pensions and put it into State pensions. Handling the transition would be tricky. If the Government announced in the morning that it was going to do it, it would be saying good-bye to all the defined benefit and defined contribution schemes that exist. If the Government made this policy choice, migrating from our current position would be very challenging.

**Senator Marie-Louise O’Donnell:** I wish Mr. Begg well in his role. It is a very challenging, interesting and brilliant role. As he said, one of the greatest challenges is that pensions will not meet the costs of growing old. We are not dying of cancer and disease so much but of old age, and we are getting older. This is the major challenge, as I have learned here politically over the past five years. I wish Mr. Begg much luck and thank him for answering my questions, although they might have been more creative than others.

**Mr. David Begg:** The Senator is very welcome.

**Deputy Clare Daly:** I asked a question about Mr. Begg’s personal pension incomes. What other people have said about it is no concern of mine. It is strange that Mr. Begg took offence at such a question, given that he had no problem describing in detail his wife’s pension entitlements. There is a problem there.

**Mr. David Begg:** I described the public social welfare implications of being out of the workforce.

**Deputy Clare Daly:** I did not interrupt Mr. Begg.

**Mr. David Begg:** I did not say what her pension was.

**Chairman:** Deputy Catherine Byrne also raised the issue. We have all raised the issue of women who have not made the State pension contributions due to having taken time out of the workforce.

**Deputy Clare Daly:** The point I am making is that it is a perfectly appropriate question to ask in the context of Mr. Begg’s appointment.

**Chairman:** It is unusual. It has never been asked at a committee before.

**Deputy Clare Daly:** Have we had a head of The Pensions Authority come before the committee before? Probably not.

**Chairman:** We have had people in similar roles, for example the Pensions Board, and have not asked the question.

**Deputy Clare Daly:** This is the Pensions Authority. It is different, and that is the basis for the question. Regarding Mr. Begg’s point on hostility, it is surprising that somebody with the record of briefs Mr. Begg has had would take any offence. Again, if I made any specific remarks today or last Wednesday that are inaccurate in any way, I ask Mr. Begg to please put them to me. I will have no hesitation in engaging in a public debate with him, here or anywhere

else, if they are deemed inaccurate.

I have two more questions. I have been repeatedly-----

**Chairman:** Okay, but we will need to wrap up then.

**Deputy Clare Daly:** In Mr. Begg's new brief, will he commission an investigation into the activities and the investment decisions relating to the IASS which caused serious financial strain on that scheme? Mr. Begg answered the Chairman's question as to whether it was a DC or DB scheme. That was a tactic the companies used to delay the process. There was a firm ruling that it was a DB scheme, with no question or doubt. That issue was not relevant regarding the latter crisis around the IASS.

**Chairman:** Obviously, last week's debate had nothing to do with Mr. David Begg. There is a practice in the Dáil of not speaking about somebody outside the Houses who is not there to defend himself or herself. I do not like to see the Dáil used in that way. It relates to the issue of privilege.

**Mr. David Begg:** The comments in the Dáil to which I object relate to my handling of the IASS. There seemed to be a coalition of attack on me involving the far right and the far left. I have always been a nemesis of the Trotskyist left in my long career. The latter has a total objection to anybody in social democratic politics. I thought there was a vitriolic dimension to Deputy Clare Daly's attack in that particular political sense. She was willing to make a coalition with the extreme right in order to do that. That struck me as extraordinary. As far as I can recall, in the whole experience of the Aer Lingus matter I do not believe I received a telephone call from the Deputy about it, whereas Deputy Ryan was on my case morning, noon and night. I do not understand what Deputy Clare Daly was at in this regard, other than engaging in a very personal attack in that sense.

I do not know if I have any power to investigate the role of the trustees in the past. I do not think it would even be useful to do that. The past is the past. I do not think anything good can come of it. On the issue of whether it was defined benefit or defined contribution, the judgment on the defined benefit was by the then Pensions Board but that was challenged by the company. Ultimately, it always appeared in the company's balance sheet as a defined contribution scheme. Regardless of who was right or wrong, ultimately, it could only have been tested in the courts.

**Deputy Clare Daly:** I find it surprising that anybody would say the past is the past. I hope Mr. Begg will examine the matter because fraudulent or poor, possibly criminal, decision making was engaged in. The time lag does not-----

**Deputy Jim Daly:** Chairman, I take exception to this committee being used to rehash and rerun-----

**Deputy Clare Daly:** I am sorry-----

**Deputy Jim Daly:** Sorry, I did not interrupt Deputy Clare Daly at any stage and I ask her not to interrupt me.

**Deputy Clare Daly:** I was actually speaking. The Deputy was actually interrupting me.

**Deputy Jim Daly:** No, I am addressing the Chair.

**Deputy Clare Daly:** When I am finished, the Deputy can speak.

**Chairman:** Although-----

**Deputy Jim Daly:** On a point of order, I want to make a statement. As a member of this committee who attends every meeting, as far as possible, and who has contributed a lot to the committee, I take exception to it being used to settle political scores as is the case here. I ask the Chairman to make a ruling to end it please.

**Chairman:** The issue has been aired and Deputy Clare Daly is just expressing her point of view now. If she wants to make allegations, there is a place to do that and it is not here.

We have engaged very fully. I have given everybody ample time. The meeting has been chaired fairly. Unlike other committees, we give the first questions to the Opposition. I will now conclude. We have had a very good engagement.

**Senator Terry Brennan:** A Chathaoirligh-----

**Chairman:** Senator Brennan has arrived very late to this meeting.

**Senator Terry Brennan:** Okay, that is fine.

**Chairman:** We have been here for a long time and I do not want to restart the whole thing.

**Senator Terry Brennan:** There is no need to restart matters.

**Chairman:** All those present have engaged in a very thorough debate on the issue of pensions and the role. I and, I am sure, other members here wish Mr. Begg the best of luck in his role. We very much appreciate his engagement with us today. I thank all the members for their participation.

The joint committee adjourned at 3.25 p.m. *sine die*.