

Three-quarters of defined-benefit pension schemes in red

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DESPITE IMPROVED investment returns, three-quarters of Irish defined-benefit pension schemes remain firmly in the red.

Moreover, they are running a combined deficit of about € 25 billion, according to the Pensions Board.

At the launch of the its annual report for 2009 yesterday, chief executive Brendan Kennedy laid the blame for poor performance on pension fund managers and expressed a “serious concern” that, despite the severe losses incurred since 2007, pension funds have nonetheless largely refused to change their investment profile.

“The lessons of the past are clearly still not being applied today. Investment strategies must focus on the risk as well as the return. And the situation with defined contribution schemes is similar: there is very little risk reduction in the funds in which many members are invested,” he said.

Mr Kennedy also had strong words for pension fund administrators: “Not all administration is adequate or even competent, and some practitioners seem to hold the view that because pensions are voluntary, so is compliance.”

While he ruled out the Pensions Board intervening specifically to direct pension investment, he acknowledged it could move to oblige pension schemes to demonstrate the risks that they are taking.

Responding to fears that the proposed reduction in tax relief on pension contributions, as part of the National Pensions Framework, will disincentivise those paying tax at the higher rate from saving, Minister for Social Protection Éamon Ó Cuív said he was “not concerned” about this, saying the proposed 33 per cent rate is “very very attractive”.

“My belief is it won’t discourage those on higher incomes from investing in a pension,” he said.

The construction sector again came in for criticism in the report, with Mr Kennedy describing non-remittance of contributions in the sector as an “inexcusable exploitation of employees”.

However, despite more than 300 complaints since 2007, there have been just two prosecutions to date.

Another four are being prepared for prosecution this year.

Overall, the Pensions Board recorded a surplus of €419,155 for the year, up from € 293,531 in 2008, having cut its advertising and awareness activity budget back by almost three-quarters during the year.

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