

**Address by Brian Goggin**  
**Group Chief Executive – Bank of Ireland**  
**IAPF**  
**Cork, 27<sup>th</sup> October 2005**

Chairman, ladies and gentlemen.

As a Corkman, I must say I was particularly pleased to be asked to deliver this address here in my native city and I want to thank the IAPF for your kind invitation which it is indeed a pleasure to fulfill.

Let me start by letting you into a secret. I understand that when the Irish Association of Pension Funds was casting about for a speaker, they were particularly concerned to find a Cork native who might have something interesting to say to this distinguished group of pensions professionals and their guests. A Corkonian with charisma and purpose, who wasn't afraid to tackle the issues head-on and take no prisoners. Unfortunately, that quintessential and ubiquitous Cork-man, Eddie Hobbs, had a prior engagement, but I would hope to meet the speaker criteria set out by your Association.

Looking around Cork City today, it's impossible not to feel a sense of pride at the way the city has thrived. This is, of course, a year of great celebration for Cork. As European Capital of Culture the city is the focus for artistic activity for the European Union and the programme of events is truly impressive. The range and diversity of the activities is remarkable reflecting the rich cultural history of the area and its traditional openness to embracing people and cultures from afar.

At Bank of Ireland we have been playing our part in supporting Cork in its role as European Capital of Culture. We have been a major sponsor of a number of the events in the programme as well as continuing our support for some of the many fine cultural venues in the city.

The centre-piece of our involvement in the European Capital of Culture year was the first ever public exhibition of works from our Art Collection. This exhibition, which took place in the Crawford gallery, entitled "On Reflection" was a celebration for Bank of Ireland of 30 years of corporate sponsorship of the arts.

To commemorate Cork's year as European Capital of Culture, Bank of Ireland has also initiated a number of significant arts awards, which will be made on an annual basis from now on. **The Graduate Regional awards** comprise a 1st, 2nd and 3rd prize to art students who have shown commitment and outstanding talent in their final years work. We hope that this new award scheme will help raise the profile of the outstanding work being carried out in art education across the

country and to give public profile to individual students studying in regional art colleges.

The” **Toradh**” award has been introduced by Bank of Ireland to recognize excellence in artists in the middle of their career, who have consistently produced work of the highest calibre in the visual arts. The selected artist will have demonstrated a clear progression with the ability to constantly strive to reach new intellectual and artistic boundaries.

We announced the winners of the first Graduate Regional Art Awards and the recipient of the ‘Toradh’ Award at the opening of “ **Passing Through**”, an exhibition of works by selected students from the Crawford College of Art & Design 1975-2005. This exhibition opened in the Lewis Glucksman Gallery, University College Cork on Tuesday last, 25<sup>th</sup> October.

Given Cork’s understandable preoccupation with all things cultural this year, my few words today on the subject of pensions, might seem somewhat incongruous. But, if the contribution of pensions to the national culture is minimal, it has to be said that the subject of pensions is certainly taking up more and more of our attention and occupying ever more airtime and newsprint.

This, I believe, is likely to remain the case indefinitely. I have no need to tell anybody in this room of the sense of urgency that now surrounds the entire issue of pensions. Pension coverage in Ireland is currently middle class, middle-aged and male. Penetration remains at just over 50% and this is an entirely unacceptable statistic.

In fairness to Government, it has for some time recognised the dangers of the status quo and, as a response, introduced the PRSA scheme. Regrettably, more than two years following the introduction of that scheme, we have now to recognise that the PRSA initiative, as originally configured, has not achieved the progress hoped for.

Failure is sometimes difficult to recognise and even more difficult to accept. But taking on the lessons of failure is essential to the successes of the future. In that spirit, we must ask ourselves why it is, despite the goodwill of all concerned, that the PRSA scheme has failed to capture the imagination of the public and indeed the efforts of the industry.

I would not be so rash as to suggest that there is any financial product out there that ‘sells itself’, but if I had to nominate one, then that product would be the pension.

Here we have a product whose inherent virtues are self-evident; a product that can be classified as an absolute necessity for every wage-earner in the State and that comes with unrivalled tax incentives attached. And yet, the public – or at least an

uncomfortably large portion of it – remains to be persuaded, not just of PRSAs, but of pensions in general.

Despite the best efforts of the Pensions Board, which has done significant work in raising the awareness of the need for individuals to take responsibility for their own income in retirement, PRSAs have failed in their stated objective. It was hoped that this product would increase our national pensions coverage from 50% to 70% by 2007. However, these products were launched two years ago and our current pensions coverage remains at a low of just over 52%. Why is this? And what can be done about it?

The fault lies with us all. For the customer, there will always be a natural inclination to live for today and put off indefinitely any financial sacrifice for the future. But for us in the industry, there is a responsibility – to say nothing of a business imperative – to communicate the compelling case for pensions in an effective and transparent manner. For government and regulators, there is a need to ensure that the environment is created that facilitates the same objective we all have: a pensions market where the customer experiences choice and value and in which it can have absolute confidence.

To achieve this, there must be a balance struck between the interests of all parties in this business. The lessons of the PRSA failure, it seems to me, are that this delicate balance was askew from the outset.

No-one is suggesting for one moment that the customer deserves anything less than a pensions market that brings the widest possible choice, good value and impeccable practices. But if intermediaries cannot be convinced to promote PRSAs – particularly in the context of an over-bureaucratic regime imposed on suppliers – the consequences are predictable: we find ourselves caught in a vicious circle where the disinclination of the Irish public to purchase PRSAs is matched by the disinclination of would-be suppliers to promote them.

It is not as if the Irish consumer is incapable of responding to imaginative initiatives in financial matters. Contrast the fortunes of the PRSA with the SSIA scheme. Here we had a savings scheme that can truly be said to have captured the public's imagination: 1.1 million accounts opened within the first 12 months and now, nearly five years later, national debate on what we should or should not do with the proceeds.

The wisdom or otherwise of the SSIA scheme in terms of its cost to the Exchequer is a debate I do not intend to engage in here. What is clear, however, is that the arrival of the SSIA scheme has managed to bring the discipline of saving and financial planning to the forefront of the national consciousness and, in the process, has brought the business of pensions out into the sunlight.

In our industry, occasions and opportunities like this are rare. All too often the connotations surrounding financial planning and products are negative. I believe it is in everybody's interests – not just those of us in the financial services industry – that the critical issues related to financial planning remain highlighted in the public eye and that the industry aggressively champions the extraordinary range of solutions available to the public.

Indeed, people may resort to stock cliches when describing financial services professionals, but one thing I believe we do not lack is imagination.

As an example of a response to the present PRSA impasse, we at Bank of Ireland recently proposed a new pensions initiative – the Bonus PRSA. This product proposal aims to combine the success of the SSIA with the lessons learned from the introduction of PRSAs and inject some momentum into the stalling pensions initiative. The benefits of the proposed product are that it is easy to understand, offers a clear incentive for long-term saving, provides for periodic access to cash and is deadline driven.

The Bonus PRSA proposal simply reverses the way tax relief, already available on pension contributions, is applied by converting the relief into a tax bonus. This makes the incentive for long-term saving easier to understand for consumers, with no additional cost to Government.

We recognise there is a problem with younger people who find it impossible to commit funds over the longer term. In order to encourage people to take up their pensions earlier, the Bonus PRSA proposes the ability to access cash from the pension fund. Bonus PRSA holders could potentially access 20% of their fund after five years and an additional 10% after ten years subject to exit tax. No withdrawals would be allowed after age 40.

The deadline element of the proposal would give consumers the motivation to start their Bonus PRSA once their SSIA matures so that they can continue their savings habit. In our proposal, customers who start a Bonus PRSA before May 1<sup>st</sup> 2008 would benefit from an extra tax bonus for the first year of their policy.

At this point, in spite of much favourable reaction including a positive response from Government, the Bonus PRSA remains a phantom product. But what is clear to us at Bank of Ireland, is that some degree of imagination is required in order to translate the laudable objectives we all have around the pensions issue – industry, government and regulator – into actual business.

The consequences of failure are severe. And, it must be said, with every month we fail to address adequately the pensions shortfall issue, we store greater future hardship for our fellow citizens.

I know my alarm is shared by Government and the Pensions Board and this can be easily gauged by the recent proposal that some degree of pensions provision become mandatory.

This, I believe – and I know many of you will share this view – would be a retrograde step. Setting aside the numerous reservations already expressed, I believe the introduction of a mandatory pension provision would be an effective admission that the three principle parties involved in this area – government, industry and regulator – are unable to persuade the public of the validity of the case for pensions.

For our industry the implications of this to me are clear. Choosing a pension, perhaps with the exception of taking out a mortgage, is the single most momentous and potentially significant financial decision any person can take. That means the responsibility that rests on all of us who deal with customers in an advisory capacity is a heavy one.

But being cast in an advisory capacity with the customer is not just a responsibility; it is also a privilege and an opportunity. The world of financial services is wracked by change and a key feature of that change is a race to the bottom in terms of price competitiveness. At Bank of Ireland, we take the view that in this increasingly affluent market, with customers of growing sophistication, curiosity, and genuinely unfulfilled needs, there is an exceptional opportunity for those businesses that can truly distinguish themselves by the quality of their advice to customers.

If we cannot persuade the Irish public on the critical necessity of pension products then we will have failed in a key battleground. In essence, we are admitting that the market isn't working.

Now, I happen to believe in the market. I am not saying it does not need a little help from time to time. It is, as I alluded to earlier, a question of balancing the legitimate interests of all parties fairly. It is about protecting and informing the consumer, while understanding the commercial realities of business.

I am confident in our continuing ability as financial professionals to supply the public with attractive, innovative and competitive products. I am hopeful also that the traditional adversarial approach to the debate on regulation will gradually make way to a more sober and appropriate tone.

Because, as I said earlier, the duty of care owed by the financial services professional to the customer is a heavy one. But it is not the only duty. This is a business built on trust. Once trust goes, the business follows. We in this industry owe it to each other to ensure that we do nothing in our professional life to compromise this business.

As pensions professionals, your work has a profound impact on the lives of your customers. It has the potential to shape lives and provide for the financial well-being of future generations on this island. You are in a great business at a wonderful time of opportunity.

At this crucial juncture in the pensions debate, I know that you will seek to influence matters in the best long-term interests of all – industry and customers alike – and I hope and believe you will continue to enjoy your time in the sun.

Thank you.