



News about your pension

Dear Colleague

The global financial crisis, which began in the second half of 2008, has resulted in many pension schemes suffering significant financial losses. The impact on defined benefit pension schemes, which promise to pay a specific set of pension benefits at the approved retirement age, has been significant. As a consequence, most defined benefit schemes do not have sufficient assets to meet their pension liabilities.

The main An Post Superannuation Scheme is a defined benefit scheme and it too has been impacted by the financial crisis. The Scheme was fully funded up to January 2008, but as a result of the crisis in the financial world, it has failed to meet the requirements of the Pension Board's Minimum Funding Standard (MFS) since then. Under the MFS requirements, the fund must have sufficient financial reserves in place to cover all its pension liabilities, should the Scheme be wound up.

As it stands, there is a substantial deficit in the pension fund. This means that unless the deficit is corrected, employees of An Post would only receive about two thirds of their expected pension benefits at retirement, or in the case of a wind-up of the Scheme. The An Post Scheme is not alone in this regard as the vast majority of defined benefit pension schemes in Ireland are also in deficit – in excess of 80% according to a recent Pensions Board report.

In addition to the global financial crisis the cost of providing and funding defined benefit pensions has increased dramatically due to a number of other factors. One of the main factors is 'longevity'; people are now healthier and fitter, and are living significantly longer than in the past. While this is clearly good news, the increase in life expectancy means that pensions have to be paid from the fund for much longer than was anticipated when defined benefit pension funds were set up. Another factor is the fall in interest rates to extremely low levels; therefore with lower returns on the fund's investments, the cost of providing pensions for life after retirement has increased significantly.

The reality is clear; without significant changes being made, the pension fund will eventually run out of money. Such a scenario is unacceptable to everyone. The Company, Trustees and the Group of Unions recognise that remedial action must be taken now to ensure that pension benefits already earned by members can be safeguarded, and that the Scheme remains financially viable and secure for the future.

The Chairman of the Trustees of the Superannuation Scheme wrote to all members in June 2010 and again in August 2012 outlining the unprecedented difficulties facing the Scheme and the steps that were being taken to address the matter. The Company and the Group of Unions have since 2009 devoted considerable time and effort to discussing

and exploring an extensive range of options in order to address the problem and to meet the statutory requirements as set out by the Pensions Board in this regard.

In accordance with Government regulations, a plan must be developed and submitted to the Pensions Board by the end of June 2013, outlining precisely how the deficit in the fund will be addressed, and the minimum funding standard maintained thereafter. This plan must ensure that the Scheme is fully funded by the end of December 2023.

Pension law dictates that should An Post and the Pension Fund Trustees fail to present an agreed plan to the Pensions Board for approval, the Pensions Board has the powers to impose a solution on the Pension fund, which would be limited to the available financial assets in the fund – a decision in which the Scheme's members, the Company, the Group of Unions, or the Trustees would have no say whatsoever.

We understand how valuable your pension is to you and your family and that it forms an important part of your overall remuneration. We are committed to providing you with full details on the proposed Pension Scheme changes including how they will affect you and your pension. Consequently, we have set out, below, a snapshot of the overall proposal and as you read through the proposal, please bear in mind the following points:

- (i) The defined benefit Pension Scheme is being retained and members will continue to earn further pension benefits through the Scheme.
- (ii) Based on current legislation, there will be no reduction in the level of pensions currently being paid to pensioners.

The Proposed Plan

- (i) In 2013, there will be no increases in pensionable salary or pensions in payment.
- (ii) From the start of 2014 onwards, any increases to pensionable pay and to pensions in payment will be limited to the lesser of (i) actual pay increases (ii) the increase in the Consumer Price Index, or (iii) 2%.
- (iii) Normal retirement age will increase to 65 years on conclusion of this agreement and thereafter in line with increases in State pension age: 66 from January 2014, 67 from 2021 and 68 from 2028.
- (iv) For those employees who pay PRSI Class D, normal retirement age will be 40 years after their date of commencing pensionable service, but never before age 60 and never after State pension age.
- (v) A member may opt to retire before normal retirement age after attaining age 60 years, but on an actuarially reduced pension.
- (vi) Contingent assets of €100m will be pledged by An Post to the new pension risk reserve fund.

Nothing has changed yet. This is a proposal and the start of a consultation process with you. During the next month a ballot will be undertaken by each Union, giving existing members the opportunity to vote on these proposals.

Support for You

We appreciate that the proposed changes are complex, and we want to help you to understand them. This letter is the first step. Over the next few weeks, the following additional support will be available to you:

Newsletter

A newsletter will be sent to you shortly setting out detailed examples and a comprehensive set of questions and answers. Mercer Ireland has been engaged to assist with the preparation and despatch of the newsletter.

Telephone Helpline

A dedicated telephone helpline will be set up to answer any questions you may have. Details will be provided in the next newsletter.

Website

A dedicated website has been set up; www.anpost.ie/pensions, which contains the key Pension Scheme documentation. We will keep this website updated with news on the proposed changes.

Information Meetings

Details of information meetings will be circulated with the next newsletter and through individual Union communications in this regard.

Yours sincerely



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HR Director



Stephen Fitzpatrick
Principal Staff side Representative JCC

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