

News about your pension

Dear Pensioner

The global financial crisis, which began in the second half of 2008, has resulted in many pension schemes suffering significant financial losses.

The An Post Superannuation Scheme 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. 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.

Please note that the proposed changes to the Pension Scheme will not affect the level of pensions currently being paid to pensioners. This is in accordance with current legislation.

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.

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.

We understand how important and valuable your pension is to you. We are committed to providing you with full details on the proposed Pension Scheme changes including how they may affect your pension. We have set out, below, a snapshot of the overall proposal and as you read it, please bear in mind that;

- i. There will be no reduction in the level of pensions currently being paid to pensioners.
- ii. The Defined Benefit Pension Scheme is being retained.

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.

Please note that nothing has changed yet in respect of these proposals. The An Post Group of Unions are to conduct a ballot of their 'active members' (i.e. working for An Post), regarding the proposals during the coming weeks. Also, under the rules of the Scheme, any amendment requires three months' notice to be given to scheme members.

We want to help you to understand how the proposed changes will affect you. We have appointed Mercer Ireland to provide a dedicated telephone Helpline, at 1890 944 518, to answer any queries you may have. Key Pension Scheme documentation and correspondence to members may also be viewed online at www.anpost.ie/pensions.

Yours sincerely



Pat Knight
HR Director

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