

Your questions, answered

Relevant for all members

How did the pension Scheme deficit come about?

The reasons why the deficit has come about are common to most defined benefit pension schemes in Ireland.

- The global financial crisis, which began in the second half of 2008, has resulted in many pension schemes suffering significant financial losses.
- The rate of return earned on the Scheme's assets has been lower than expected since 2008 and the markets continue to be unpredictable.
- People are living significantly longer; this is clearly good news but increases the cost of providing pensions.
- The required level of assets that pension schemes have to hold is higher due to new, and more demanding, regulations.
- Interest rates are at an all time low, which increases the cost of providing pensions.

Why doesn't An Post pay more contributions?

An Post currently pays a contribution rate of 14.4% of payroll into the pension Scheme each year. In addition to the 14.4%, a further contribution in excess of 25% of payroll, equivalent to circa €100m per annum, would be required to eliminate the deficit. The Company is not in a position to increase its contributions.

Why aren't the members being asked to contribute more instead of having their pension changed?

Employees currently contribute up to 6.5% (1.5% for pre 2003 members). Increasing the level of employee contributions was one of the options considered. Arising from discussions between the Company and the Group of Unions, it was decided not to progress this option given the level of additional contributions that would be required - as outlined in the previous question.

What other options were considered?

Many options were considered. Closing the Scheme and providing a Defined Contribution Scheme for the future was considered, but it was ultimately agreed to retain the current Defined Benefit Scheme. In any case, closing the Defined Benefit Scheme would do nothing to address the existing deficit in the fund. Reductions to pensions were considered but all parties involved wished to avoid this.

What happens if the proposal is rejected?

If the proposal is rejected we will not be able to submit an agreed funding proposal to the Pensions Board. The Scheme would therefore fail to comply with regulations and the Pensions Board would have the power to step in and

make decisions about the pension Scheme. This could involve reducing past service benefits for active and deferred members or ordering the wind up of the Scheme.

What happens if the Scheme is wound up?

In the event of the Scheme winding up, under current legislation, the assets of the Scheme would be first used to secure pensions in payment to pensioners, through the purchase of annuities. This does not provide for future pension increases. The remaining assets of the Scheme would then be used to pay pension benefits to active (employees) and deferred members. Given the size of the deficit within the Scheme, there are insufficient assets to secure the total accrued value of these benefits. As things stand, only 68% of member benefits would be secured.

Can you guarantee there will be no further changes to my pension if I agree to this?

The proposed changes are designed to ensure that the funding deficit will be fully addressed. Unfortunately, no guarantees can be made. The ability of the Scheme to pay all pensions in the future depends on many factors, such as the future investment performance of the assets, the future level of interest rates, and life expectancy.

Under the proposed solution there is the provision for a review of the performance of the pension Scheme. This will allow the Company to review the performance of the Scheme with the Group of Unions on a regular basis. The review clause also facilitates a process to discuss any measures which may be necessary in circumstances where the performance of the Scheme (the deficit) significantly improves or vice-versa.

What is the role of the Trustees?

The Trustees are responsible for the prudent management of the pension Scheme on behalf of the members and seek professional advice where appropriate. However, the Trustees are not responsible for deciding the rules of the Scheme or the level of pensions payable. Decisions on the nature of the proposed changes were therefore led by the Company rather than the Trustees. If the proposals are accepted, the Trustees will continue to monitor the financial progress of the Scheme and make decisions on how the assets of the Scheme are invested.

I left An Post and have a pension that I expect to receive from age 60. Can I still transfer this pension if I wish?

Yes, you will still have the option to transfer the value of your pension to another organisation.

I left An Post under the terms of a Voluntary Severance Scheme. How am I affected by the proposed changes?

Employees who left the Company on the terms of a VS scheme prior to any changes to the An Post Pension scheme will be able to access their pension at age 60 without any actuarial reduction. Thereafter any increase to your

pension (which has always been discretionary under the rules of the scheme) will be in line with the proposed amended scheme.

I left An Post having been on the staff of the Department of Posts and Telegraphs immediately prior to 1 January 1994 - Vesting Day. How am I affected by the proposed changes?

You are considered to be a pre 1984 member and therefore covered by the terms of the Postal & Telecommunications Services Act 1983. As a deferred member you will be able to access your pension at 60 years of age with no actuarial reduction.

What impact will the Funding Standard Reserve have on the Pension Scheme?

The Funding Standard Reserve is estimated to add in excess of €100m to the Scheme's liabilities under the Minimum Funding Standard. It applies from 2016 onwards and as such the proposal must allow for this additional requirement.

Are pensioner members affected by the proposed changes?

While the changes will not impact pensioner members immediately, they may have an impact in the future, as pensions may increase at a lower rate. To date, although discretionary, pensions in payment have been increased in line with general pay increases awarded by the Company. In the future, increases will be limited each year to the lesser of:

- actual general pay increases awarded by the Company, if any, or
- the increase in the Consumer Price Index, or
- 2%.

Relevant for all active members

What happens to my death benefits?

The death benefit will continue to be provided and there will be no change in the lump sum calculation for which you are covered. All employees are covered for a lump sum in the event of death before retirement. The minimum lump sum is your annual rate of pensionable remuneration at date of death. The maximum lump sum is one and half times your annual rate of pensionable remuneration at date of death. The actual amount you are covered for depends on your length of service. Further details are in the Scheme booklet.

Will I get a personal statement?

Benefit statements are issued to all members every year. If the proposal is approved, you will receive a personal statement next year setting out in detail your Normal Retirement Age, pension and lump sum under the amended rules. You will receive a statement as usual this year in June. This statement will reflect the current rules of the Scheme.

Does the cap on pensionable salaries mean that I will not receive salary increases from An Post in future?

No. The proposal is to limit the amount of any salary increases that are eligible to be reckonable for pension purposes. Any salary increases above these limits will be non-pensionable earnings.

Does the cap on pensionable remuneration increases cover increments or increases due to promotions?

No. Increments and increases due to promotions will continue to be included in calculating your pension.

Will I still have the option of buying added years?

Yes. Members who will have less than 40 years of pensionable service at their Normal Retirement Age will continue to have the option of buying additional years.

I am purchasing five additional years in order to maximise my service at my 60th birthday. Can I still retire at age 60?

Added years purchased are not subject to an actuarial reduction. If you decide to retire at age 60, the rest of your pension and lump sum will be actuarially reduced based on your new Normal Retirement Age. You may of course choose to stay in service to your new Normal Retirement Age.

I transferred service into the An Post Scheme from a previous employment. What happens to the additional service I received?

Transferred service, as accepted into the scheme, is treated the same as your pensionable service completed with An Post. No distinction is made in the proposal between pensionable service completed with An Post and pensionable service transferred in.

If I retire before my new Normal Retirement Age, what reduction will be applied to my pension?

The reduction will depend on how many years you decide to retire in advance of your new Normal Retirement Age. The earlier you retire, the greater the reduction. A reduction will be applied to your pension and lump sum. See the actuarial tables on page 12 for the relevant reduction factor.

Price inflation will now be a factor in deciding my pension increases/pensionable remuneration increases. What has the rate of price inflation been recently?

The average rate of price inflation over the past 11 years since the Euro currency came into use has been 2.2% p.a.

If price inflation is negative, could my pension or pensionable remuneration reduce?

No. If price inflation is negative in any given year, then your pension or pensionable remuneration will remain unchanged.

If the Normal Retirement Age is increased to 66 years from 1 January 2014, does that mean that I can continue to work to 66 years of age and accrue a further year of pensionable service?

Yes, you may choose to stay in service until your new Normal Retirement Age and have this reflected in your pensionable service, subject to an overall maximum of 40 years' pensionable service.

After 2023 what will the minimum and maximum retirement age be for both Class D and Class A?

- Class D – Minimum 60, maximum 68
- Class A – Minimum 67, maximum 68

Based on current legislation State pension age is 67 years in 2023 for Class D and A PRSI members (rising to 68 from 2028 onwards). However Class D PRSI members, over 60 years of age can retire with no actuarial reduction if 40 years service has been completed.

Specific to PRSI Class A employees

Under the current Scheme's regulations, I can leave at 60 years of age without any penalty, why can I not leave at 60 years of age without reducing the service I have earned to 30 June 2013?

There are insufficient funds within the current Scheme to pay your expected pension entitlements. These changes are required in order to deal with the deficit that exists in the Scheme for your benefit and the benefit of all the members.

Why are PRSI Class A members being treated differently to PRSI Class D members?

In accordance with legislation, PRSI Class D ceased on 5th of April 1995. PRSI Class A became the norm for all new entrants into An Post from 6th April 1995. This has given rise to two legally distinct groups of employees.

Under the law they are treated differently on a range of issues arising from their PRSI classification.

Specific to PRSI Class D employees

I am a PRSI Class D contributor and I have 40 years service to date. Can I leave at 60 years of age without any reduction to my benefits?

Yes. As a PRSI Class D contributor, you can retire without any reduction to your pension provided that you have 40 years pensionable service and have reached age 60.

I am a PRSI Class D contributor and I will have 39 years service at 30 June 2013. Does this mean that the Scheme will not recognise the 39 years pensionable service in full until my 65th birthday?

The full amount of the service will be recognised. However, you will not be able to retire without incurring an early payment penalty until you have built up 40 years of service. The youngest you can retire is age 60.

I pay Class D PRSI contributions and my new Normal Retirement Age would be 40 years after I joined. However, I have job shared for a large part of my life. Does this affect my new Normal Retirement Age?

Job sharing or working part-time is not a factor in working out the new Normal Retirement Age. For example, for a Class D PRSI contributor who joined at age 23 and job shared for many years, new Normal Retirement Age under the proposal would be age 63, assuming she/he had 40 years pensionable service. The amount of your pension will be calculated on your reckonable pension service.

I pay Class D PRSI contributions and my new Normal Retirement Age would be 40 years after I joined. However I took a career break for four years. Does this affect my new Normal Retirement Age?

Yes. You will have accrued 36 years reckonable pensionable employment due to your career break. Therefore, your new Normal Retirement Age will be 40 actual worked years after your joining date.

I am a PRSI Class D contributor and also a 'pre-84 employee'. Does this affect my new Normal Retirement Age?

Pre 1984 employees are Class D1 employees who, immediately before vesting day on 1 January 1984, were established members of the staff of the Department of Posts and Telegraphs and are therefore covered by the terms of the Postal & Telecommunications Services Act 1983. As previously set out, Class D1 employees will be able to access their pension after 40 years reckonable service without any actuarial reduction (provided they are 60 years of age). In addition to this, pre 1984 employees will be able to access their pension at 60 years of age with no actuarial reduction, irrespective of their length of service.