



An Post

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SUPERANNUATION SCHEME TRUSTEES
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Dear Colleague

I am writing to you as Chairman of the Trustees of the An Post Superannuation Schemes ("the Schemes") to update you on matters concerning your pension with An Post.

As you are probably aware, the financial environment of the past few years has been a difficult one for investments, many of which have lost significant value over that period. The value of the assets in the Schemes was €1.65 billion at the end of 2009. These assets are required to meet the liabilities of the Schemes, i.e. members' pensions, both for current pensioners and those who will retire in the years ahead and for their dependants.

The difficulty facing Schemes at this time is that the liabilities significantly exceed the value of the assets, resulting in a shortfall in the fund. The size of this shortfall as measured on a long-term ongoing basis was in excess of €0.5 billion at the end of 2009. This is a serious matter and must be addressed in order to restore the Schemes to a sound financial footing and enable them to meet future obligations to all members.

The key factors which influence the financial health of the Schemes are;

- i) the level of benefits provided for members
- ii) the investment return earned by the Schemes assets over the long term, and
- iii) the amount of money contributed to the Schemes

The Company makes substantial contributions to the Schemes for the benefit of each employee and employees themselves contribute a lesser amount. The assets of the Schemes are invested in a prudent and professional manner, which is overseen by the Trustees.

A significant factor behind the growth of the Schemes' liabilities is the improving life expectancy of members. As a result pension benefits will be paid out for a longer period of time and this will be a continuing feature of pension funding in the years ahead.

The Minimum Funding Standard (MFS) is an annual test, specified by the Pensions Board, of a pension plan's financial position. It is a test which measures whether a pension plan has sufficient assets to meet its liabilities, in the unlikely event that it is wound-up. The key liabilities of the Schemes comprise of the payment of pensions to existing pensioners and their dependants and making provision for the payment of benefits in the future to those active and deferred members not yet in receipt of pension.

As at the 31 December 2009, the Schemes' Actuary certified that the Schemes did not satisfy the Funding Standard.

In this situation, the Trustees, the Company and the Actuary must agree and submit a Funding Proposal to the Pensions Board. This is a recovery plan for the Schemes which sets out the steps to be taken to eliminate the shortfall over a period of time.

The process of preparing a Funding Proposal involves consultation between the Company, the Trustees and the Actuary. This is underway and the Company and the Trade Unions are exploring various options that might form part of the Funding Proposal.

The Trustees are resolved to working with the Company to find a fair and sustainable solution to the current funding problem. I will write to you again when agreement has been reached on the Funding Proposal.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. Gallagher', with a long horizontal flourish extending from the bottom.

Patrick Gallagher
Chairman