

August 2012

Dear Colleague

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

You will recall that I last wrote to you on 4 June 2010 detailing the shortfall in the Schemes at the end of 2009. Since then, while assets have recovered to some extent, the Schemes' liabilities continue to increase. The difficulty facing the Schemes for some time has been that the liabilities significantly exceed the value of the assets, resulting in a shortfall in the fund. At present, the Trustees are awaiting an updated actuarial assessment from the Schemes' Actuary, Mercer. However, at 31 December 2011 the Schemes' assets were valued at €1.76bn and the liabilities were estimated to be €2.45bn, resulting in an estimated ongoing deficit of €690m and it is expected that the updated actuarial assessment will show a similar position.

Furthermore, the Schemes' Actuary certified that as at 31 December 2011 the Schemes, in line with the vast majority of Irish pension schemes, did not satisfy the Minimum Funding Standard prescribed under the Pension Act. 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 setting out the steps to be taken to eliminate the shortfall over a period of time. The deadline for submitting such Funding Proposals has been suspended since 2008 but, following the enactment of the Social Welfare Act 2012, which sets down new funding requirements for pension schemes in Ireland, our Funding Proposal must now be agreed and submitted to the Pensions Board in accordance with the new legislation by 31 December 2012.

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.

This continues to be a most 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.

The Trustees are resolved to working with the Company to find a fair and sustainable solution to the current funding problem. To date, given the protracted suspension of our national pensions regulatory system, the Trustees have not yet received any formal agreed proposal from the Company. Given the imminence of the deadlines imposed under the new legislation there is an urgent need to find a solution to our funding challenges. 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