ESB Pension Fund

- **Valuation @ 31/12/2008**
  - Ongoing Deficit €2b
  - M.F.S. Deficit €1.8b

Membership

Actives:	6,400 (1,600 post '95)
Pensioners:	6,800
Deferred	850

- Combined Contributions of 25%.

ESB GROUP OF UNIONS

CONGRESS
Irish Congress of Trade Unions

WHAT ARE PENSIONS?

DEFERRED WAGES

OR

WAGES IN RETIREMENT

NO OTHER RETIREMENT INCOME

- Approx 85% of the members of the ESB staff Pension Scheme, i.e. anybody who joined ESB in 1995 or earlier, has no right to a state pension!

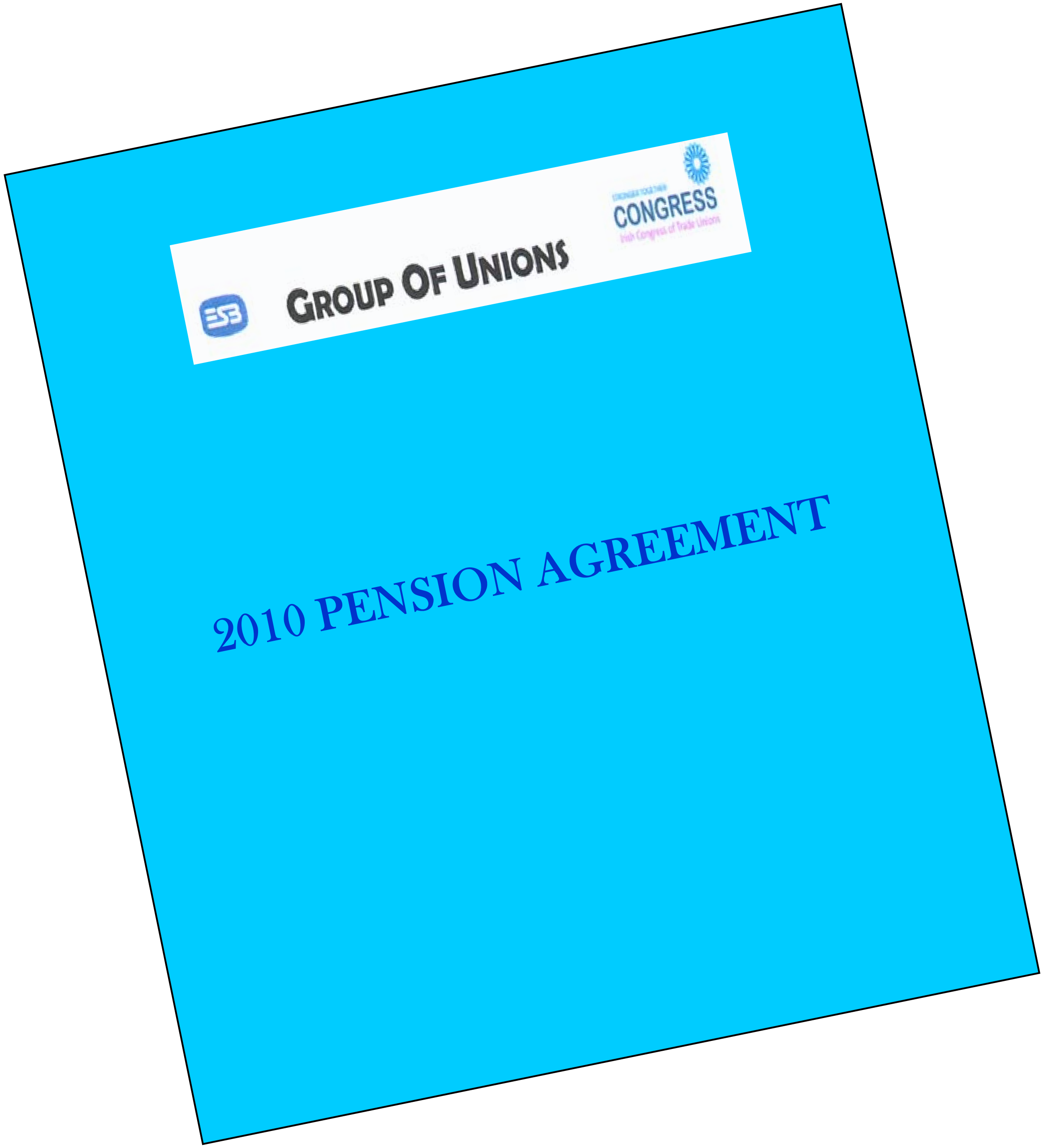
- This fund provides them with their only pensionable income

HISTORIC DEFICIT REPORTED

- In January 2009 the scheme actuary – having been invited in 1 year ahead of schedule by worried trustees – reported that the fund had €5,428M in liabilities and €3,471M in assets

WHO CAN DEAL WITH THIS?

- Collective Bargaining has been used in ESB to address all previous pension deficits and so it is the means used to address this problem too.
- This is despite the fact that there is no stated role for Trade Unions to act as workers' representatives in rules of the scheme



Proposals between ESB and the Group of Unions on the issues of Pension Deficit

PENSIONS IN PAYMENT

- The agreement sees a move away from pay parity to indexation as a means of increases to pensions in payment
- This indexation (CPI) is subject to a cap and a solvency test
- Big challenge for members including current retirees

INTRODUCTION OF ‘C.A.R.E.’

- From January 2010 the agreement sees a move away from a ‘Final Salary’ scheme for active members to a ‘C.A.R.E.’ (Career Average Revalued Earnings) scheme for all future service

CHANGES IN GOVERNANCE

- The current Trustees are on an agreed 12 month extension until June 2011.

- Thereafter a new Governance model will be introduced with several changes to the old model

INCREASE CONTRIBUTIONS?

- Already 25% of payroll between Company and members before the 2009 actuarial valuation

- Would require an increase of 43% in contributions – to a total of 68% of payroll – to address the projected deficit

NEED TO 'DE-RISK' SCHEME

- An over reliance on Equities caused this problem – only a fool would think it can provide a long term solution
- The scheme required a 7% return every year to meet solvency
- Agreement sees funding for this target to reduce to 6.25% with further measures to kick in to drive it down lower

WHY 'C.A.R.E'?

- Final Salary benefits – applied to promotions - can be unfair subsidy from the least well paid to the best paid:-

Craft & General and Clerical/Admin Staff

FINAL SALARY IN MATURE SCHEME?

- An unfair subsidy from the least well paid to the best paid:-

Craft & General and Clerical/Admin Staff

↓

Supervisors/Middle Management

FINAL SALARY IN MATURE SCHEME?

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Supervisors/Middle Management

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Senior Management/Directors

GOVERNANCE

- Review arrangements for selecting trustees (investment management) and Superannuation committee (benefits), terms of office, rotation, numbers of….. etc.

- New joint Committee with GOU input and nominated professional representatives to oversee all aspects of scheme risk (investment & benefit)

- New Reporting Structure to reflect Governance changes

IN SUMMARY

- ‘The proposal represents a worse pension than the one members thought they had, but a better more sustainable pension than the one they actually had’

FUNDING STANDARD

- What was designed to protect pensions fund members could, if strictly implemented, wipe their pensions out.
- Members, Employers and Unions doing their best in difficult circumstances not of our making to address issues
- Agree with ‘de-risk, de-risk de-risk’ policy
- Must be realistic approach from Government and Pensions Board

FUNDING STANDARD

- Having worked so hard on problem, and having got ‘buy-in’ from members of fund, Unions cannot allow over zealousness in relation to Funding Standard to have effects other than those intended – the protection of workers and retired members pensions in their interests and those of the Exchequer