



Restructuring Defined Benefit Pension

via Industrial Relations Agreement

- eircom case study



eircom Case Study

- IAS 19 & Trustee ongoing Funding deficits remediated by Collective Agreement with Trade Union Alliance
- Agreement on nature of future pay increases including limits on pensionability
- No change to Trust Deed or Rules
- No Trustee or Pensions Board consents required
- Ballot by the four eircom Trade Unions resulted in 86% to 96% favourable result

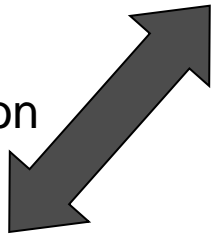


Key Parties to Agreement

Scheme Trustees

- Main Fund (post '84 service)
- No 2 Fund – (pre '84 service)

Consultation



IR Negotiation

Trade Union Alliance

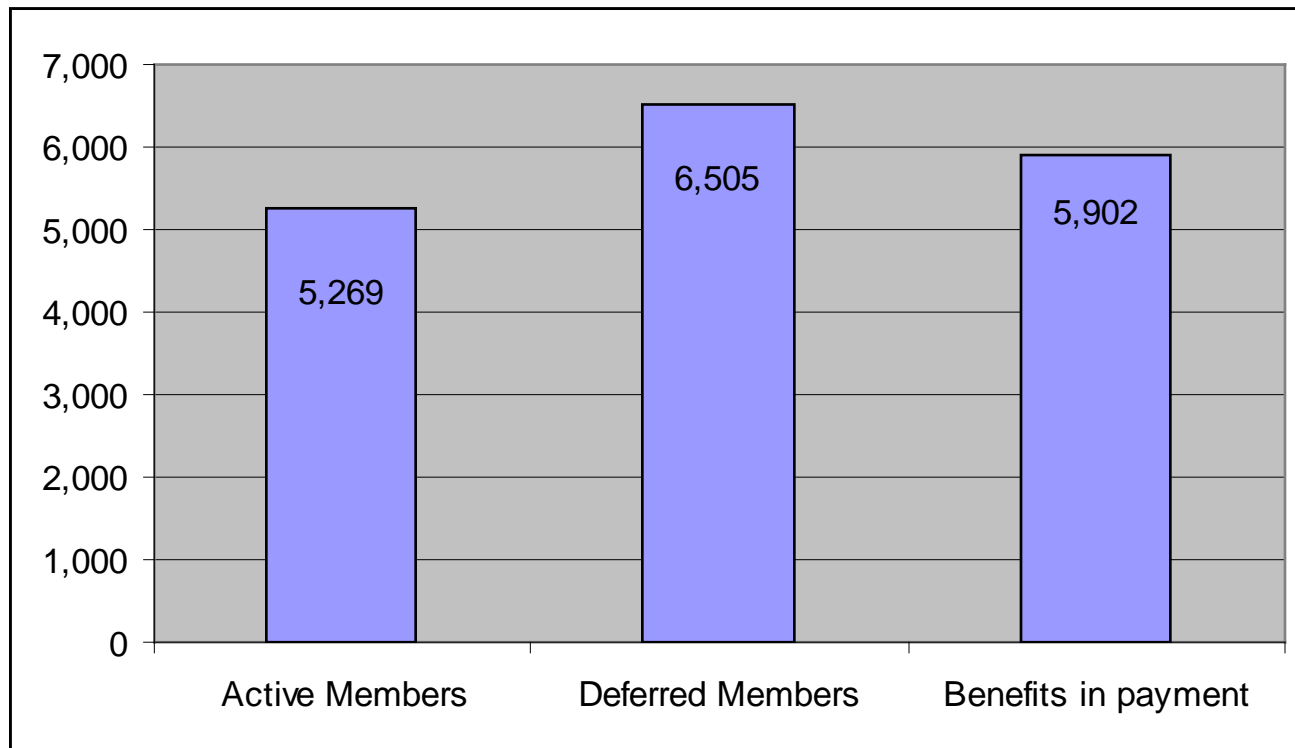
The Trade Union Alliance box contains four logos: the Communications Workers Union logo (top left), the IMPACT Trade Union logo (top right), the PSEU Executive Union logo (bottom left), and the CPSU logo (bottom right).



Main Fund Demographics

March 2010

Active
Membership
= 29% of total

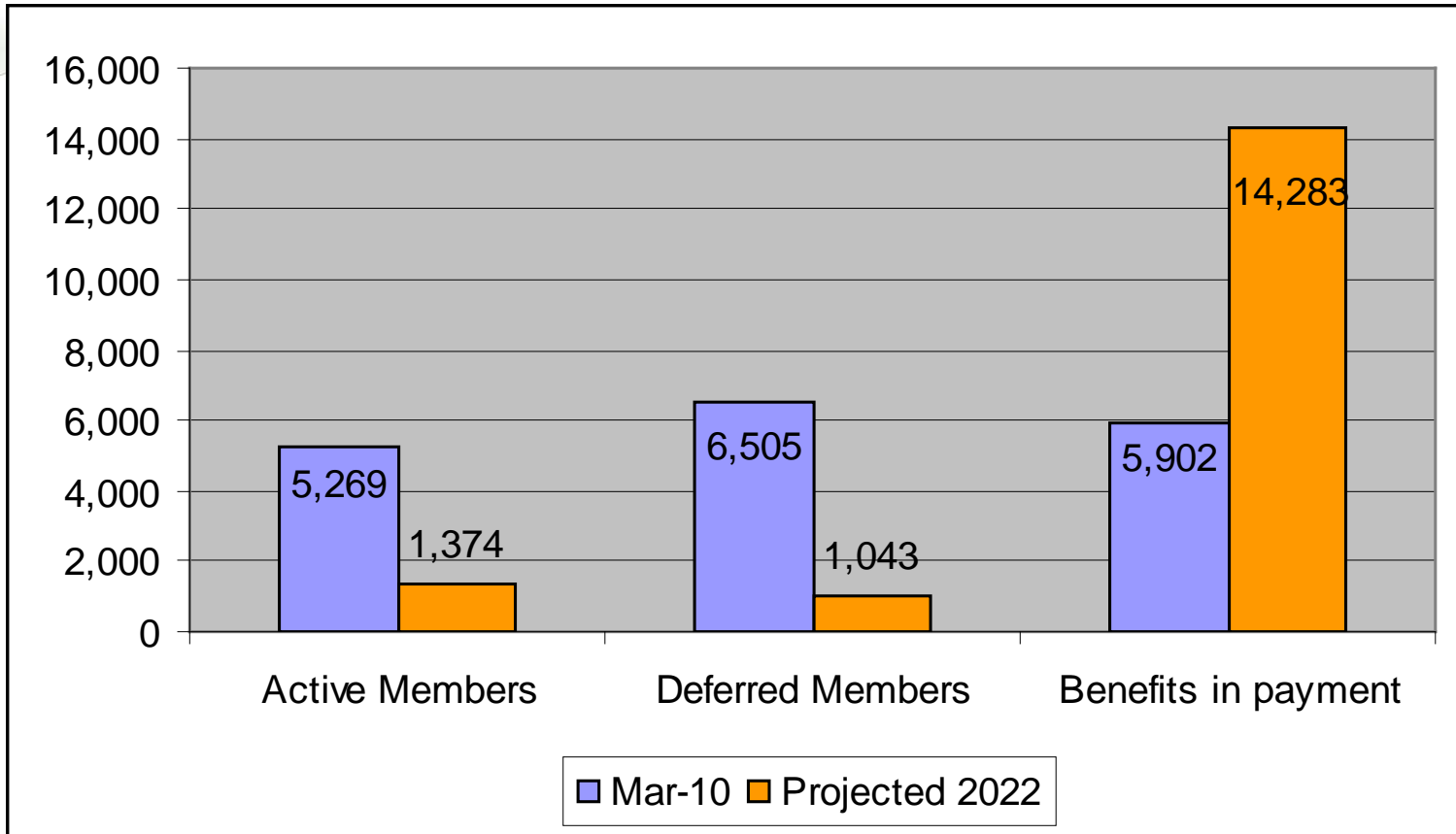


- Average age of active members = 50.5
- Average age of deferred members = 51.3



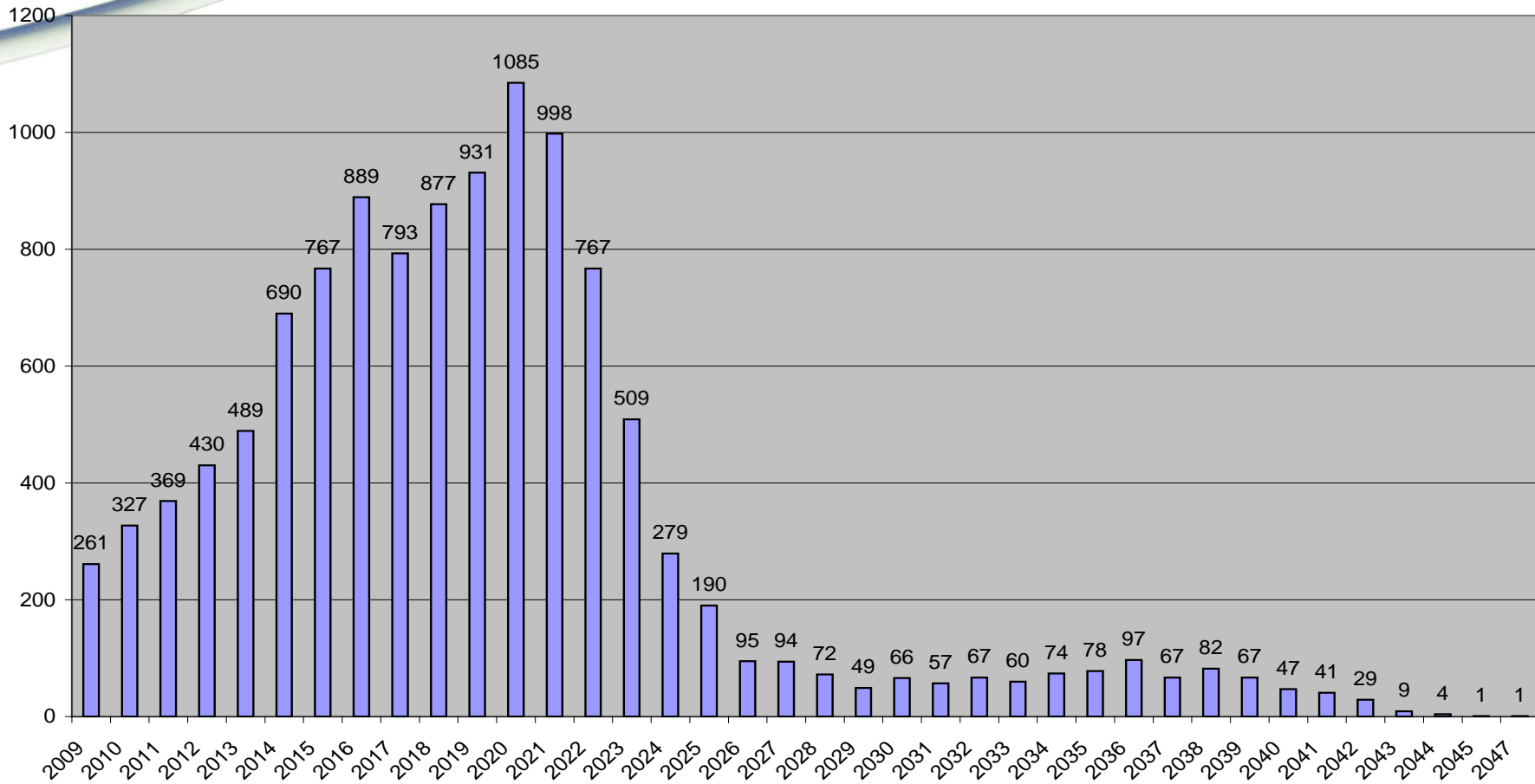
Main Fund Demographics

Projected Active membership in 2022 = 8% of total





Active + Deferred Members reaching age 60 by year



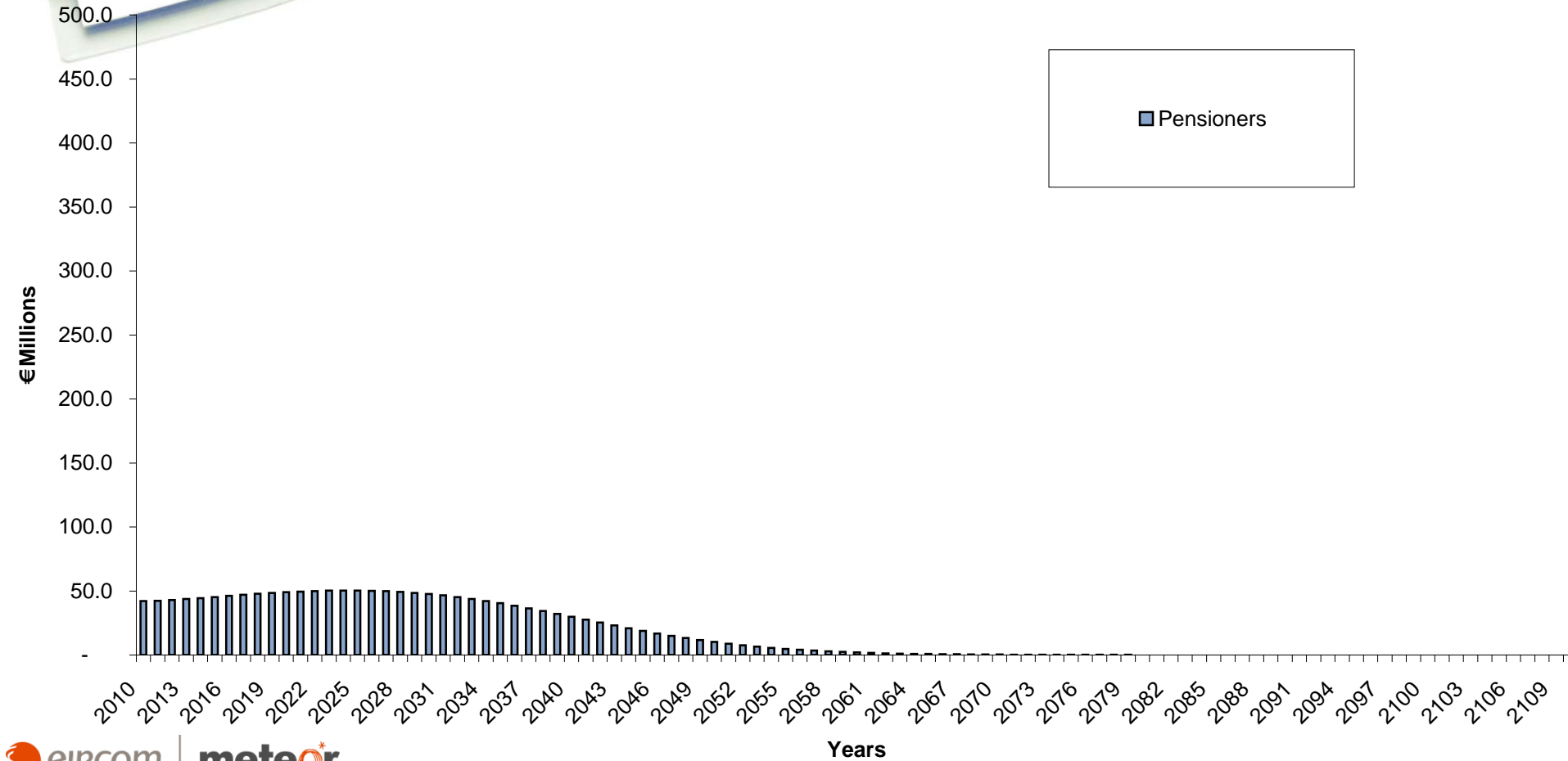


Extended periods for pensions in payment

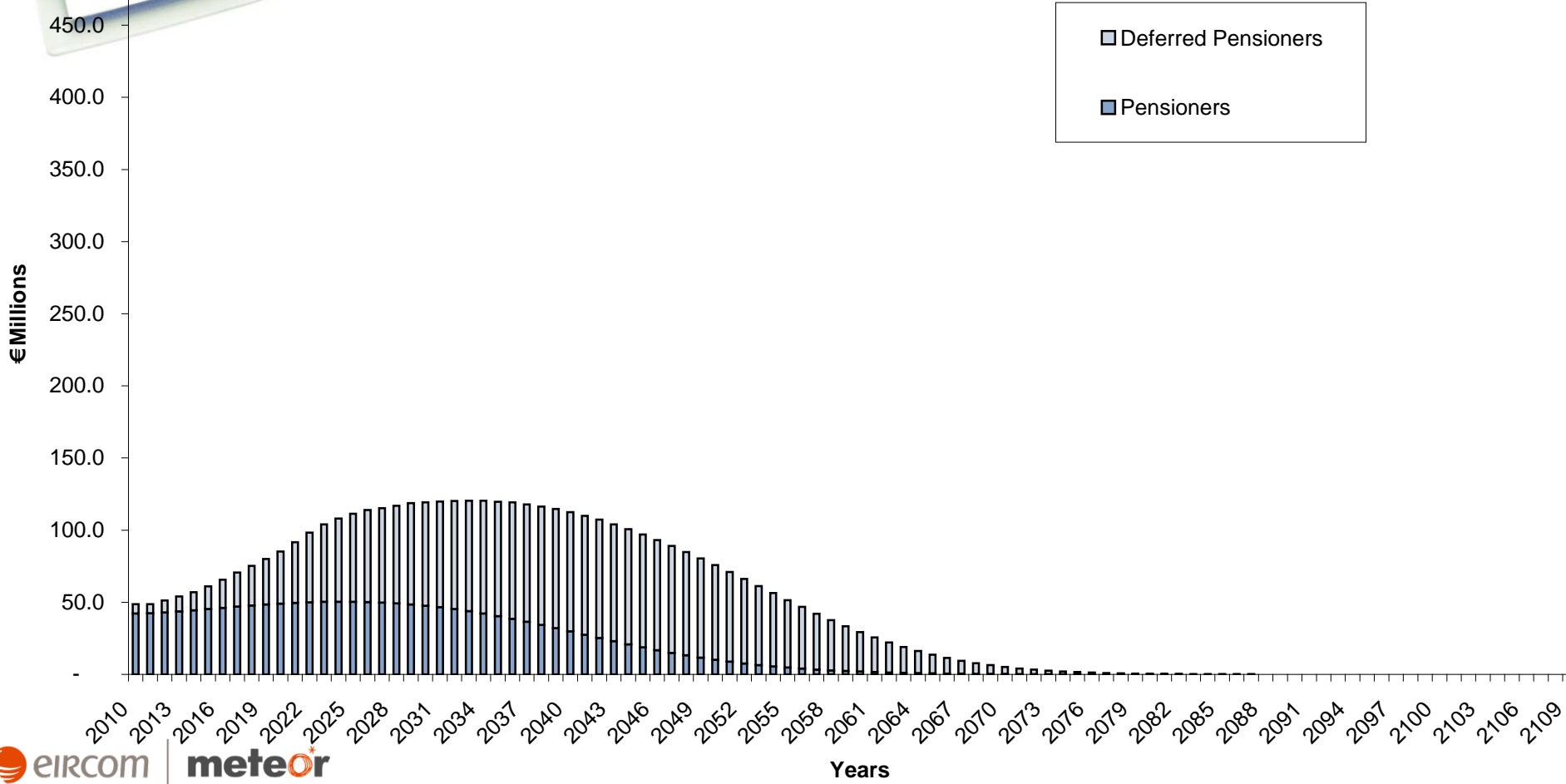
Life Expectancy	Current Retirees		Future Retirees	
	Male	Female	Male	Female
30-Sep-07	85.7	88.8	86.8	89.8
31 March '05	84.0	87.0	85.2	88.2
31 March '02	81.0	85.1	81.6	85.9
21 Dec '98	80.3	84.3	81.0	85.1

- Increase of over 5 Years in a decade (25%)
- Pensions starting earlier at age 61 on average
- Each 1 year increase adds approx €65m to liabilities
- Preliminary figures for 2010 show further increase to 86.6

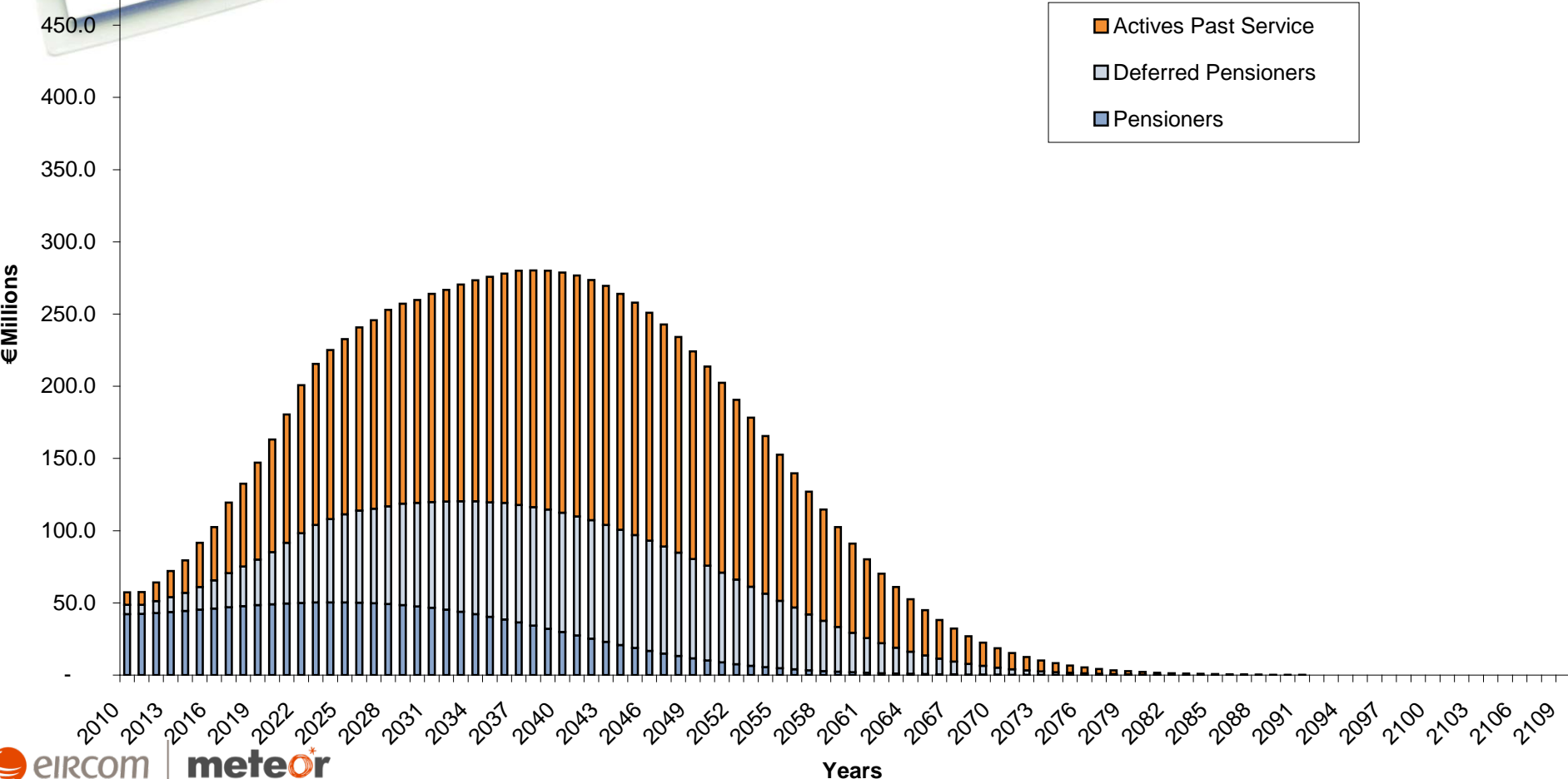
Cash flow profile (1)



Cash flow profile (2)

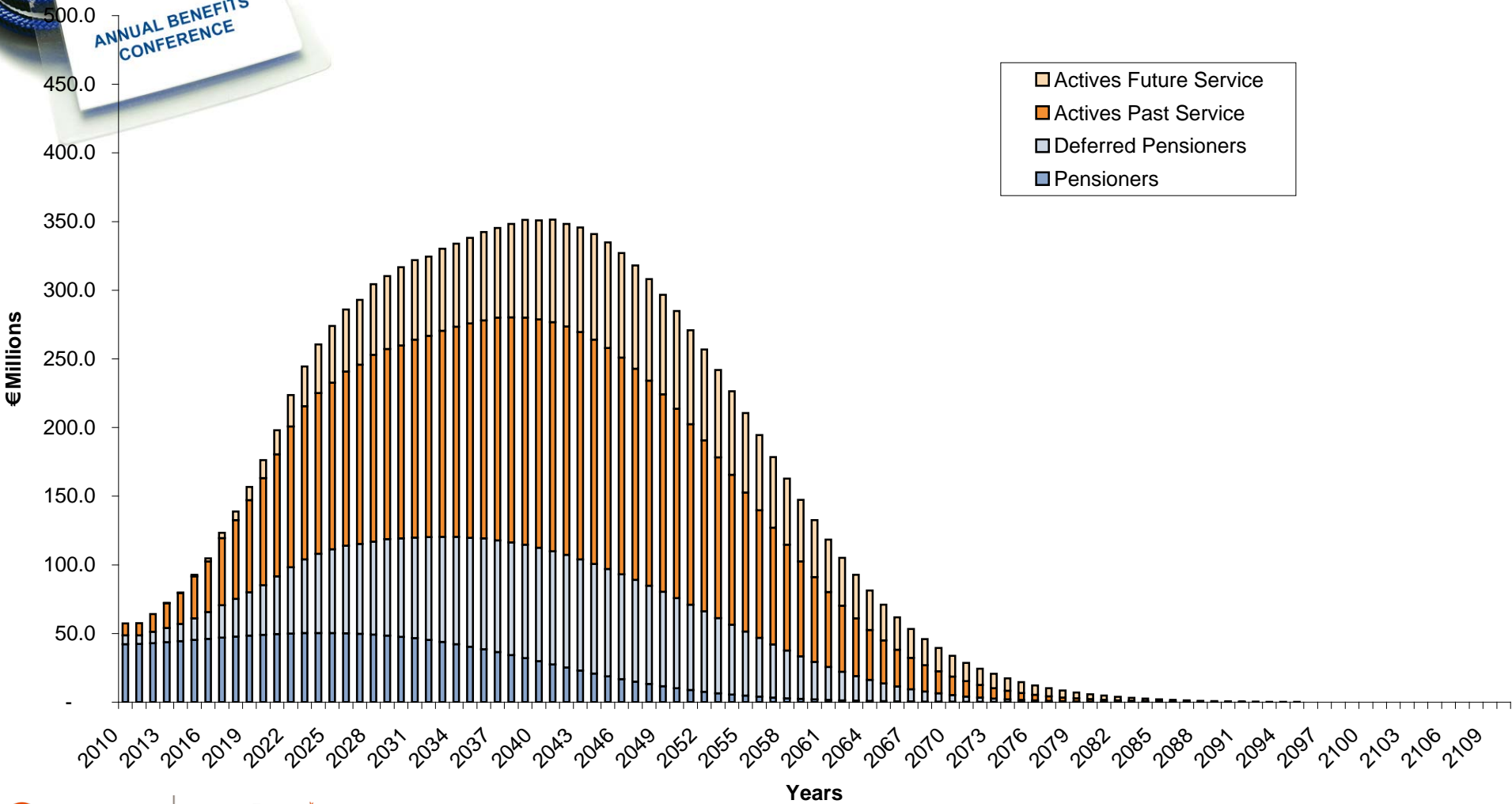


Cash flow profile (3)





Cash flow profile (4)



Company & Trade Union Alliance conclusions



- “Scheme too big, too expensive and too risky”
- Need to contain pension costs, reduce risks and eliminate deficits to sustain company and pension fund
- Action required to ensure pension scheme remains sustainable now and in the long-term to allow it to pay benefits due to all members



IR Agreement (1)

- Formal closure of DB Scheme to new entrants
- Scheme remains open to future accrual for existing members
- No change to discretionary treatment of pensions in payment
- No increase in member contributions or Normal Retirement Age
- Increased company contribution for 3 years to Dec 2013 – floor of 8.5% pa or €20m pa



IR Agreement (2)

- Pensionable pay freeze to Dec 2013 (follows previously agreed pay freeze to June 2011)
- From Jan 2014 Cap on growth of pensionable pay at lowest of
 - actual pay increase or
 - annual rate of Consumer Price Index or
 - annual cap of (i) 4% for 2014,2015,2016,2017 (ii) 3.25% for 2018,2019,2020 and (iii) 2.5% thereafter
- DC “top up” for increase in remuneration, if any, in excess of cap from 2014



Q& A

Thank You