



COMMUNICATION OF

DB TO DC

Keith Gore, AIB





What we hope to get from today's discussion

- An overview of the closure of all AIB DB Schemes
- The rationale for the closure of the DB schemes
- The new AIB DC arrangements
- The communication process
- The communication message





An overview of the closure of all AIB DB Schemes

- 11 DB Schemes across Ireland, UK, US, Channel Islands and Isle of Man
- 1 was closed prior to 2013 and 10 were open to accrual
- Combined DB assets in excess of €5 billion
- Two largest schemes
 - AIB Irish DB €4b
 - AIB UK DB €1b





The rationale for the closure of the DB schemes

The Bank

- Some of the main objectives of AIB are to return the Bank to profitability and provide a return for the State over time
- The DB liability would have continued to grow over the next 10 years to unsustainable levels
- From a market perspective this could have had a negative consequence for AIB's capital
- The Bank's accounting, capital and funding volatility is helped by this change

The Members

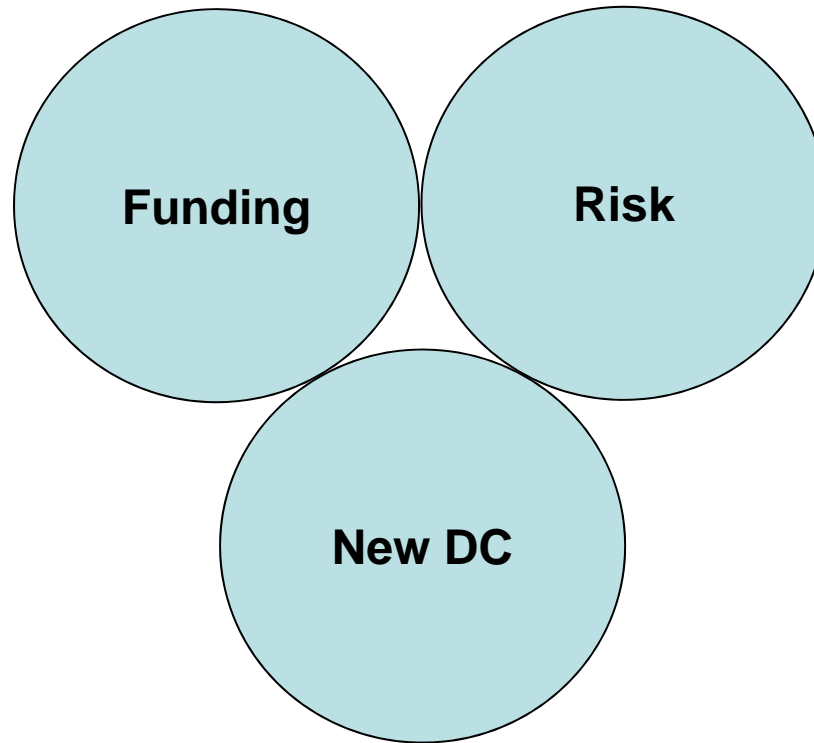
- The Scheme/Bank is currently making up to 40 to 70 year promises
- Other DB schemes have reduced benefits significantly
- Continuing with DB is 'all eggs in one basket'





The rationale for the closure of the DB schemes

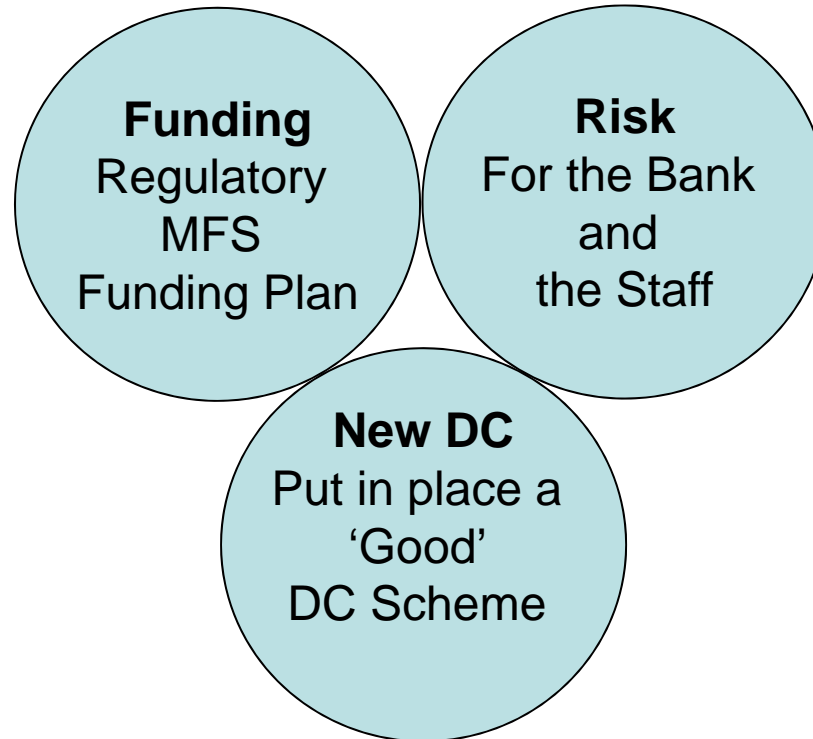
The Proposal





The rationale for the closure of the DB schemes

The Proposal





The communication process

- Initial communication to staff and letter to pensioners
- Staff email updates during the Industrial Relations process
- Q&A on the recommendations
- Worked examples
- Email address for queries (1,000+ received and answered)
- Over 50 local workshops meeting over 2,500 staff
 - No consultants
 - In their office
 - Pitched at the right level depending on the audience
- Conference call (350+ staff joined in) available for play back for one month
- Online contribution option form
- Phone lines for support





The communication message

- Explained the main pension benefits for different staff within AIB based on date of joining
- Showed the projected DB vs combination DB/DC for each group
- Showed the benefit of making contributions
- DB good – DC bad is too simplistic
- DB has risks for both the Bank and the staff
- Explained the funding position of the Scheme
- Explained the combined approach of
 - Funding
 - Risk reduction
 - Good DC





The communication message

- Explained how to make the most from DC
- Importance of
 - Making contributions
 - Making them early
 - Having an appropriate investment strategy
- Showed how the matching contribution structure can provide significant contributions if maximised by staff over their career
- **Used plain English, examples, no jargon and gave straight answers to difficult questions**





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THANK YOU

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