Proposals between ESB and the Group of Unions representing staff on the issues of Pension Review and related matters 2010

Introduction

Most pension schemes have faced funding deficits in the last few years. The Trustees of ESB's scheme, arising from the dramatic fall in the scheme assets in 2008, brought forward the statutory actuarial review due at the end of 2009 by 12 months. The resulting Actuarial Report of 31 December 2008 presented by the Actuary to the ESB, Trustees Superannuation Committee and the Group of Unions highlighted the most serious pension crisis to affect the Scheme in its almost 70 year history.

Following a review of the position, the parties concluded that given the seriousness and extent of the problem it was not going to resolve itself without intervention. The options excluding a joint approach were:

1. **Increase contributions by a further 43% to ~ 68%**

2. **Trustees and Superannuation Committee implement scheme rules (no discretionary benefits) and await unilateral Pensions Board intervention on minimum funding deficit**

3. **ESB consult all parties as per scheme rules and make unilateral proposals to Minister to alter scheme rules/benefits to return the scheme to solvency**

4. **Do nothing and await intervention of Pensions Board who would unilaterally decide the future of the scheme**

With the exception of option 1 which was not acceptable all other above options would have resulted in a serious reduction in pension benefits to all members (Active, Deferred, And Retired). Considering the above, the Group of Unions and ESB agreed to engage in a joint approach to develop the solution best for all parties.

The actuarial deficit identified by the Scheme Actuary was €1,957m. This means that even allowing for the future contributions from active members and ESB, and the expected investment income from the funds assets, the scheme was short €1,957m. The Actuary based these figures on an investment return assumption of 7% per annum, which effectively equates to investing up to 90% of the assets in higher risk assets such as equities and property, rather than lower risk assets like cash and bonds. While the former may be expected to give a higher return in the long term, the parties are very aware of the greater volatility and risk associated with these investments, particularly for a scheme of our maturity.