Separate independent consultants to both Unions and management, confirm that a mature scheme like ESB's should have a greater proportion of its investments in lower risk assets. Increasing the proportion of lower risk assets will increase security but means that the Scheme will need more money to make-up for the lower expected return. Substantially reducing investment risk can only be done over a period of time. To start this process we need to facilitate the ability of the Trustees to transfer to lower risk assets, thereby giving members greater certainty that the scheme will be able to pay the benefits promised. The parties are very conscious that even initially targeting to reduce the level of equities/property in the Fund to 60% will still mean significant investment risk remains. For this reason a continuing derisking strategy is required.

Following an the extensive examination of the issues associated with ESB's defined benefit pension scheme, ESB and the Group of Unions believe that there are two key areas that must be tackled if we are to return the scheme to solvency and improve the security of the scheme for members into the future

- Address the Scheme Deficit
- Derisk the Scheme

This proposed solution addresses all the key issues raised by the Actuary, ESB and the Group of Unions in a comprehensive manner and ensures that all parties ESB, Pensioners, Deferred and Active Members contribute in a fair and equitable way. This proposed solution, both from a member and company perspective, increases confidence and security for the future.

The solution has been reached using the following agreed framework:

- **Contributions and Cash Injections**
- **Pensions in Payment**
- **Staff Remuneration**
- **Managing Schemes Liabilities and Risk Control**
- **Market Influence**
- **Governance Structure.**

These Proposals are underpinned by a "**Shared Understanding**" between ESB and the Group of Unions.

The following proposals are designed to ensure that all parties contribute in a fair and equitable manner.

1. Contributions and Cash Injections

As part of the comprehensive solution being put in place to address the present pension crisis there will be agreed cash injections of €591m. These combined cash injections will be spread over a number of years.

The net present value (January 2010) of the cash injections will be verified by the Scheme Actuary at €591m. These cash injections will be in addition to the regular ESB and member contributions.

2. Pensions in Payment

A pension increase freeze will apply up to 31st December 2013. Thereafter pension increases will apply from the 1st January each year and be based on the level of annual price inflation as measured by the previous years CPI (September to September, as published by the CSO), subject to a cap of 4%. The increases will be conditional on passing a solvency test.

In relation to all of the above there is no facility for the payment of any catch-up increases.