

23rd November 2016

Mr Leo Varadkar, TD
Minister for Social Protection
Department of Social Protection
Áras Mhic Dhiarmada
Store Street
Dublin 1

Dear Minister

At our recent meeting, we outlined to you, our serious concerns regarding our Defined Benefit Pension System and made particular reference to the current Minimum Funding Standards requirement. We asked you to consider taking steps to head off the likely demise of these schemes. If schemes are forced to wind-up, the result will be unnecessary catastrophic losses for hundreds of thousands of active, deferred and pensioner members of these schemes.

You will be aware, that since we met the position has worsened with LCP reporting that the pension gap in twenty-six publicly listed state-owned companies has risen from €2.6 billion in September to €6.8 billion in December (I.T. 17th November 2016).

Most, if not all, of these schemes are very well run by conscientious trustees who have endeavoured to ensure that the employer/worker contributions have been prudently invested. Many of them have shown great ingenuity in recalibrating the benefits through **Section 50 Applications to the Pension's Authority** in order to ensure scheme survival. Most schemes have shown encouraging growth in asset values in recent times and (DB) assets stand at over €60 billion.


The problems arise from the negative yield in German Bonds which has the effect of significantly increasing scheme liabilities. If these schemes are regulated into extinction it is likely that active and deferred members may lose the entire pension they have accrued over their working lives. Trustees will be forced to waste the very significant remaining assets to purchase over-priced annuities which will only provide a fraction of the pension entitlement of pensioner members which will eventually be eaten up by inflation. This will bestow a huge advantage on the Insurance Industry but will be a grave injustice to the pensioners concerned.

As you know, the British Government no longer requires its pensioner citizens to purchase an annuity. You also know that in Ireland, (DC) pensioners are no longer required to waste their pension assets on an over-priced annuity. There is no functioning annuity market in Ireland today. Most surviving (DB) schemes circumvent the purchase of an annuity by paying the pension out of the fund. Therefore, annuity prices in Ireland are a mathematical exercise in a non-existing dysfunctional market. Annuities are not affordable or good value for money. Index linked annuities are not available at any price a rational person would be prepared to pay.

The view of one of your officials, as expressed at the meeting, that the remaining assets in (DB) schemes are the property of those in receipt of a pension is incorrect. This €60 billion in assets are the life-savings of hundreds of thousands of workers also contributed to by their employers and should not be frittered away in forced and unnecessary closures.

We would ask that you immediately set up a High Level Commission involving experts, stakeholders and trustees to find ways to ensure the assets of surviving (DB) schemes can be used in the interests of the rightful owners of the assets.

Yours sincerely



Patricia King
General Secretary

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