



An Bord Pinsean
The Pensions Board

Press Release

Pensions Board seeks public's views on funding standard for defined benefit pension schemes

Dublin, Tuesday, 13 July 2004 – The Pensions Board has published a major public consultation document on the funding of defined benefit pension schemes in Ireland and is seeking the views of all interested parties.

The Pensions Board monitors the funding of defined benefit pension schemes through a minimum funding standard set out in the Pensions Acts. This is a wind-up standard, based on the benefits a scheme is obliged to provide should it be wound up. The funding standard defines the minimum level of assets that each scheme must hold and sets out the rules that apply if a scheme falls short.

The Pensions Board acknowledges that many schemes are now having difficulty meeting the current funding standard. In light of this, the Board is reviewing the standard and looking at possible alternatives. Announcing the publication of the review, the Chief Executive of the Pensions Board, Anne Maher said that the purpose of the public consultation was to seek as wide a range of views as possible on the most effective funding standard for the future.

Ms Maher pointed out that the funding standard must try to balance the twin objectives of safeguarding the benefits that members have accrued and encouraging defined benefit provision. She added that “if a funding standard provided absolute security to members, it would be so demanding and inflexible that it would be likely to end defined benefit scheme provision. On the other hand a funding standard that has no effect from time to time, especially in terms of requiring increased contributions, is unlikely to be providing any useful protection to scheme members”.

The Pensions Board's consultation document looks at various possible approaches and identifies its own preference which is to retain the current standard, including the existing provision for an extended funding period in certain circumstances, together with a slight modification of the calculation of the standard for active and deferred members. When agreeing its preference, the

Board took into account the need for the funding standard to abide by the provisions of the EU Pensions Directive which must be implemented next year.

As part of the review, the Board also considered a number of other matters on which it is seeking views. These include:

- The order in which assets are allocated where a scheme is wound up with a deficit,
- Whether benefits on early retirement from underfunded schemes can be reduced to reflect any funding deficiency,
- The question of making scheme shortfalls an employer debt if the scheme winds up, and
- Possible pension protection arrangements to top up benefits when a scheme winds up with a shortfall.

The Board has asked for comments on all aspects of the funding standard and related matters. Those wishing to make input are invited to get a copy of the consultation document by visiting the Board's website at www.pensionsboard.ie or by phoning Lo-call 1890 65 65 65. Submission of views, in writing, in response to the document should reach the Board by 10 September 2004.

About the Pensions Board

The Pensions Board is the statutory body set up to regulate occupational pension schemes and PRSAs and to advise the Minister for Social and Family Affairs, and through her, the Government, on overall pension policy developments.

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