



Introducing the Irish Life Corporate Business Benefit Solutions Team

April 2013

Issues Facing Defined Benefit Pension Schemes

For a number of years now Defined Benefit or "Final Salary" pension schemes have found themselves struggling to meet their scheme liabilities, some of them for over a decade.

Defined Benefit schemes were the traditional method used to fund retirement benefits by many employers.

However, increasing life expectancy, falling bond yields and poor investment returns have left most of them with huge deficits and despite employers' best efforts it has proven difficult to restore schemes to solvent levels.

To assist employers, affected by these issues, and their advisers, Irish Life Corporate Business has established a dedicated Benefits Solution Team.

The purpose of the Team is to guide employers and their advisers through the restructuring of their company pension schemes and, where necessary, complete the wind up of the Defined Benefit scheme and design appropriate replacement benefits for current employees.

The Irish Life Corporate Business Benefit Solutions Team is made up of individuals with extensive benefit consultancy, communication and actuarial experience.

We understand that every Defined Benefit scheme is different and has its own unique dynamics. While some schemes will wind up with no continuing employer others will require a wind up or restructuring exercise together with a replacement benefit solution for current employees.

The Irish Life Corporate Business Benefit Solutions Team can guide schemes through:

- Sovereign Annuities
- Pensions Insolvency Payments Scheme
- Scheme Wind Up/Restructuring
- Replacement Benefits for Current Employees

The Irish Life Corporate Business Benefit Solutions Team is committed to engaging with all stakeholders to achieve the best possible solution.

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Sovereign Annuities

When a Defined Benefit pension scheme goes into wind up pensioners have first call on the assets, and annuities must be purchased for them with a life assurance company.

Up to now annuities would have been priced by reference to German bond yields and with current historic low yields the cost of purchasing a conventional annuity has increased dramatically.

Revised pension regulations now allow the pensioner liability to be valued by reference to the cost of sovereign annuities backed by Irish government bonds which would currently (April 2013) be approximately 13% lower than the value of the pensioner liability based on German bond yields.

Pensions Insolvency Payments Scheme

The Pensions Insolvency Payments Scheme (PIPS) was introduced by the Government in January 2010.

As a special measure to support pension schemes where the employer and pension scheme are insolvent PIPS provides a cost neutral way of mitigating Defined Benefit scheme shortfalls.

PIPS is intended to support pensioners of insolvent companies where the pension scheme is winding up in deficit so that more money is available to provide for members who have yet to retire.

Scheme Wind Up/Restructuring

The wind up or restructuring of any Defined Benefit pension scheme can be a difficult time for members, trustees and the sponsoring employer.

The Irish Life Corporate Business Benefit Solutions Team are in a position to complete the wind up or restructuring of the Defined Benefit scheme and to communicate with all members – pensioners, deferred members and active employees – with regard to their options and the provision of post wind up benefits.

Replacement Benefits for Current Employees

Where there is a continuing employer after the wind up of the Defined Benefit pension scheme, there is an urgent need for current employees to know how their benefits from the Defined Benefit scheme will link with their new replacement benefits.

The Irish Life Corporate Business Benefit Solutions Team are in a position to discuss the design of replacement benefits with the sponsoring employer and their adviser to ensure that appropriate replacement benefits are put in place for current employees.

For more information on any of the issues highlighted please contact :

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