

# **THE SOCIETY OF ACTUARIES IN IRELAND**

## **Press Release**

6 July 2006

### **Current funding standard for defined benefit schemes should be maintained Current wind-up priorities are unfair and require fundamental review**

“While we welcome the proposed review of pensions policy in the new Social Partnership agreement, the current funding standard for defined benefit schemes should be maintained.” This was stated today by Colm Fagan, president of the Society of Actuaries, on the publication of a recent submission by the Society to the Pensions Board. “We appreciate that our recommendation runs contrary to the views that have been articulated by others, including IBEC, ICTU and the Irish Association of Pension Funds. Indeed, within the Society itself there is not unanimity on the subject. However, our view is that the funding standard is needed to safeguard the entitlements of pension scheme members and, in the absence of any real alternative, should not be diluted. We hope that our contribution can add to the ongoing, important debate on this subject.”

The Society of Actuaries has also called for a fundamental examination of the requirements in the event of a pension scheme winding-up, including a review of the statutory "wind-up priorities".

“The Society believes that the current wind-up priorities are unfair and expose older employees, in particular, to a disproportionately high risk. Currently, benefits for pensioners, including any future pension increases that have been promised, have, in the event of a wind-up, to be secured in their entirety before any of the scheme's assets can be used to provide benefits for employees, regardless of how close the employees are to retirement age.

“While we fully acknowledge the potentially vulnerable financial position of retired

members, it does not make any sense that if a scheme were to wind up with insufficient assets to meet all of its liabilities, a worker on an average wage who is approaching retirement age after almost 40 years' service could receive a small fraction of his or her benefit entitlement while others who had taken early retirement would continue to receive their full pensions."

The Society has suggested various ways of changing the current wind-up priorities to achieve greater equity. These include "levelling up" the priorities i.e. giving the same priority as pensioners' benefits to an element of the benefit entitlements of other classes of members, in particular those approaching normal retirement age.

The Society has also asked the Pensions Board to consider changes to its current certification requirements to reduce the burden and cost of compliance for defined benefit schemes.

The Society's submission is available at:

<http://www.actuaries.ie/Press%20Office/Submissions/060601%20submission%20on%20funding%20standard.pdf>

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