

AIB Group Irish Pension Scheme (Defined Benefit Scheme)



Members' Newsletter

May 2021



Chairman's message



Welcome to the 2021 AIB Group Irish Pension Scheme (the Scheme) newsletter which updates you on the Trustee's work over the past year.

I have been appointed as Chair in succession to Joe O'Connor, who has retired. As you know, Joe gave many years of excellent service to the Scheme and its members. Its current financial health

is in no small measure due to the work Joe and his colleagues carried out on your behalf over the years in often challenging circumstances.

I would also like to thank Anne Maher, who retired as an independent Trustee Director in December, for her insights, sound judgment and experience which were of great value to members.

During the year, Tom Power, longstanding Trustee Director, sadly passed away following an illness. During his tenure, Tom made a significant contribution to the oversight of the Scheme. On behalf of the Trustee Board, I would like to extend my sincere condolences to his family and friends.

We are pleased to welcome Lar Fant and Dave Keenan as new Trustee Directors and look forward to working with them.

Your Scheme

Living with COVID-19 for over a year has been very challenging for everyone in a myriad of ways, some of which can't be undone. However, we can finally look forward to better times ahead.

We are pleased to report that the Scheme successfully withstood the many challenges of 2020 and recorded a positive net investment return on its assets of 5.7% or €281 million. This allowed the Trustee to deliver a pension increase in line with the Consumer Price Index (CPI) over the 12 months to February 2020. That decision, as you may recall, had been deferred in March 2020 at the start of the pandemic for prudential reasons, but was

implemented later in the year following the advice of the Scheme Actuary.

Review of member data

The Government has recently implemented into Irish law the long-awaited EU pensions legislation, IORP II. We have been anticipating its arrival for some time and are well placed to meet its requirements.

One of the new requirements is to extend providing pension benefit statements to deferred members who have left the Bank's service. Following some queries from members, the Trustee asked AIB, as its Administrator, to undertake an extensive exercise to review benefit details for members who left the Bank prior to 2014 but have not yet retired. (A review was carried out in 2014 for all members who were in the Bank's service at 1 January 2014, when the Scheme closed to future accrual.)

This exercise commenced in 2020 and was completed by the year end. This review identified a number of data and calculation changes which needed to be made in determining the benefits for some deferred members who left the Bank's service prior to 2014. These were primarily members with non-standard working histories such as periods of part-time service or leaves of absence. The Administrator has, however, confirmed to the Trustee that all members received their correct entitlement when they retired or transferred out of the Scheme.

All relevant member files have now been fully reviewed. The Administrator is writing to the members in question over the coming weeks and a helpline is also available. For pensioners and members who still work for the Bank, it is important to emphasise that this exercise only applies to those who left service more than eight years ago and are yet to retire. It doesn't affect anyone who has retired or anyone who is still in the Bank's service.

I hope that you find this newsletter interesting and useful. The Trustee acknowledges, appreciates and values the continued support it received from the Bank, its staff and its advisors and service providers over the course of a challenging and busy year.

Gary Byrne
Chairman, AIB Group Irish Pension Scheme

Membership

Benefits of €162 million were paid to pensioners and other beneficiaries during 2020. At 31 December 2020, there were 4,185 pensioners in the Scheme with an average pension in payment of €29,200 per annum. A breakdown of the membership and how it changed over 2020 is set out in the following table.

Table 1

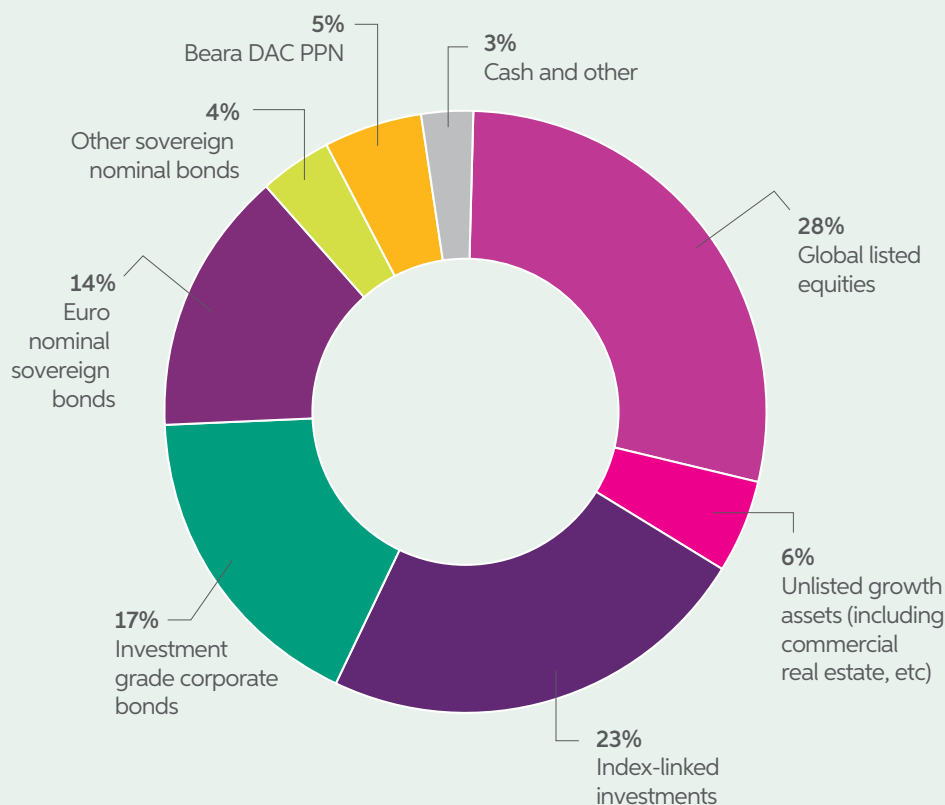
	31 December 2019	31 December 2020	Change
Deferred members (currently in service with AIB)	4,680	4,526	-154
Deferred members (former employees of AIB)	7,421	7,298	-123
Pensioners	4,121	4,185	+64
Total	16,222	16,009	-213

Investment update

The Scheme is set up under trust, which means that the Trustee holds the assets in a fund which is completely separate to the Bank. The assets are held exclusively for the benefit of the members and their dependants and are used to provide income in retirement, on death or on leaving the Scheme.

The assets are invested in a diversified mix of assets appropriate to the profile of the Scheme. This will continue to change over time in line with the evolution of the Scheme and changes in investment markets.

Asset breakdown at 31 December 2020



Over 2020, the Scheme's assets increased by approximately €281 million, less benefit payments (pension payments, lump sums and transfers out) and expenses of €162 million, to €5.28 billion. These assets are invested by the Trustee in a manner that aims to grow the value of the assets in a risk-adjusted fashion, while generating sufficient income to meet benefit payments. In practical terms, this means that the Trustee's approach is to invest for the long term, while seeking to protect the Scheme's assets against short-term market uncertainty.

The financial impact of COVID-19 during 2020 resulted in extreme volatility in stock markets across the world and record low levels for 'high-quality' sovereign bond yields. While equity markets fell sharply in March 2020, by the year end these markets had rebounded strongly, reflecting the prospect of sustained fiscal and monetary stimulus, recovering economic data and COVID-19 vaccine news.

The table below outlines the results of the Scheme's estimated year-end Minimum Funding Standard (MFS) results since 2016. This table shows the sustained improvement of the Scheme's position on the MFS basis. As mentioned in previous newsletters, it is important to remember that this surplus should not be considered as a 'profit'. Rather, it is designed to help guard against major market upsets and protect the Scheme during extreme events such as we experienced in 2020. The MFS surplus is also projected to reduce in the future as more members reach retirement age.



During 2020, the Scheme's assets increased by approximately **€281 million** to **€5.28 billion**

Table 2

December month end	Asset value € million	MFS Scheme liabilities € million	MFS net position € million	Funding Standard Reserve* € million	MFS net position incl Reserve € million
2016	4,680	4,337	+343	-495	-152
2017	4,819	4,151	+668	-390	+278
2018	4,774	4,086	+658	-337	+321
2019	5,159	4,303	+856	-304	+552
2020	5,278	4,390	+888	-252	+636

Source: Scheme Actuary. All figures are estimates and are subject to several assumptions, including the cost to secure annuities on the open market for pensions in payment.

* The Funding Standard Reserve is a mandatory reserve that defined benefit pension schemes are required to maintain in addition to the MFS.

The ongoing actuarial valuation is a very important measure of the Scheme's financial health. The Scheme Actuary carried out the last full ongoing actuarial valuation in June 2018. The next valuation is due to commence no later than June 2021 and is due to be concluded later in the year. A report on the outcome of the valuation will be provided in the 2022 newsletter.

It is important to note that by their nature interest rates and market conditions are volatile and relatively minor changes in the value of assets and/or liabilities can have a significant impact on the overall result, as measured in both the MFS and ongoing actuarial valuation terms.

Pension increases

Under the Trust Deed and Rules of the Scheme, each year the Trustee reviews the pensions in payment for members who may be eligible for pension increases at the discretion of the Trustee. This takes a number of factors into account, including the financial position of the Scheme and the Consumer Price Index (CPI) over the 12-month prior period.

In the 2020 newsletter, the Trustee advised members that, given the uncertainty in investment markets at the time, it had delayed the decision to award a discretionary pension increase until the autumn. Later that year, as investment markets steadied, the Trustee decided, after careful consideration and taking on board the advice of the Scheme Actuary, to award a pension increase of 1.1% payable from 1 April 2020. This increase was in line with the increase in the CPI over the 12 months to February 2020 and was funded out of the Scheme's resources. This increase was paid in December and backdated to 1 April 2020.

The Trustee's primary objective is to pay pensions in payment and have sufficient assets to pay deferred pensions in the future as they fall due. The second objective is to pay discretionary CPI-related pension increases on an annual basis, having regard to the financial position of the Scheme. As the CPI was negative over the 12 months to February 2021 (it was minus 0.4%), the Trustee decided that no pension increase is payable in 2021. The position will be reviewed again in 2022.

Pensioner members who are eligible for non-discretionary pension increases (a minority of members) will receive pension increases in line with the Scheme Rules. There were no Bank-funded pension increases for 2021.

Trustee Board

As noted in the Chairman's message, several changes took place to the Directors of the Trustee Company during 2020. The current directors are:

Gary Byrne (Chairman)	Jessie Doherty	Lar Fant	John Feely
Dave Keenan	Frank O'Riordan	Dara Rowley	Claire Walsh

Scheme Secretary

Roma Burke, Lane Clark & Peacock Ireland Limited

Other updates for members

2021 Annual Benefit Statements for members who are still in service with the Bank

Annual Benefit Statements were issued to all members still in service with the Bank in March of this year. This Annual Benefit Statement sets out your individual deferred pension benefits in accordance with regulatory requirements. You are encouraged to check your information and contact the Pension Administration Team if any corrections are needed.

2020 Annual accounts and Trustee Annual Report

The full set of audited accounts and a Trustee Annual Report for the year ending 31 December 2020 will be available shortly on www.planforlife.ie.

Transfer values

The Scheme is a defined benefit pension scheme. This means that when you retire you are eligible for a pension which is payable for the remainder of your life. If you retire and then die before your spouse, a benefit may be payable to your spouse.

Some members may be considering taking a transfer value. This is a cash lump sum which is payable to another Revenue-approved retirement arrangement. If you take a transfer value, you give up your entitlement to the pension payable for life to you and your spouse (if applicable). This decision cannot be reversed.

As the Trustee does not provide financial advice, it is therefore extremely important to seek your own independent financial advice to ensure that you understand the implications of this significant decision. A list of authorised advisors can be found at www.CentralBank.ie.

Subcommittees

The subcommittees who report into the Trustee Board comprise:

Investment: Frank O’Riordan (Chair), Gary Byrne, Lar Fant, John Feely and Dave Keenan.

Risk: John Feely (Chair), Gary Byrne and Jessie Doherty.

Member matters (including ill health): Gary Byrne, Dave Keenan, Frank O’Riordan and Claire Walsh.

Principal service providers to the Scheme

Administrator

Allied Irish Banks, p.l.c., Manager Orla D’Arcy

Sub-Administrator

Aon, Manager Frank Keating

Scheme Actuary

Liam Quigley FSAI, Mercer Ireland Limited

Independent Auditors

Deloitte Ireland LLP, Chartered Accountants and Statutory Audit Firm

Legal Advisors

Arthur Cox, Sacker & Partners

Investment Advisors

Aon Investment Branch, Mercer Investment

Custodian

BNY SA/NV Dublin Branch

Bank

Allied Irish Banks, p.l.c., Allied Irish Bank (GB)

Principal Investment Managers

Legal & General Investment Management Limited

Barclays Bank p.l.c.

Aberdeen Standard Investments

Allied Irish Banks, p.l.c. (as Servicer of the Beara DAC Profit Participating Note)

Irish Life Investment Managers Limited

Goldman Sachs Asset Management International

PIMCO Global Advisor (Ireland) Limited

PIMCO Europe Limited

Irish Property Unit Trust

If you have a question about the Scheme or your benefits, please contact the Pension Administration Team.

Email: myaibpension@aon.ie **Phone:** 1800 806 133.

Key contacts

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Manager

Pension Administration Team

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Scheme Secretary

AIB Group Irish Pension Scheme

Allied Irish Banks Pensions Limited

c/o Lane Clark & Peacock Ireland Limited

Office 2

Grand Canal Wharf

South Dock Road

Dublin 4



Errors and omissions excepted

This newsletter does not form part of your terms and conditions of employment. All figures quoted in this newsletter are provisional and are subject to audit. The Scheme is governed by a Trust Deed and Rules (as amended). To the extent that there is any contradictory information in this newsletter, the terms of the Scheme shall prevail.