BANKING

Bank of Ireland rejects calls to lift crisis-era pension restrictions in deepening €500m row

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DONAL MACNAMEE | AUGUST 18, 2024

Myles O'Grady, group chief executive of Bank of Ireland. Many pensioners have called for the bank to drop the restrictions on their annual payouts. Picture Fergal Phillips

Bank of Ireland has rejected calls to lift crisis-era curbs that significantly restrict the pension benefits of more than 5,000 former staff, in a deepening row over more than €500 million.

Under austerity-era cuts to protect the fund in 2010, retirees' pension increases are capped at 4 per cent regardless of how fast inflation is running.

When it implemented the restrictions, Bank of Ireland said that "if there is a group pension fund surplus in the future, consideration will be given to enhancing the pension benefits available to members".

As a result of additional restrictions introduced in 2013, the first 1 per cent of the increases are also clawed back by the bank, under the terms of its €5 billion defined benefit scheme. Last year, when the bank measured inflation at 6.4 per cent, retirees got a 3 per cent increase.

Many pensioners have called for the bank to drop the restrictions on their annual payouts and restore their pre-crash conditions, given that the fund has returned to surplus and the bank is now enjoying record profits of more than €2 billion.

The Business Post can reveal, that Myles O'Grady, the chief executive, and Mark Spain, the chief financial officer, have told pensioners they do not intend to amend the terms of the scheme.

Mark Spain group chief financial officer of Bank of Ireland. Picture: Fergal Phillips

In a previously unreported November 2023 letter to pensioners, O'Grady argued that allowing larger pension increases would "materially increase the scheme's costs, weakening its sustainability for all members".

O'Grady told retirees that "the benefits remain appropriate" based on what he called a "comprehensive analysis" of the scheme. "It is therefore not possible to change the current defined benefit structure without incurring significant additional risk," he wrote.

According to independent actuarial advice received by Bank of Ireland, lifting the restrictions would add at least €500 million to the cost of funding its future obligations over the lifetime of the scheme.

Pensioners argue that its refusal to do so means that they, rather than the bank, are bearing this €500 million cost. The average retired member of the pension scheme earned an annual pension of around €28,000 in 2023 – a figure the bank said included people who spent only a small part of their career working there.

The fund has been the subject of complaints to the Pensions Authority and the Irish Banking Culture Board in the last year. Both bodies have opted not to pursue the matter.

A Bank of Ireland spokesman said that most defined benefit pension funds had closed in recent years, and that many of those that still existed "don't pay any increase in benefits".

Increasing the benefits for retirees would "result in increased volatility of the scheme's funding position, which is not in the best interests of all members," he said.

The fund "remains a very competitive and generous pension scheme", he said.

Bank of Ireland's staff pensions fund – a defined benefit scheme, which closed to new entrants in 2006 – has around 16,000 members, 5,483 of whom are retired. Actuarial advice is provided to the fund's trustees by Willis Towers Watson.

In 2010, Bank of Ireland said the deficit in the fund was "not sustainable", and that the restrictions represented a "shared solution" as part of which it, as well as members of the scheme, would contribute to eliminating the fund's €1.6 billion deficit.

The scheme had since returned to a surplus, standing at €36 million as of June 2024, a Bank of Ireland spokesman said. Part of that has been down to the restrictions applied to pensioners, while Bank of Ireland has also contributed €1.85 billion since 2010.

The spokesman said the €36 million in the fund today represented a surplus of less than 1 per cent when set against the scheme's "liability value" (the future payments it is obliged to make to members) of more than €5 billion.

"Stability of the scheme is critical so that it can continue to support members retiring in the future," he said, noting that pensioners currently made up only one-third of the scheme's membership.

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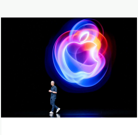

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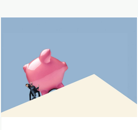

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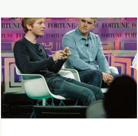

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