

### **Question: Retirement plans for former partners**

1. Retirement plans
  - a. What is the nature of payments provided by EY to former partners through so-called 'retirement plans'?
  - b. Are they classified as superannuation?
  - c. Are the payments a fixed amount?
  - d. What determines the value each former partner receives?
2. Do former partners receiving retirement plans still hold equity in the partnership?
3. Conditions of retirement payments
  - a. Under what conditions would these payments be impaired?
  - b. Does the overall profitability of the partnership affect the amount paid?
  - c. If EY was wound-up or bought-out, would this affect the amount paid?
4. Payment termination
  - a. What discretion does EY have to terminate these retirement payments?
  - b. Other than disclosing commercially sensitive material, are there certain conditions that would give EY cause to terminate these retirement payments?
  - c. For example: would public criticism of EY by the former partner be grounds to terminate these retirement payments?
5. Has EY ever impaired retirement payments to a former partner?
6. Under what conditions could these payments be enhanced?
7. Has EY ever enhanced retirement payments to a former partner above any pre-agreed increases?
8. Does EY keep account of the current activities of former partners receiving retirement plan payments?
9. Do any former EY partners who are receiving retirement plan payments have a role—paid or voluntary—with the Australian Government, including any agency, statutory body, or boards that are funded by the Australian Government? Please provide details.
10. What is the total annual value of EY's payments to former partners through retirement plans?
11. How many former partners receive payments through retirement plans?

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### **Answer:**

1. Retirement plans
  - a. The ability for a partner to join a Retirement Income Plan ceased in 2000 and the amount paid to each legacy retired partner was fixed in 2000.

Under this scheme, the Retirement Income Plan was payable to a partner until the earlier of expiry of 20 years from the date of retirement or death. If a partner dies before retirement, their spouse, or in the absence of a spouse the partners' children, may be entitled to payments.

EY has not introduced any scheme in replacement of the Retirement Income Plan.
  - b. No.

- c. Payments to former partners were fixed when the scheme closed in 2000 and may be pro-rated down if they exceed a specific percentage of profitability.
  - d. The payments were set according to the partnership agreement when the plan closed in 2000.
- 2. No.
- 3. Conditions of retirement payments
  - a. As outlined in 1 c) payments can be pro-rated down if they exceed a specific percentage of firm profitability. They can also be impaired if a partner acts in an adverse way, but this clause has never been considered or used.
  - b. No.
  - c. Yes.
- 4. Payment termination
  - a. As outlined in 3 a), EY can impair payments if the partner acts in an adverse way, but this clause has never been considered or used.
  - b. Please refer above.
  - c. Please refer above.
- 5. As outlined in 4 a) EY has not impaired payments to a former partner.
- 6. There are no circumstances in which payments to former partners could be enhanced.
- 7. Please refer above. EY is not able to enhance payments to former partners.
- 8. EY does not maintain a formal register of roles held by former partners.
- 9. Not that we are aware of.
- 10. For the year ended 30 June 2019, Retirement Income Plan payments were made to members of the pension plan which was closed to new members in 2000 (or their spouses if deceased). Information regarding the total annual value of EY's payments to former partners, which closed in 2000, is commercial in confidence and is immaterial to both revenue and income of the firm.
- 11. For the year ended 30 June 2019 the payments were made to 149 partners or their spouses who were members of the pension plan in 2000.