

# SUMMIT DELEGATES SEEK NEW PENSION SOLUTIONS

*With issues like pension under-funding, investment uncertainty and demographic changes becoming ever more critical, the pressure on pension trustees and their advisors to find the perfect pension strategy has never been greater.*

Whether the 200 plus delegates attending the 2004 UK and Irish Pensions and Investing Summit actually went home with the elusive answer in their briefcases, they were certainly provided with a wealth of information that will help them proceed with their quest.

Hosted by the IAPF and held over the two days in October at The Four Seasons Hotel in Dublin, the expert panel of 29 speakers focussed very much this year on the role of trustees and the investment strategies that they can pursue to meet their liabilities and produce the kind of pension stability that so many are now seeking. It also tackled head on the suggestion – especially in the UK, but also in the early stages of debate here – that there is a need to increase the retirement age to cope with that fact that fewer workers will be supporting an ever-increasing cohort of pensioners.

The doyen of the European pension community, Alan Pickering, who is Chairman of the European Federation for Retirement Provision gave a wide-ranging speech on day one of the Summit in which he reminded delegates that we were 'deluding ourselves' if we believed that additional savings alone would fully compensate for the good news of increased life expectancy.

"The Turner Report issued last week in the UK which found that people must be forced to work until they are 70 or pay an additional €83 billion in taxes is a wake up call not just for the UK but for all European countries including Ireland."

He said that thanks to the input of the Pensions Board, Irish politicians had acted with greater vision than their UK counterparts but that some hard decisions would have to be taken in future. "Increasing the retirement age may not only be necessary from a financial



**Pictured at the Annual UK & Irish Pensions & Investing Summit are from left: Nora Finn Chief Executive, IAPF; Alan Pickering Chairman, European Federation for Retirement Provision and Gerry Ryan Chairman, Irish Association of Pension Funds**

perspective but desirable from an economic and social viewpoint."

He added that, "Throwing a valuable resource such as experienced and healthy people in their prime into compulsory retirement is not the best way for Ireland to continue its enviable record as the fastest growing economy in Europe and may not be what many people want.

"People have been one of Ireland's greatest assets. In the new era of increased life expectancy many in good health will want to continue to make a contribution to their own lifestyle which will have a knock on beneficial impact to the Irish economy."

Mr Gerry Ryan, Chairman IAPF, said that it was increasingly important that State pension regulations were made more flexible and didn't force people to retire when they had a lot more to offer. "People should have the choice of working until after traditional retirement age and should

not be penalised if they do."

Commenting on the Turner Report which found that two thirds of people in UK defined contribution pension schemes were not saving enough, Mr Ryan said that we in Ireland had to avoid becoming complacent: "IAPF research suggests that many Irish people are in the same boat and should be doubling their level of savings in defined contribution schemes." The rollover of SSiAs into long term pension provision, he added, "was an option worth serious consideration."

Picking up the on the topic of pension flexibility Rosheen Callender of SIPTU told the Summit that despite many proactive measures to increase and improve pensions provision, Ireland could still face the unpalatable UK-type prospect of having to encourage later retirement unless it now takes even more radical approach to pensions provision.

Ms Callender called for flexible retirement ages, earlier contributions by workers and immediate new tax incentives for the existing workforce. She urged the introduction of pension contributions from birth. Combined with a state 'pension start-up bonus' for every young person as they come off child benefit. "Thus in 16-18 years' time, the vast majority of people



**Alan Pickering**

aged 16-36 will have substantial pension funds on which to build thereafter, in most cases with the help of an employer."

She also advocated tax-driven extensions of pension coverage including the introduction of a minimum pension tax credit to benefit lower-paid workers; substantial tax incentives for early encashment of SSiAs if this is for pension purposes; and temporary relaxation of certain Revenue limits to maximise conversion of SSiAs to pension contributions during 2005.

"Radical steps of this kind should be taken immediately by the Irish government, if the prospects of later retirement and/or mandatory employer contributions and/or much greater state expenditure on pensions are to be avoided in 2006, when our entire national pensions strategy is to be reviewed," said Ms. Callender, SIPTU's National Equality Secretary. Later, the IAPF Trustee Committee chairman, Patrick Burke outlined the extensive work that the IAPF has undertaken to advance the role of the trustee and reminded the Irish delegates in particular about the IAPF's commitment to the trust-based model for pension schemes in this country, though he noted that the model has changed with a move towards a more contractual relationship with scheme members. He suggested that 'generalist' trustees are more cost effective than 'specialists' though reiterated that trustees need to seek advice as well as information from their outside advisors.

And while he noted that there had been much progress in the advancement of good governance of pension schemes, he also wondered if there was now too much emphasis on governance and regulation, an issue that was later addressed again by Alan Broxson of IPT.

Day two of the Seminar was dominated by highly technical presentations from the panel who included Carolina Minio-Paluello of Goldman Sachs Asset Management, David Schofield of Janus Capital Group, speakers from KBC Asset Management, Goldman Sachs and Standard & Poors Index Services (Europe) who covered topics as diverse as overlays, above market risk adjusted returns and entry strategies for hedge fund exposure.



Deborah Reidy

Hewitt & Becketts investment consultant Deborah Reidy presented an analysis of investment strategy that reflects the innovative approach to investment standards that has been set by Hewitt & Becketts this past year and which has challenged the way in which trustees and fund management have set their performance benchmarks.

Finally, Pensions Board chief executive Anne Maher provided an up-to-date report to the participants of the EU Pensions Directive which must be implemented by member states by the end of next year.

Pan European defined benefit schemes face serious obstacles under the directive, reported Ms Maher, mainly because of the different funding levels. She said that there were still many difficulties to be overcome by any multinational which attempted to set up a single pension scheme for employees in multiple European countries.

She noted that there will be many consequential changes to the pension industry itself from the introduction of pan-European pension schemes – consolidation of both investment and pension services being the most obvious. But there were also huge opportunities to be had from the new centralised system, including, in Ireland's case, being chosen as the centre of administration and investment by the multinational provider.

pensions board news pensions board news pensions

## NEW CERTIFICATE IN PENSIONS LAUNCHED

The Irish Association of Pension Funds (IAPF) has announced a new Certificate of Pension Scheme Trustee Training. This will be awarded to trustees who successfully complete a special training course which has been developed by the Trustee Forum.

"The new certificate results from the desire of trustees to do their job better and keep on top of the latest developments in an increasingly complex pensions world," commented Gerry Ryan (Chairman, IAPF).

Areas covered include trustee governance, legal issues, administration & management, Pensions Board /regulations, investment and actuarial issues. The first course "Trustee Essentials" takes place on November 25th and will cost €400.

Each unit of the programme was developed for the IAPF Trustee Forum by leading organisations in the industry including Association of Pensions Lawyers, Irish Institute of Pensions Managers, The Pensions Board, Irish

Association of Investment Managers, Society of Actuaries in Ireland, the Retirement Planning Council of Ireland and IAPF.

The Trustee Forum was set up jointly by IBEC, ICTU and the IAPF with the support of the Pensions Board. The forum aims to be a powerful voice for trustees as well as a focal point for information, education and an exchange of ideas and views.