

2020 vision

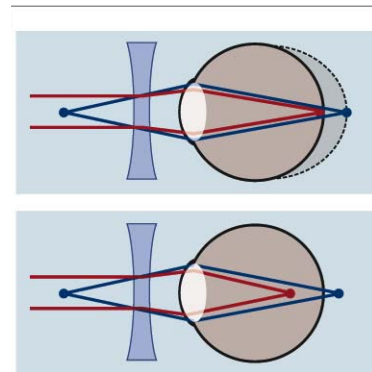
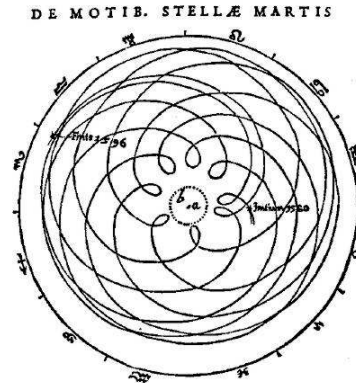
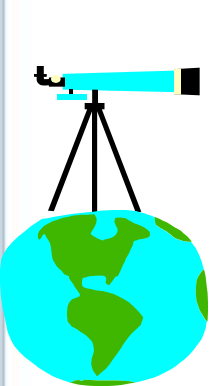


Joseph O'Dea

TOWERS WATSON 



- 2020 – perfect vision?

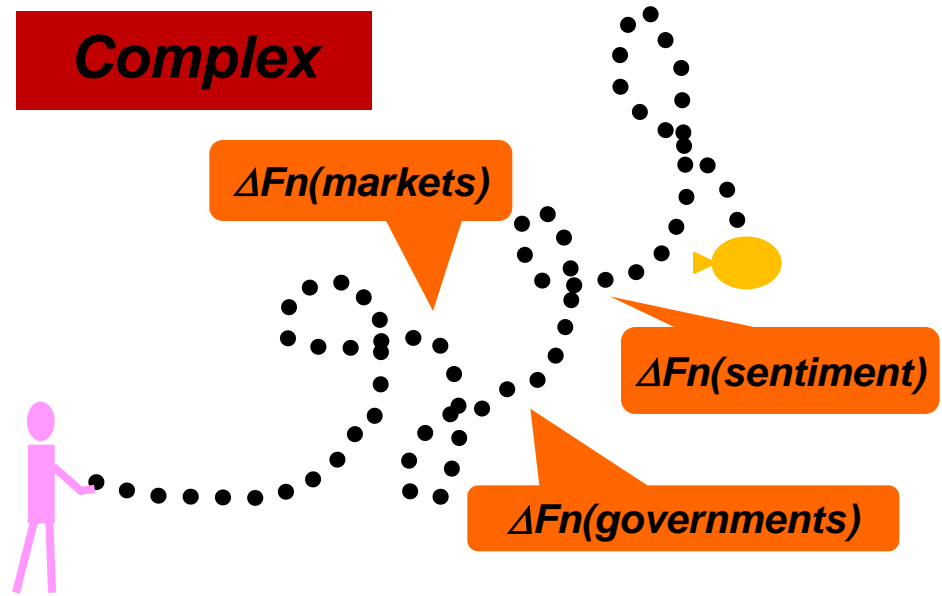




Simple



Complex



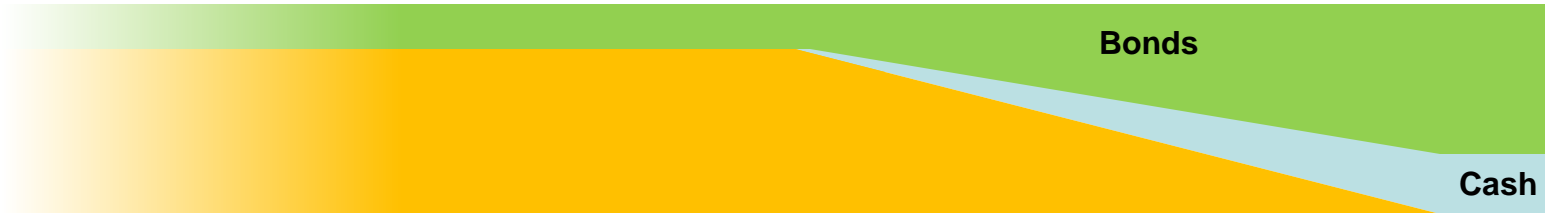


2020 vision = DC

Investment growth

Income security

Capital security





Default = lifecycle

Growth fund

Protection Fund
75% bond,
25% cash

Sub funds – also available for individual member selection

Global equity
(50 /50)

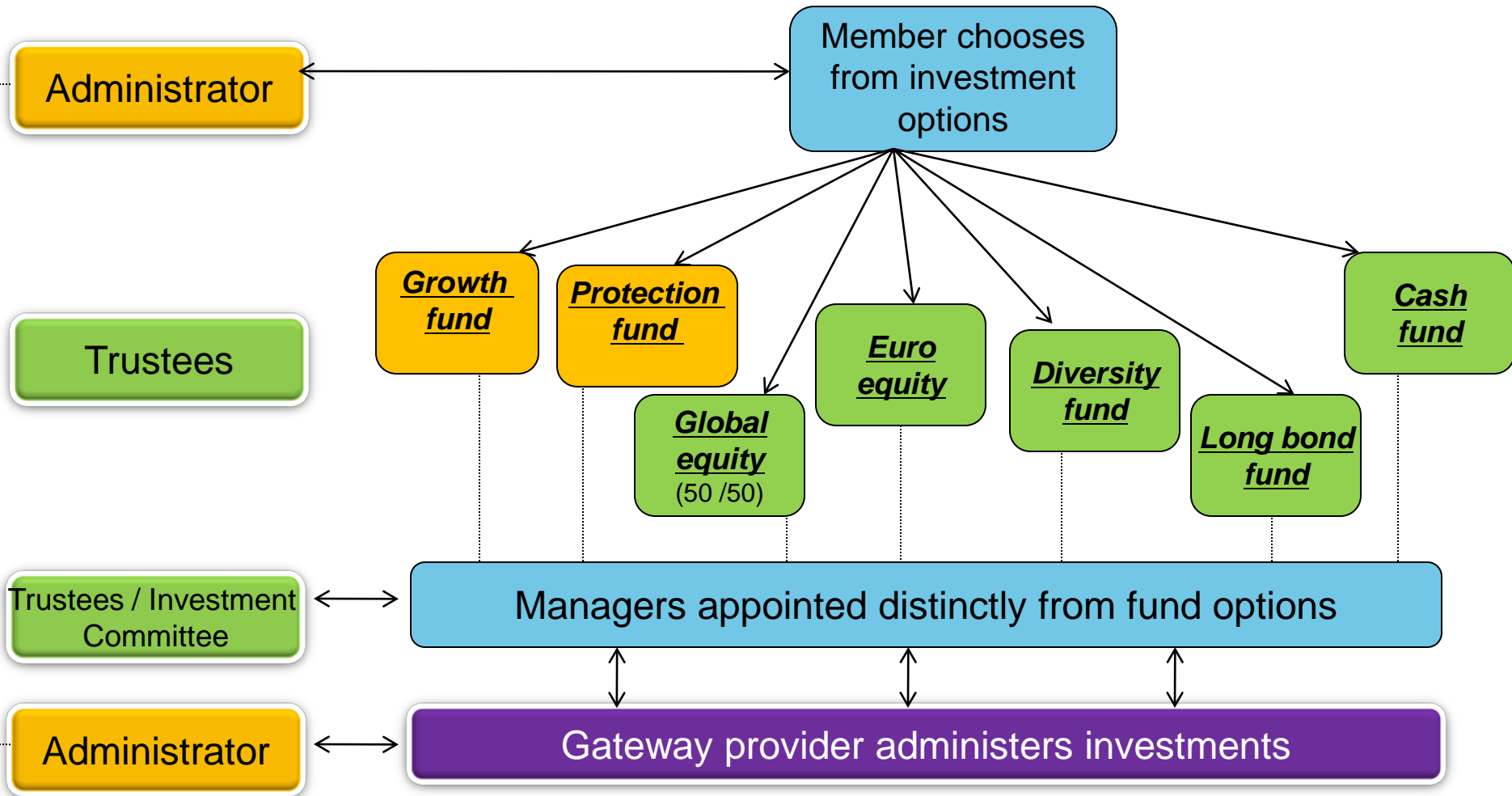
Euro equity

Diversity fund

Long bond fund

Cash fund







Death of Consensus?



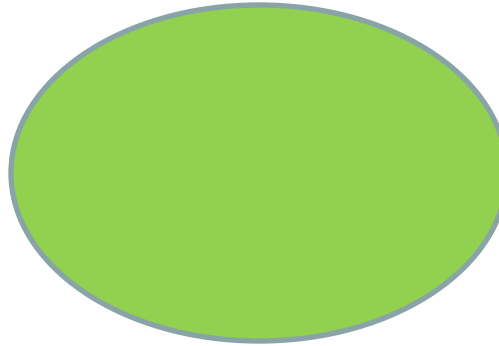


Advisers & Asset Managers

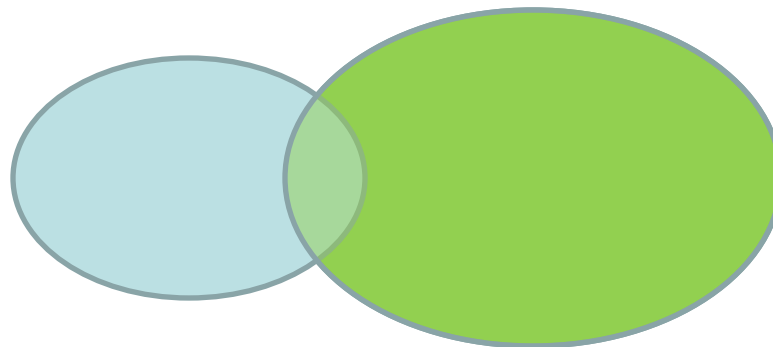
Advisers:
Risk

Asset managers:
Implementation

1992



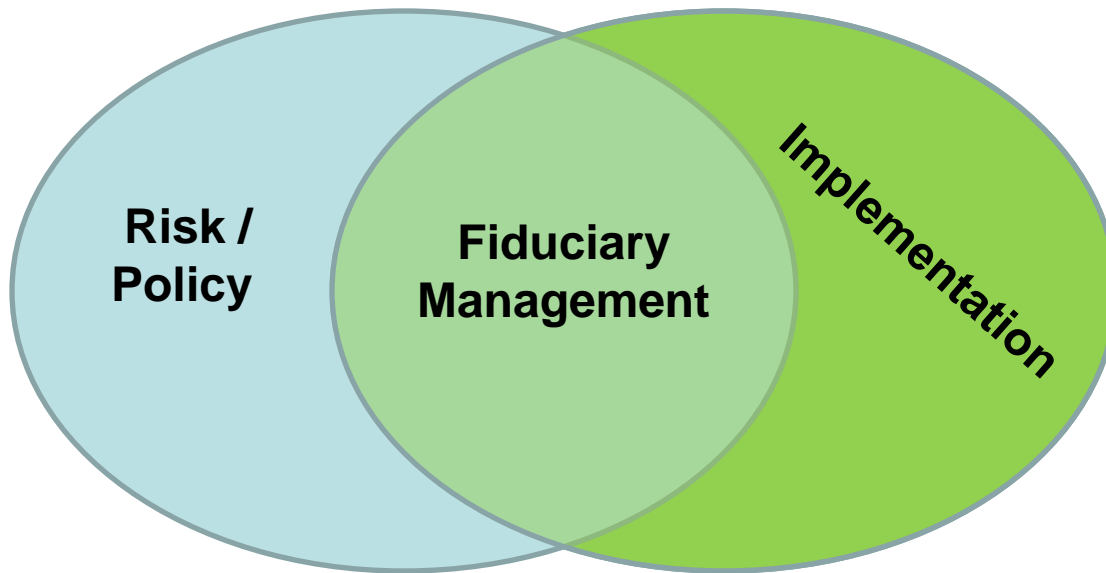
2010





Advisers & Asset Managers

2020

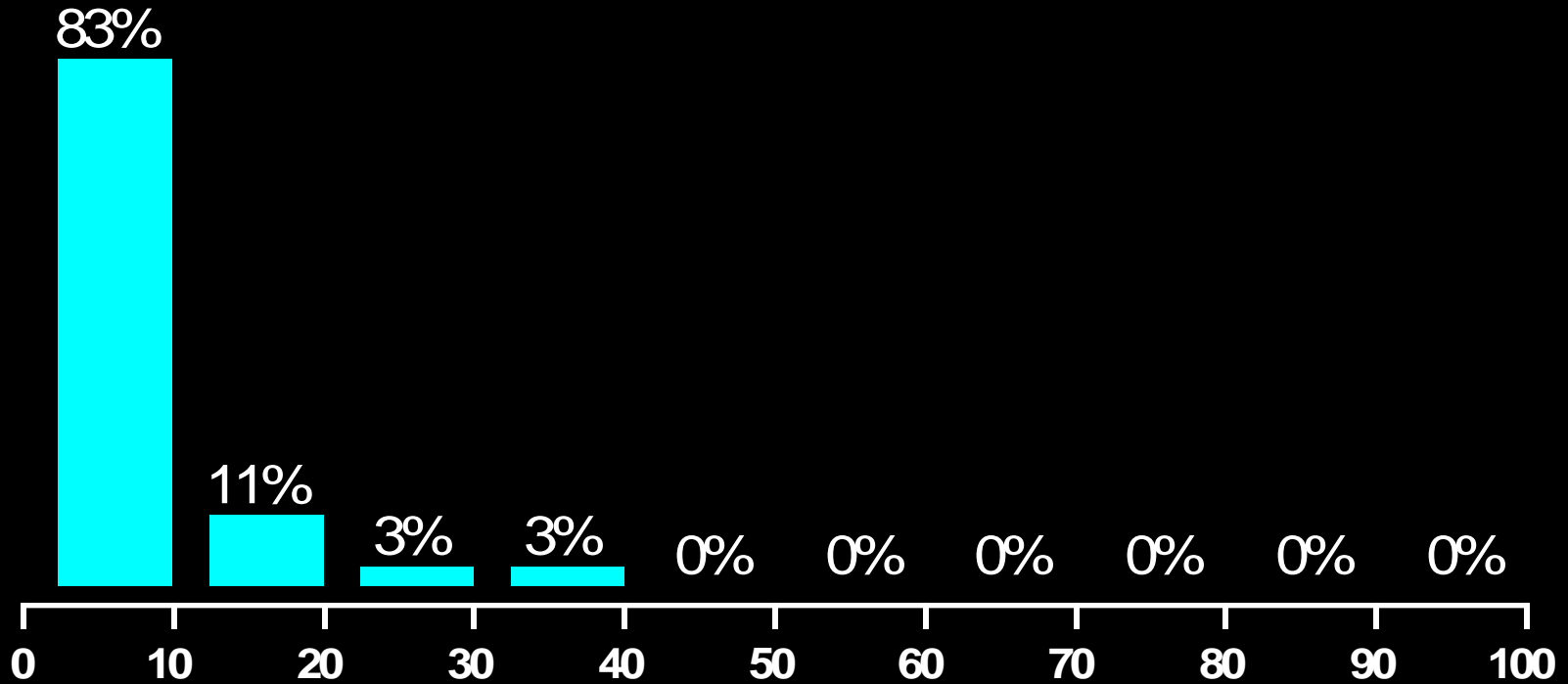




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What benchmark exposure (%) does your fund have to emerging markets?

(Average = 8.1)



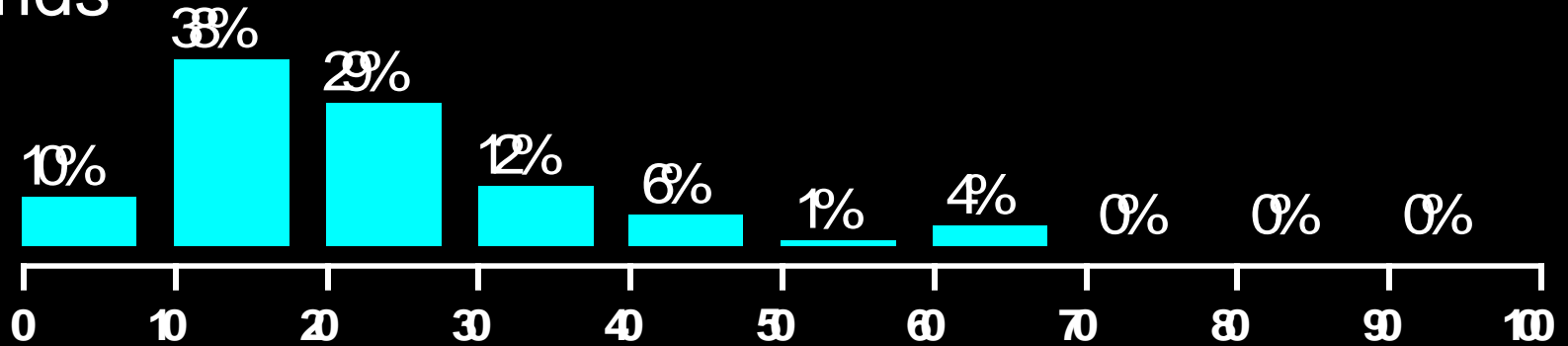


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What benchmark exposure to emerging markets do you expect the average investor to have in 10 years?

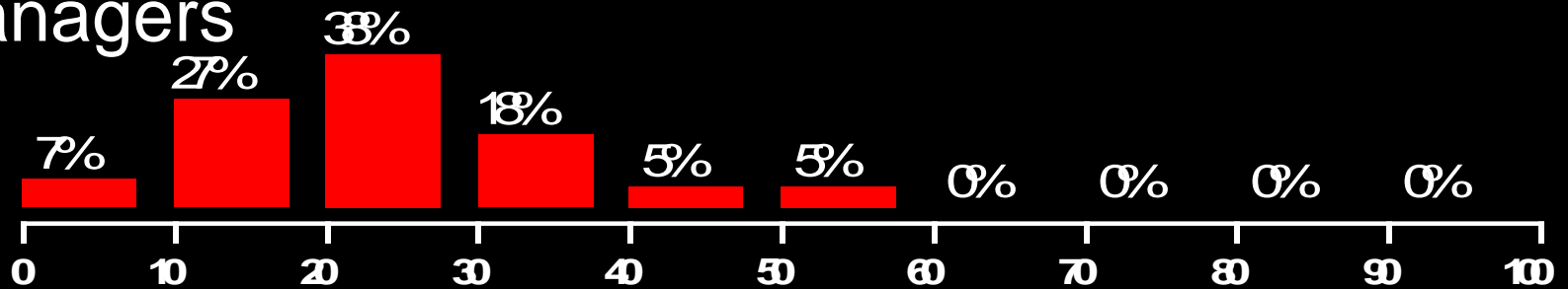
(Average=21.3)

Funds



(Average=22.3)

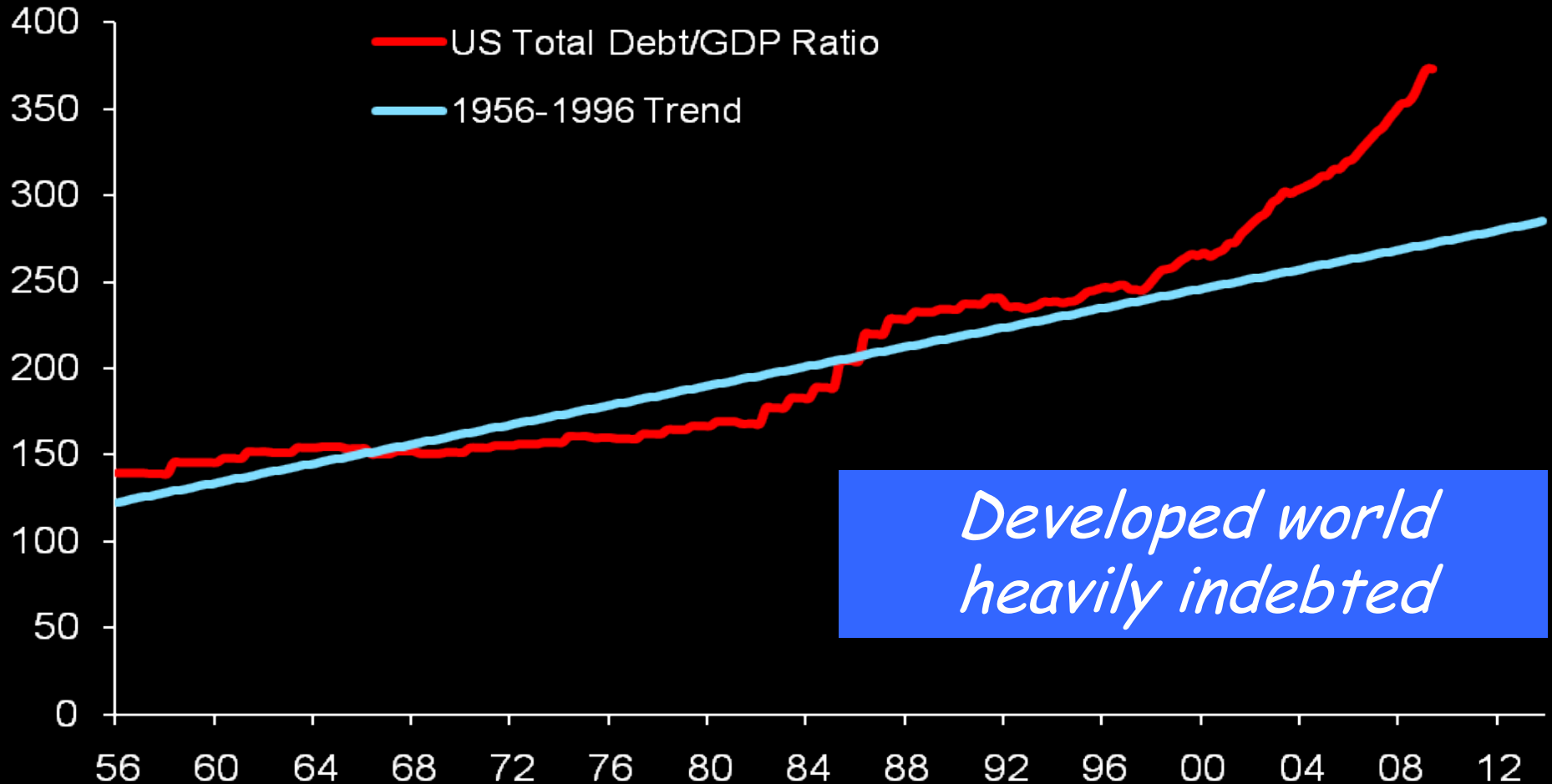
Managers



How we see the world – debt

% of GDP

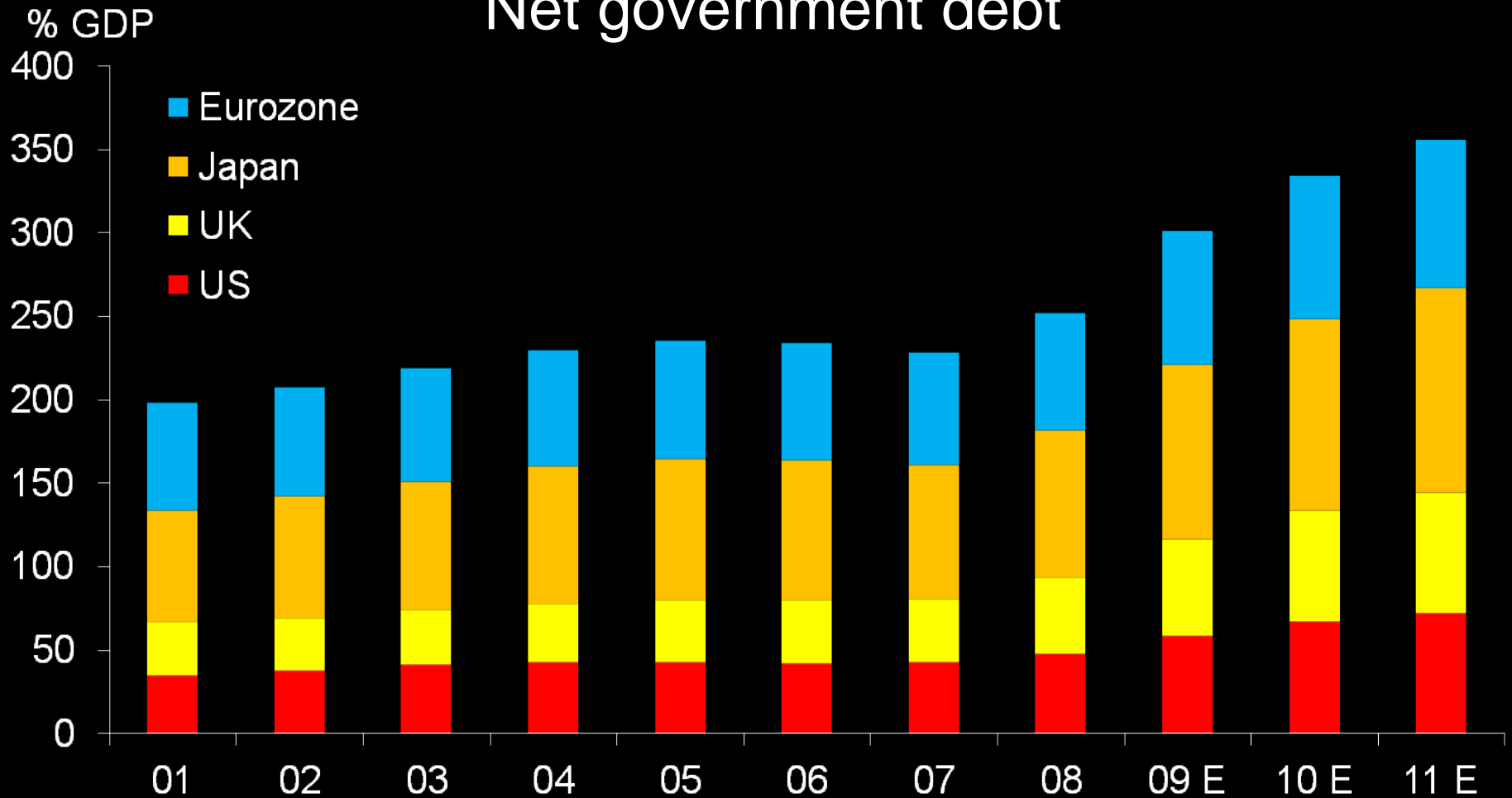
US Debt to GDP



Developed world heavily indebted

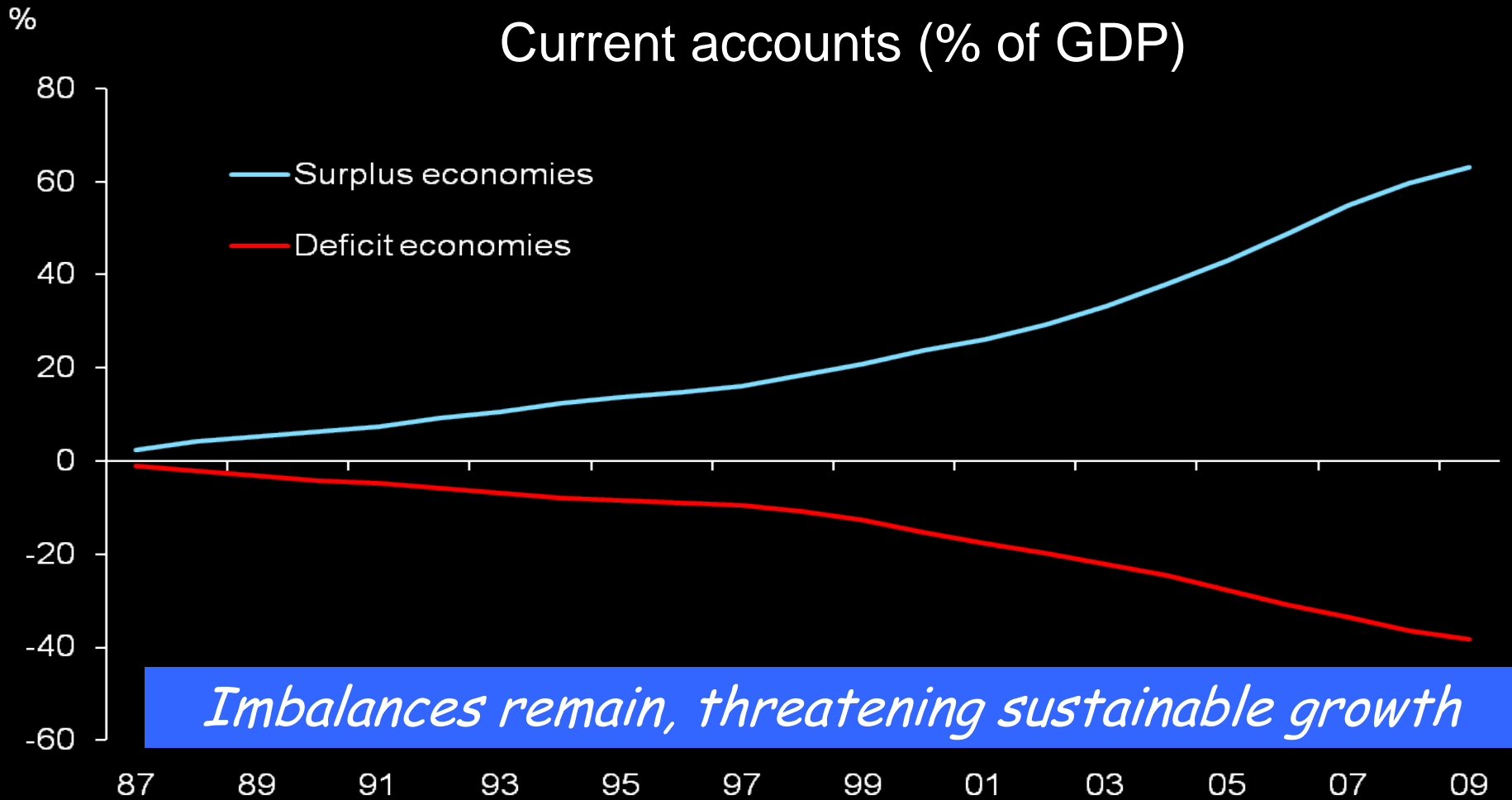
Source: Datastream, Towers Watson

Net government debt



Source: IMF

How we see the world – disequilibrium

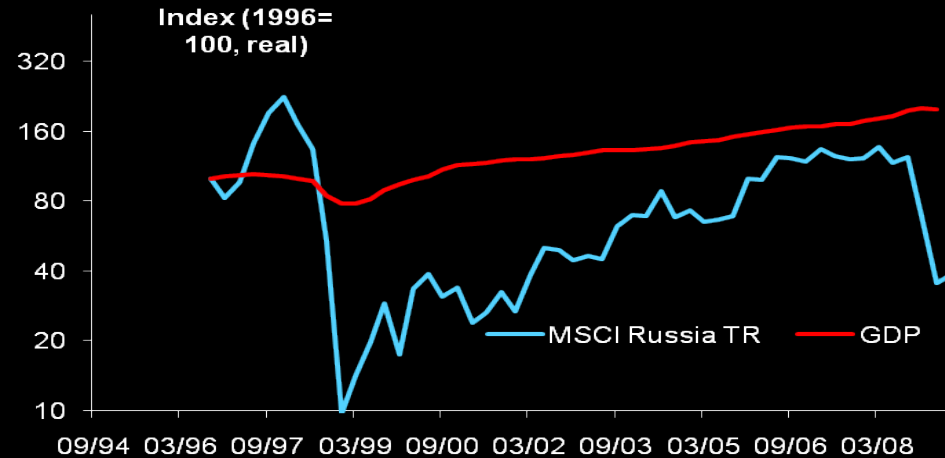
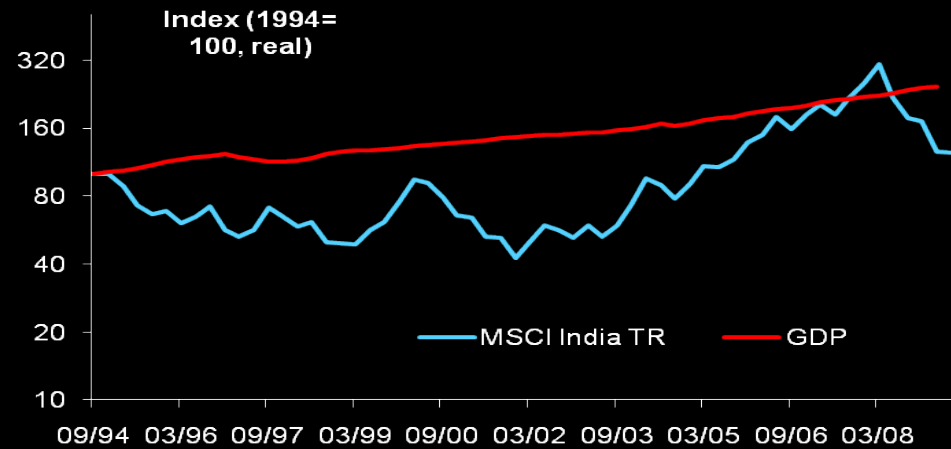
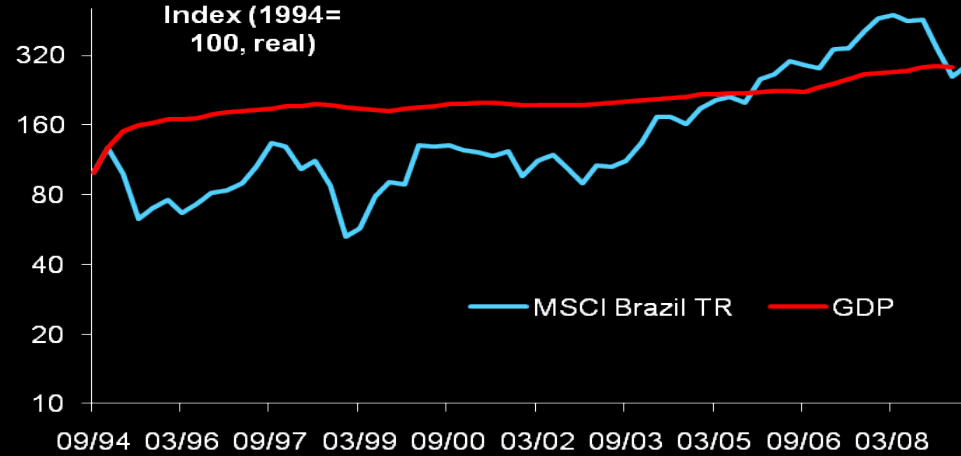
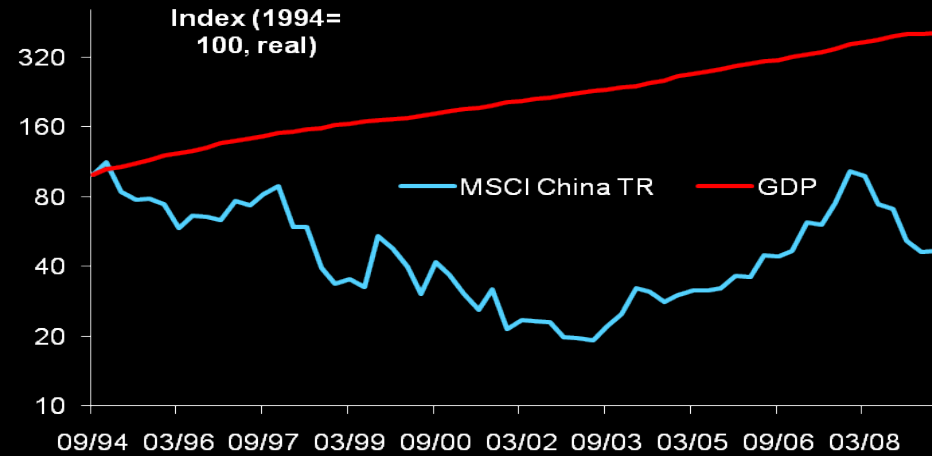


Source: IMF, Datastream, Towers Watson



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How we see the world – accessing growth

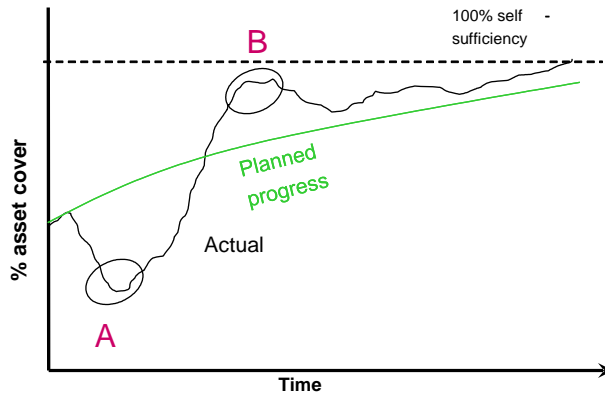


Weak link between GDP growth and equity markets





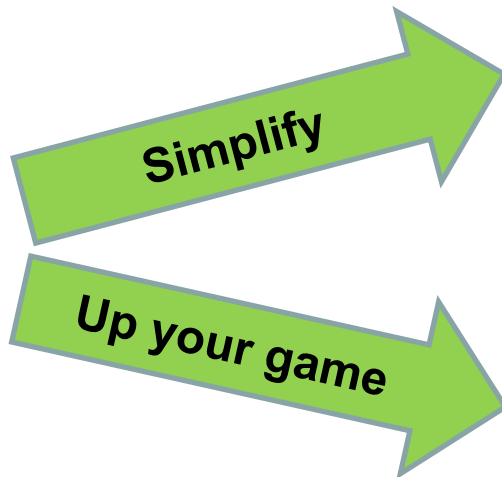
1



Manage benefit security and funding more than manager performance

- Passive equity and bonds
- Fundamental indexation
- Some bundled diversity

2



- Higher governance (outsourced)
- Diversity
- Liability hedging



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1. Ramifications of financial crisis will last for many years
2. Entrenchment of risk aversion; (partial) secular de-risking
3. End of consensus funds in Ireland
4. DC:
 - Better lifecycle
 - White labelling
 - Investment gateways
5. Rebound to simplicity
6. Numbers employed to seek alpha will fall



7. Increase in passive management and fundamental indexation
8. Appetite for alternatives will fall globally but may increase locally
9. Increase in exposure to emerging markets but not solely through traditional equity
10. Demand for diversity will remain/increase amongst higher governance funds
11. Managers and consultants overlap in the provision of solution based service in place of advice/product
12. Easement of statutory solvency requirements (core benefits highly protected)
13. Greater management of benefit security



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