



A White Label Case Study

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ESB Sub Co Pension Scheme





Agenda



- Introduction to the Scheme
- Strategy Review / Recommendations
- What is white labelling?
- The appeal of white labelling
- How trustees incorporated white labelling
- Communicating changes to members





Introduction to



- Defined contribution scheme
- Pension arrangement offered to all of ESB's subsidiary companies.
- Over 1,200 members: Total asset size = €50m
- Members have on-line access and annual Pensions Briefing
- Revised Contribution Structure



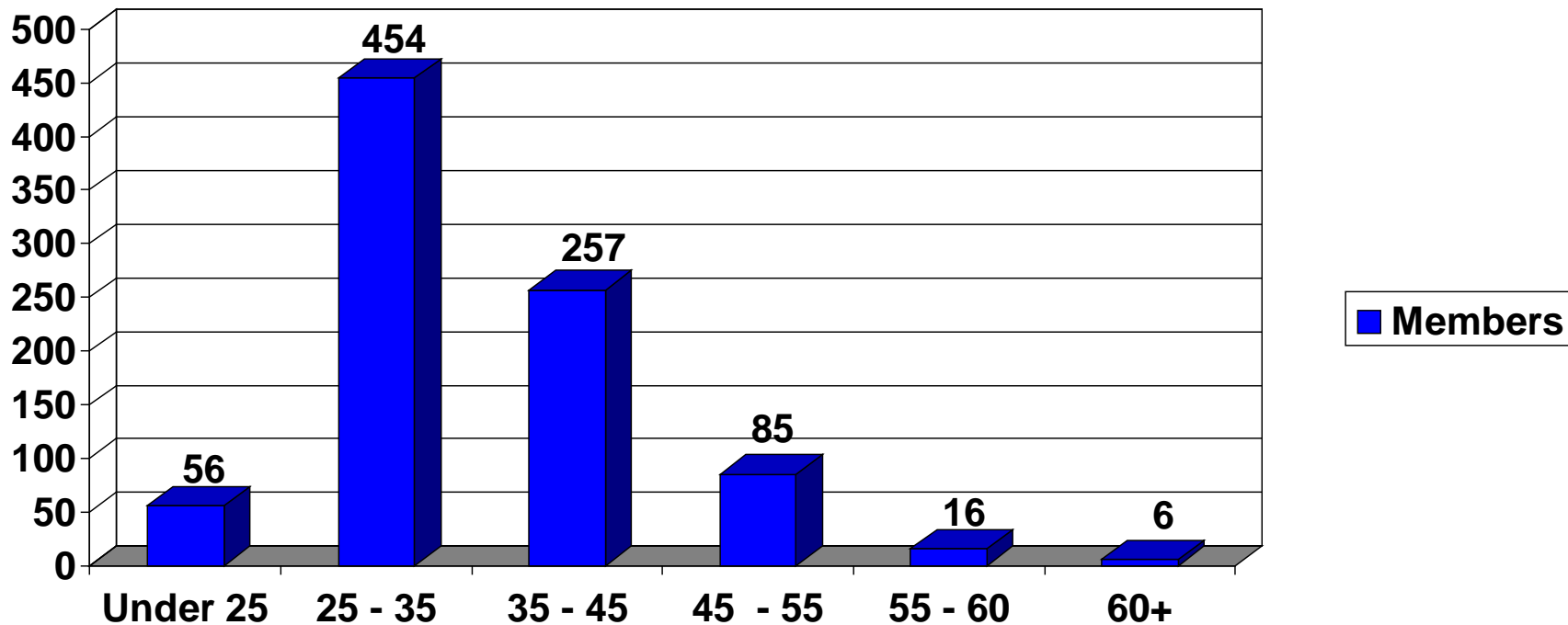


Revised Contribution Structure





Age Profile



Average age = 34





Investment Strategy Review

- Investment Strategy was reviewed by Trustees in 2007: Fund Choices and Introduced Lifestyling.
- Following market collapse the Trustees wanted to ensure that current fund choices/strategy were:
 - In line with best practice
 - Future “proofed”
 - Reflected current trends/thinking
- Undertook strategy review in June 2009





Recommendations



Prior to Trustee Decision

Main Recommendations

- Introduce a diversified fund
- Some re-structuring of lifestyling
- Introduce white labelling

Workshops with Trustees

- Diversification
- **White labelling**

Implementation Issues

- Legacy funds
- Communication





What is White Labelling?

- Derives from image of a white label on the package – **Rebranding**
- Member choice traditionally communicated by exact fund name
- **Investment Strategy drives long term performance**, not individual fund
- Natural extension – Offer members **Investment Strategies** not specific funds





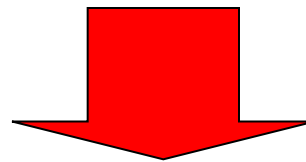
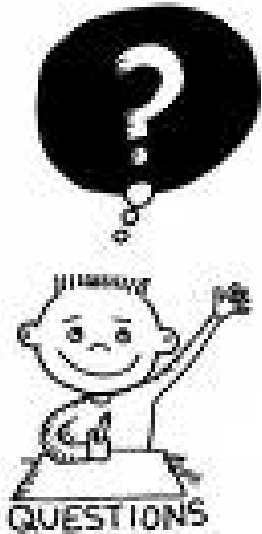
Appeal of white labelling to Trustees

1. Focuses attention on strategy
 - Strategy drives long term performance
 - Offers real choices
2. Efficient management
 - Ability to change investment managers quickly
 - Communication simpler



Having decided to go white labelling..

- ...the Trustees needed to consider.
 - How many strategies to offer?
 - What asset classes?
 - Naming of labels?
 - What underlying funds?
 - Legacy funds – mapping to new strategy



Further Trustee Workshops

Focusing on:

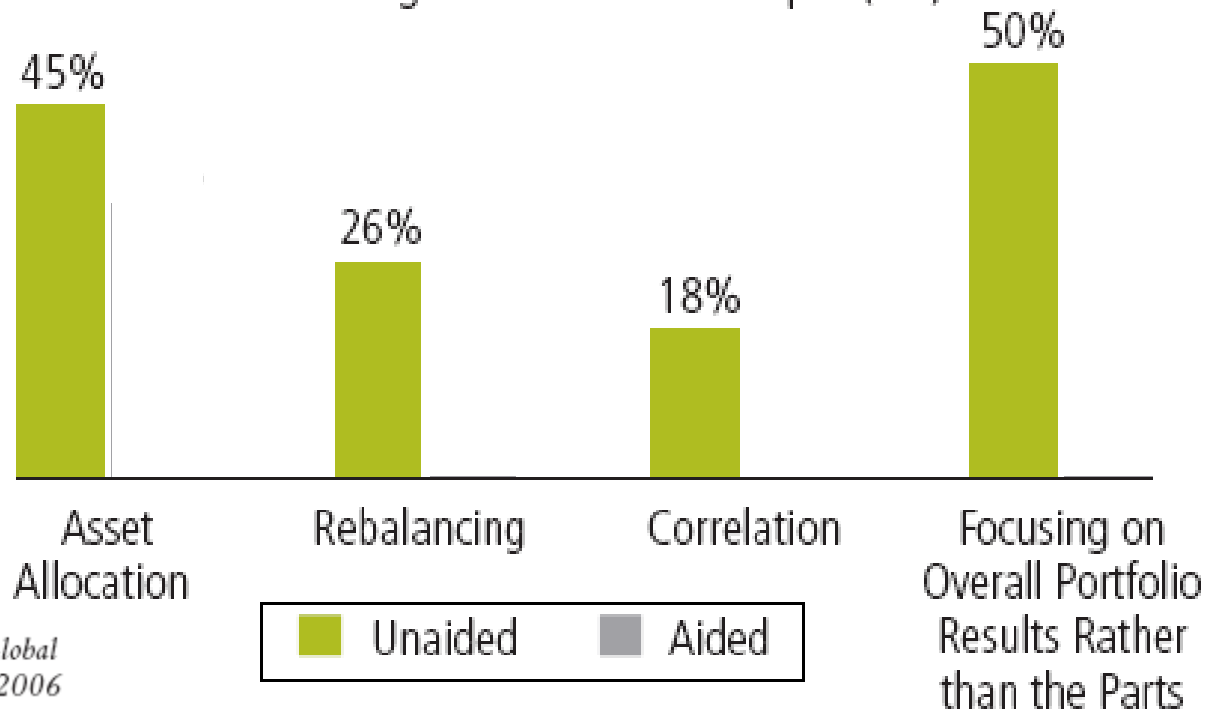
- Re-capping on the main risks to DC members..3 main risks
- Behavioural finance ..3 examples





1. Even when educated, investor understanding is low

Percentage of Investors Understanding Investment Concepts (UK)



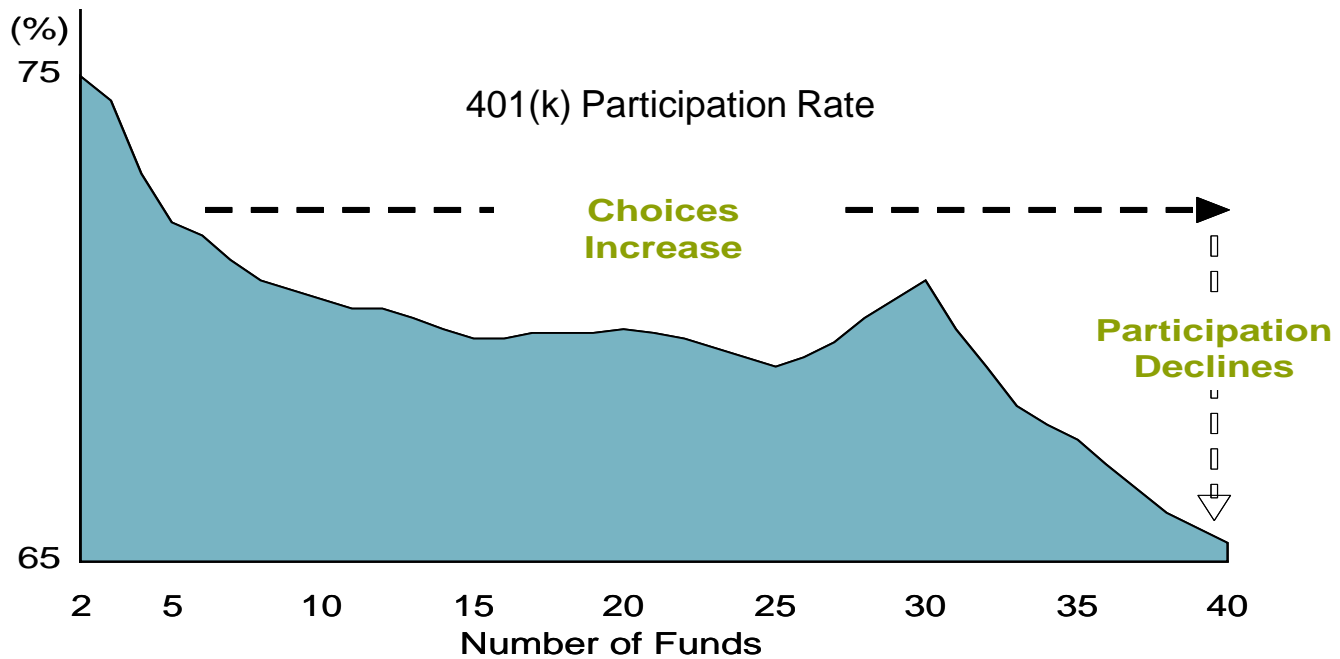
Source: AllianceBernstein Global Literacy Research Program, 2006



...make the investment decision process very simple for members....



2. Too many options is not ideal



Source: Sheena Iyengar, Wei Jang and Gur Huberman, 2003. "How Much Choice is Too Much? Determinants of Individual Contributions in 401(k) Retirement Plans" Pension Research Council Working Paper, Wharton



...Ensure there is a manageable number of real choices...



3. Choice is driven by Available Options

Framing the Choice Affects the Decision

Average Allocation to Equity

Choice of: 4 Equity Funds
1 Bond Fund

Source: Benartzi, Shlomo, and Richard H. Thaler, 2001, "Naive Diversification Strategies in Retirement Savings Plans," American Economic Review

- Naive diversification ($1/n$)

...Be aware that the menu of funds offered has a strong effect on portfolio choice...





Risks facing DC Investors

- 3 main risks facing DC members
 - Inflation risk
 - Investment risk
 - Annuity risk



...Ensure options offered cover a suitable spectrum of asset classes and addresses these needs

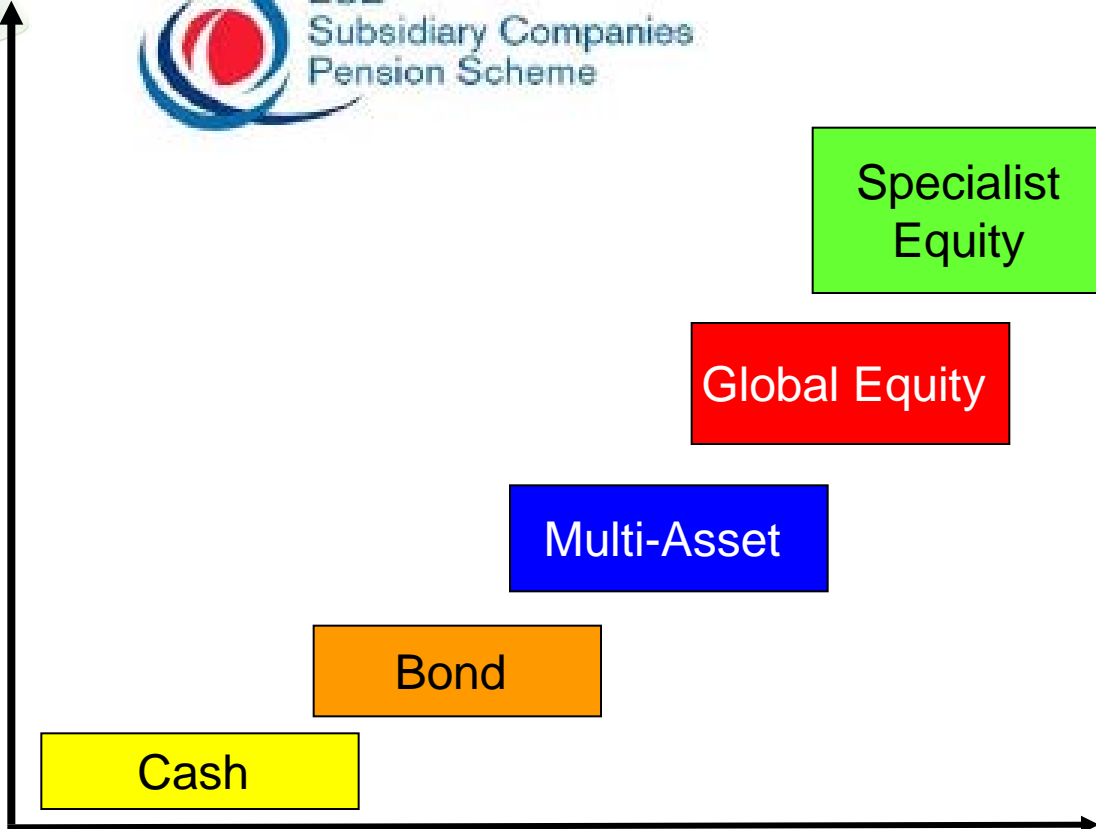




Strategies Offered to members



Expected Return



Expected Risk



Active Strategy Choices

Default/Lifestyle



Implementing Trustee Decisions

- Ensure:
 - Each white label has a **distinct investment objective**
 - **Underlying mix of funds is optimal**
 - **Administrator** could deal with this structure
 - **Mapping** appropriate - similar fund/strategy
 - **Transition** is smooth
 - **Competitive fee** structures
 - **Member communication** is effective— hired Pensions Communication Specialist





Member Communication - Booklet



- **Honest communication** – why changes have been made and how members will be affected
- **Clear emphasis** on members' future
- **High visual impact**, powerful messaging



YOUR PENSION IS LIKELY TO BE THE BIGGEST INVESTMENT YOU WILL MAKE OVER YOUR LIFETIME. IT WILL HELP TO PROVIDE YOU WITH AN INCOME WHEN YOU STOP WORKING. SO GETTING IT RIGHT IS VITAL FOR YOUR FUTURE.

The value of your pension at retirement will depend on two things:

- 1 The level of contributions paid into your Account (from you and the Company); and
- 2 The investment return achieved on those contributions.

Choosing the right investment strategy will help ensure that you are making the most of the contributions being paid into your Account.

The Trustees have taken great care in selecting investment strategies to meet the majority of members' likely requirements for saving towards their retirement. The Trustees actively monitor all of the investment strategies and will make future changes to these strategies if appropriate. That said, this is your Account and you bear the risk of any underperformance of the investment strategy you have chosen. The Trustees cannot accept responsibility for any loss that you may incur as a result of poor investment returns.

Please take the time to read this booklet and to consider the most appropriate investment strategy to meet your retirement plans. This guide is intended to provide an overview, but if you have a query on any aspect of your pension you should contact Catherine Desmond at the Scheme administrator, Howitt Associates Limited on 01 4189130, email catherine.desmond@howitt.com or seek independent financial advice (see page 20).



STEP BY STEP...

- 1 **STEP 1** UNDERSTAND THE SCHEME (PAGE 16)
- 2 **STEP 2** UNDERSTAND YOUR INVESTMENT CHOICES (PAGE 16)
- 3 **STEP 3** UNDERSTAND YOUR INVESTMENT STRATEGY (PAGE 16)
- 4 **STEP 4** UNDERSTAND THE DIFFERENT ASSET TYPES (PAGE 16)
- 5 **STEP 5** REVIEW YOUR INVESTMENT STRATEGY OPTIONS (PAGE 16)
- 6 **STEP 6** MAKE YOUR DECISION (PAGE 16)
- 7 **STEP 7** REVIEW YOUR PROGRESS (PAGE 20)

Regardless of the decision you make now, you should review your level of saving, investment choice and your expected pension at least once a year. You will give you the opportunity to make changes if you feel your projected benefits won't be enough. This information will be provided on your 'invest statement' and 'investment update'. You can also be accessed online at <http://www.esb.com/retirement>

If, at any stage, you feel that you should be contributing more towards your pension, you can pay Additional Voluntary Contributions (AVCs). The benefits of AVCs and Approved Retirement Funds can be found on page 21.



Member Communication – 7 Steps



“Complex information broken into manageable sections for members to digest...”



If, at any stage, you feel that you should be contributing more to your pension, you can pay Additional Voluntary Contributions (AVCs). The benefits of AVCs and Approved Retirement Funds can be found on page 21.



Member Communication Pack

Covering letter from Trustees, positively positioning investment options

ESB Subsidiary Companies Pension Scheme

COMMUNICATION FROM THE TRUSTEES

Dear Member,

IT'S UP TO YOU!

As a member of the ESB Subsidiary Companies Pension Scheme you have the opportunity to influence the pension you receive when you retire. You manage your Retirement Account by deciding how to invest the contributions made by you and the Company and by deciding to make additional contributions to enhance your fund.

The Trustees have chosen the Scheme's investment options available to members, ensuring that at all times you have access to a range of appropriate and well-performing funds to choose from. As a result of the most recent review by the Trustees the decision has been made to amend the options, which is why we are writing to you.

The enclosed booklet gives more detail on what is changing and the decisions you need to make as a result. But before you look at that we have highlighted very changes are being made as well as other important information that we wanted you to be aware of:

- The Trustees work closely with their advisers to monitor the Scheme's investment options, making changes that they believe are in the best interests of the membership.
- Different members have a variety of different investment needs and tolerances for risk. The Trustees offer an appropriate choice to cater for the most interests of members' needs. Furthermore, since members' needs are likely to change over time, the flexibility to tailor your investment strategy is important.
- You have been sent the enclosed booklet because we want you to have all the information you need to understand your options and the potential risks and rewards involved with each.
- Given that you intend to gain (or lose) from how your Retirement Account is invested, it is important that you make an informed decision based on what's right for you.
- If you do not make a new investment decision, you will automatically be moved from your current investment choices to the appropriate new investment strategy.
- If you have never made a decision about your investments, your Account will be invested in the default investment strategy, the Lifestyle option. This will invest your Retirement Account in funds deemed appropriate for the average member (based on years remaining to Normal Retirement Age) but will not necessarily provide better returns than other choices.

Please take the time to read the booklet carefully. As Trustees we are not legally allowed to give you financial advice, however Catherine Diamond, Scheme Administrator at Hewitt Associates Limited, is happy to answer any general questions that you may have (01 418 9130). Alternatively, if you would like help working out the best option for you, you can visit us through your own employer - Authorised Independent Financial Adviser www.fia.ie or to tel 0900 77 77 99.



HOW DO YOU WANT TO INVEST ?

THIS SECTION IS TO LET US KNOW HOW YOU WANT YOUR REGULAR CONTRIBUTIONS INVESTED

Please complete this section of the form to confirm how you want to invest your existing Retirement Account and future regular contributions from 1 January 2010. Please note that you will need to complete the AVC section overlaid if you pay AVCs.

YOUR DETAILS (PLEASE COMPLETE USING BLOCK CAPITALS)

Name: _____ PPS number: _____
 Date of birth: _____ Staff number: _____
 Phone number: _____ E-mail address: _____
 Mobile number: _____ Work location: _____

YOUR DECISION

Before you make your decision we suggest that you read the 'Investing in your future' booklet. This gives information on the different strategies, as well as the associated risks and rewards associated with each. Please tick only one box.

I want to invest my Account in the Lifestyle Investment Strategy

INVESTMENT STRATEGY	MY EXISTING RETIREMENT ACCOUNT	FUTURE CONTRIBUTIONS
Lifestyle Strategy	100%	100%

*assumed retirement age is 65.

I want to invest my Account in one or more of the Investment Strategies

Please complete the table below to confirm how you would like to invest your existing Retirement Account and future contributions. Please use whole percentages only and make sure both columns add to 100%.

INVESTMENT STRATEGY	MY EXISTING RETIREMENT ACCOUNT	FUTURE CONTRIBUTIONS
Specialist Equity Strategy	%	%
Global Equity Strategy	%	%
Global Multi-Asset Strategy	%	%
Long Bond Strategy	%	%
Cash Strategy	%	%
TOTAL	100%	100%

If you have accumulated monies in Irish Life Secured Performance Fund this will remain in this fund. If you have any queries about your investment options, please contact Catherine Diamond at the Scheme Administrator Hewitt Associates Limited, Tel: 01 418 9130. Please sign and date this form at the bottom of the page overlaid before sending it to Hewitt. The return address is also shown overlaid.

ESB Subsidiary Companies Pension Scheme

PLEASE SIGN OVER DATE FROM THE START (INCLUDES YOUR SIGNATURE)



Switching, AVC and Wishes form - simple



A White Label Case Study



Noel Friel CFA
Investment Analyst





THANK YOU

Noel Friel
ESB Sub Co Pension Scheme

