

IAPF Investment Conference 2012

A Case Study: Smurfit Kappa Ireland Pension Fund

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Landscape at end of 2008

Smurfit Kappa Group	Smurfit Kappa Ireland Pension Fund	
25,000 Members	2,500 Members	
€1.3bn Assets	€150m Assets	
€250m Deficit	€40m Deficit	
Manic Environment!!!		





2008 Crash



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Source: Russell Investments.



Previous Governance Model

- Experienced investment sub-committee
- Better than average portfolio diversification
- Reasonably fast decision making
- Significant amount of time spent meeting investment managers

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Proposed solution

Plan	Trustees	With advice from actuary / investment consultant and input from fiduciary manager
Implement	Fiduciary Manager	Within guidelines set by Trustees
Review	Trustees	

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What is Fiduciary Management?

"Delegated day to day decision making"

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Source: Russell Investments. Performance data gross of fees in EUR. Volatility measured as standard deviation using weekly data.



Matching Assets



Performance	2010	2011
Matching Portfolio	9.1%	28.5%
Typical Euro AA 10+ Bond Fund	3.5%	5.3%

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Source: Russell Investments / Irish Life. Diagram for illustrative purposes only: y-axis represents €m.

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Systematic Decision Making

Illustrative performance comparison 135 **Strategic** Performance (%) (re-based to 100) 130 **Re-risk** Strategic 125 **De-risk** 120 115 110 105 100 95 $-\frac{1}{3^{1/2}} - \frac{1}{2^{6}} - \frac{1}{2^{6}} - \frac{1}{3^{1/2}} - \frac{1}{3^{1/2}} - \frac{1}{3^{1/2}} - \frac{1}{3^{1/2}} - \frac{1}{2^{6}} - \frac{1}{2^{6}} - \frac{1}{3^{1/2}} - \frac{1$ Smurfit Kappa Ireland Pension Fund ITD Previous Strategy ITD Irish Life Pensions Consensus Fund performance ITD < Smurfit Kappa Group For illustrative purposes only. Source: Russell Investments / Irish Life. Performance in EUR, gross of fees.



Proof it worked

Illustrative funding level comparison



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For illustrative purposes only. Source: Russell Investments. Performance in EUR, gross of fees.



Was it the right option for us?

- So far it has added value, through:
 - A well diversified portfolio
 - Experts making decisions
 - Professional risk management
 - A liability-focused strategy
 - A more dynamic strategy
 - Superior management information

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Summary

- Less manic environment
- Experts make day to day decisions
- Can see the wood from the trees
- Do not underestimate the time required to research and establish the right model for you

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