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DC Administration – Accounting for Choice



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Chief Executive APT

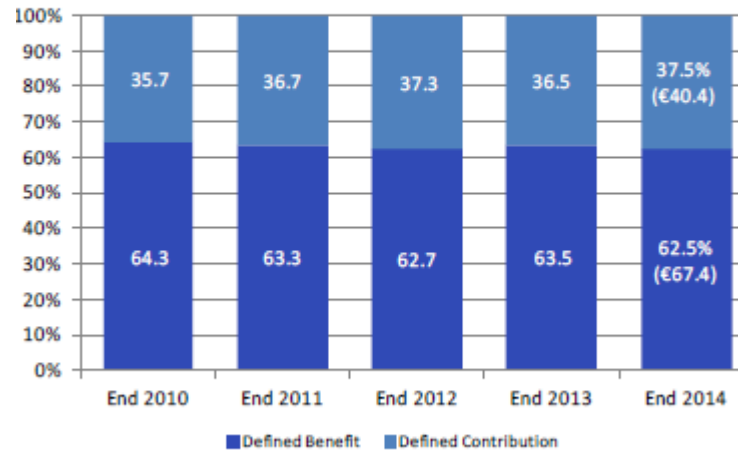




DC Market in Ireland

- DC Assets now €40b
- 11,800 schemes
- 241,317 active members
- And growing!

Split of Pension Fund Assets by Scheme Type



Source Pensions Authority Annual Report 2013

Source IAPF Investment Survey 2014



- Raised Awareness
- Member buy –in
- Appropriate Choices
- Sense of anticipation



Appropriate strategy around management of record keeping



Considerations

- Contributions
 - Fixed percentage or Employer matching (capped)
 - Member/ AVC/ Employer / Special
- Investments
 - Lifestyling Strategies
 - Member choice – freestyle funds
 - While label funds

Cater for the complexities



Contributions

- Each component identified
- Member / AVC/ Employer / Special
- For each period of payment
- Per type



Over time becomes a significant history

- Member contribution → per payroll → per annum
- AVC
- Employer
- Special

Important audit trail for members, trustees & employers and year end audit



Investments

Lifestyle strategies

- Practical and easy to implement
- Frequency of rebalancing is appropriate
- Particularly the case in multi investment manager portfolios
- Otherwise member funds spend excessive time out of the market
- Glide paths well structured





Investments

Lifestyle strategies

- Must result in complete member record of investment switches at agreed intervals
- At individual level





Investments

Freestyle funds

- Pension Authority – Investment Guidelines
- Sufficient range to cover various risks
- Optimum number 5 – 7



Challenges

- Differentiate between re-direction of contributions and switch of accumulated assets
- Redirection – very straightforward
- Switch of accumulated assets – more complex



Investments

Switching accumulated assets

- Appropriate frequency
- Communicate process
 - Single manager strategy 1 day turnaround
 - Multiple manager strategy up to 15 days
- Avoid “out of market exposure” and administrative work with well structured options.





Investments

White labelled funds

- Simplified white label
 - Simply concealing the manager brand
 - Usually done to facilitate replacement of underlying manager if required
 - Does not pose any problem
 - But audit record is still vital
- Complex White Labelling
 - Where scale permits
 - Blending of funds & managers to deliver strategy
 - Lead manager with single unit price
 - Audit record is still vital

Investment Funds

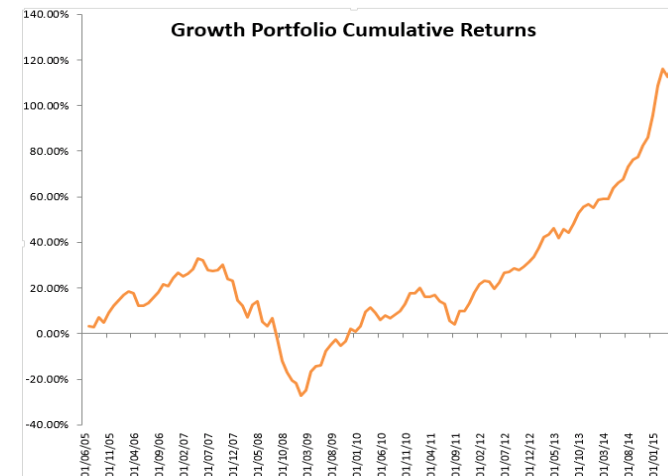
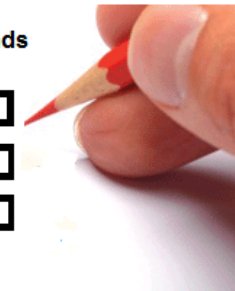
High Risk



Medium Risk



Low Risk





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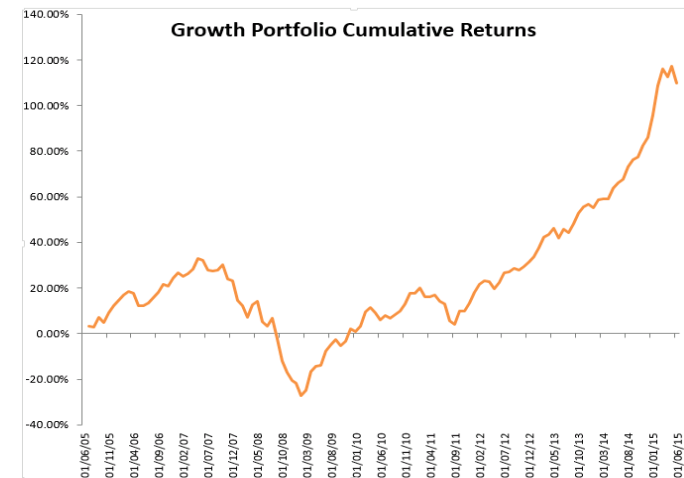
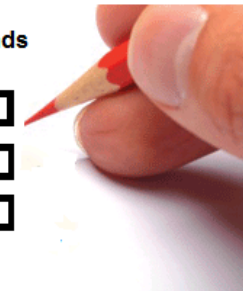
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Member awareness

- Administration of DC schemes greatly assisted by good learning programmes
- Simplified messages for routine tasks
- Some fundamental messages to members, i.e.
 - How unit prices work
 - How investment returns are calculated
- Well informed members less likely to make casual switches and try to “call the market”





Avoid at all costs

- Complex or complicated contribution structures
- Lifestyle strategies with unrealistic re- balancing
- Restrictive mandates for investment instructions
- Poorly structured glide paths
- Anything less than a complete member contribution and investment history



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