



Jim Foley

Trustee Decisions

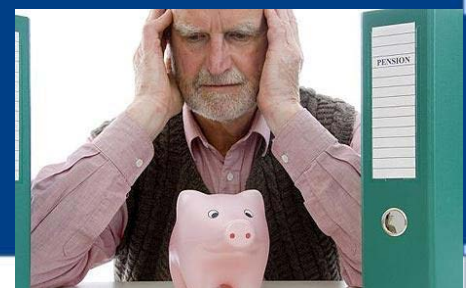


# Irish Pensions Update

- CSO figures show occupational pension coverage has dropped from 51% in 2009 to 46% today.
- To date c. 750 Defined Benefit schemes have been wound up
- Many remaining schemes closed to new members and/or have no provision for increases.
- Many schemes with *in flight* Funding Proposals are expected to have difficulty in being certified as "on track"
- Majority of pensioners have had no increases in 8 years
- Low inflation masking a real problem of long term erosion
- *Asset Crisis* of 2008 replaced by a bigger *Liability Crisis* due to low yields and low discount rates
- Current position on yields not now expected to change for a very long period



# Current Pension Challenges



Last days of DB

Early days of DC

Search for Yield

**Auto Enrolment ?**

Liability Crisis in DB

Lack of Pace of Pension Reform

"Transparency of sustainability"

Asset growth giving false sense of security

Accounting Discount Rates?

Pensions for the long term not just the next term

## How to deliver better member outcomes?

Longevity increases

Dramatic reduction in number of DC Schemes proposed

Is active management a zero sum game?

"Complication" v Simplification

Master Trusts / Collective DC?

DB End Game?

Pensioner Power

DC Default Funds fit for purpose?

Growing voice of Deferreds

Industrial Relations dimension to pensions?

Regulators driving pension funds into bonds  
Quantitative easing driving investors into equities

Litigation growing

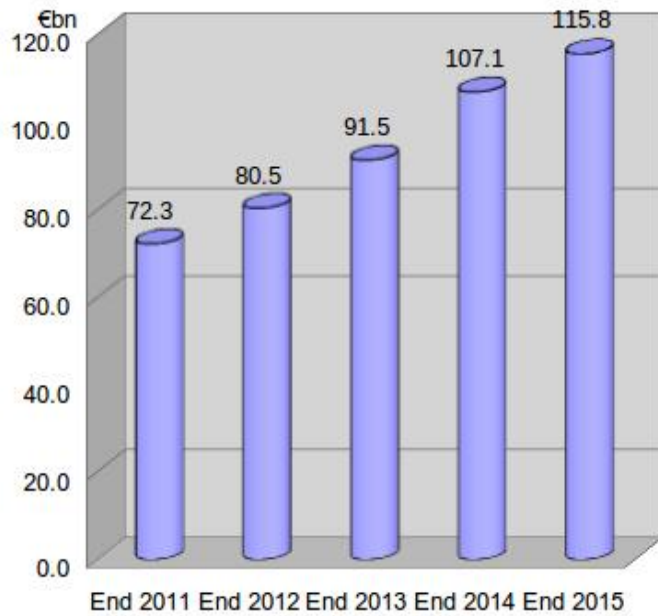
Return of pay increases to add to DB  
pension liabilities

"Professionalisation" of Trustee role

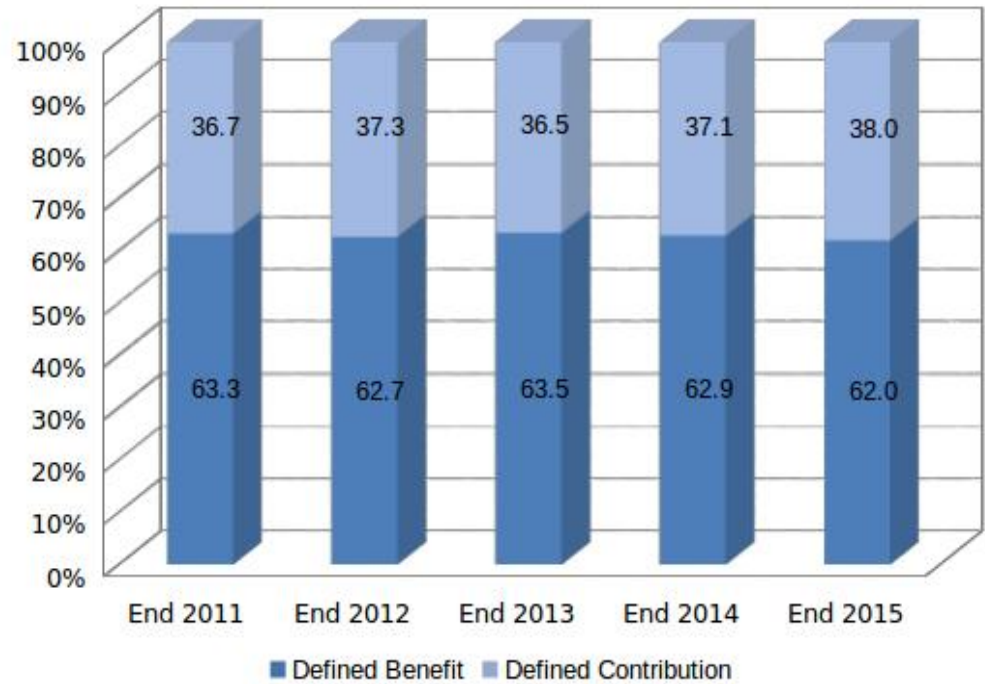


# Pension Assets

Total € bn

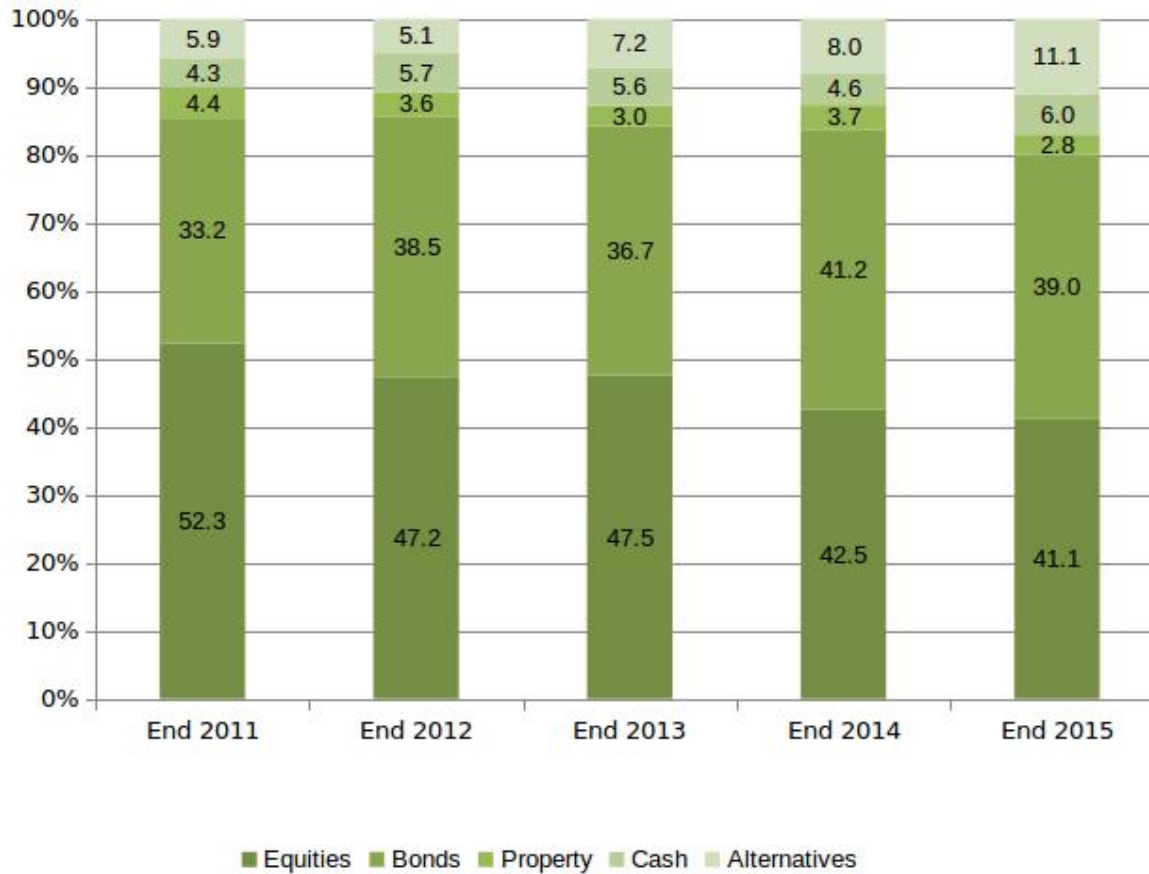


DB / DC % Split





# DB Asset Allocation



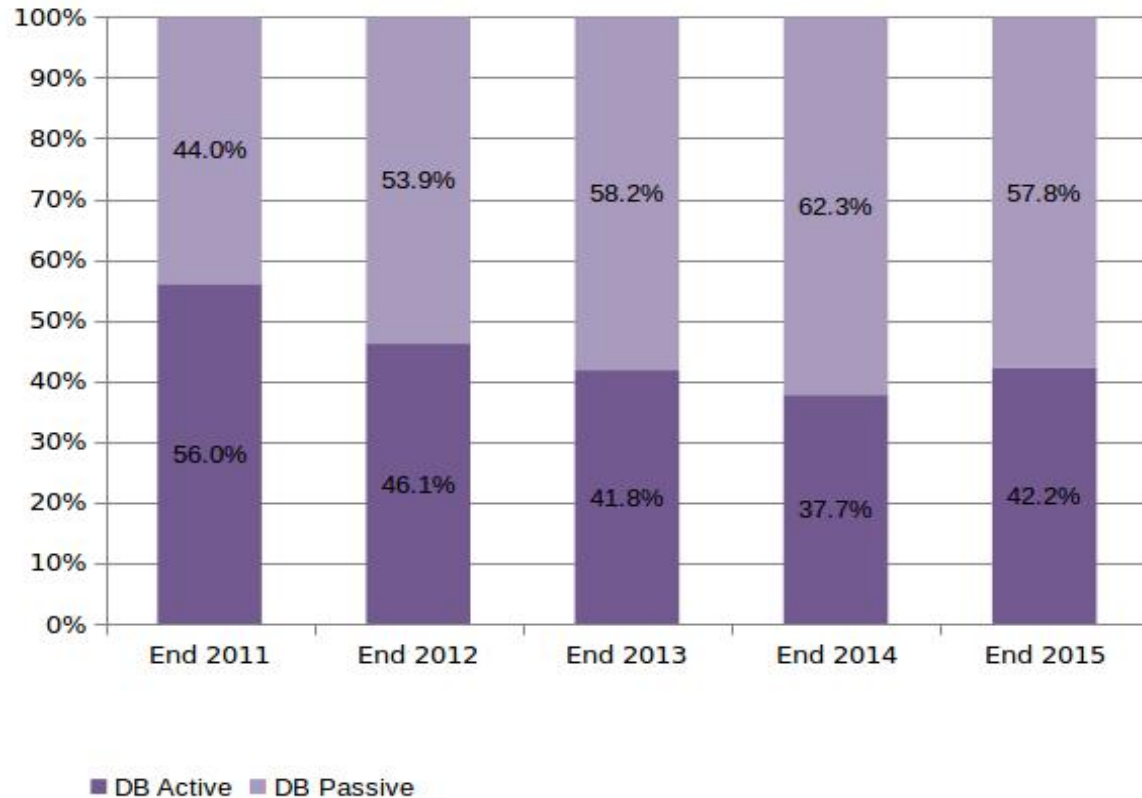
Increasing allocation to Alternatives

Search for yield?  
Greater diversification?

Higher portion in cash.  
Transition asset from de-risking?



# DB Active Passive Split



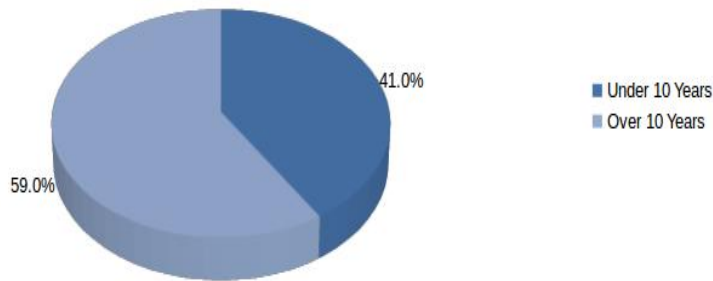
Slight reversal of trend towards increasing allocation to passive management

Search for yield perhaps?

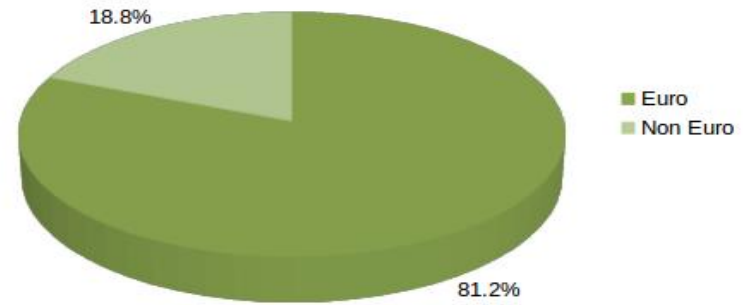


# DB Bond Holdings

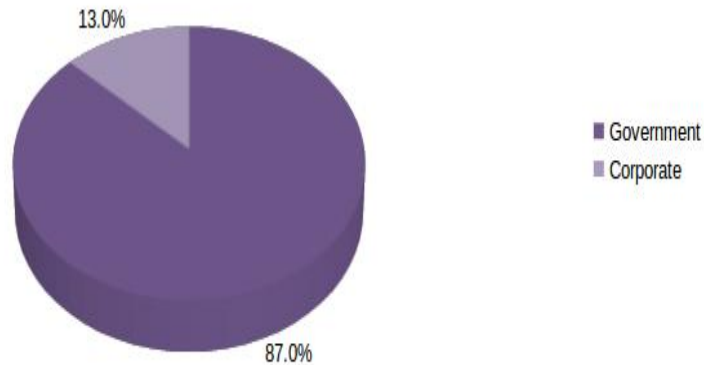
### Duration



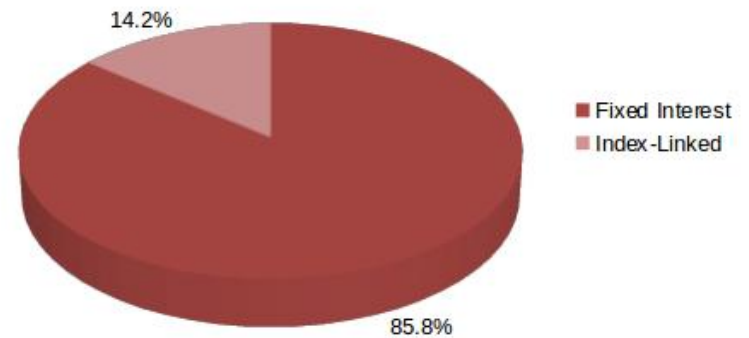
### Geography



### Credit

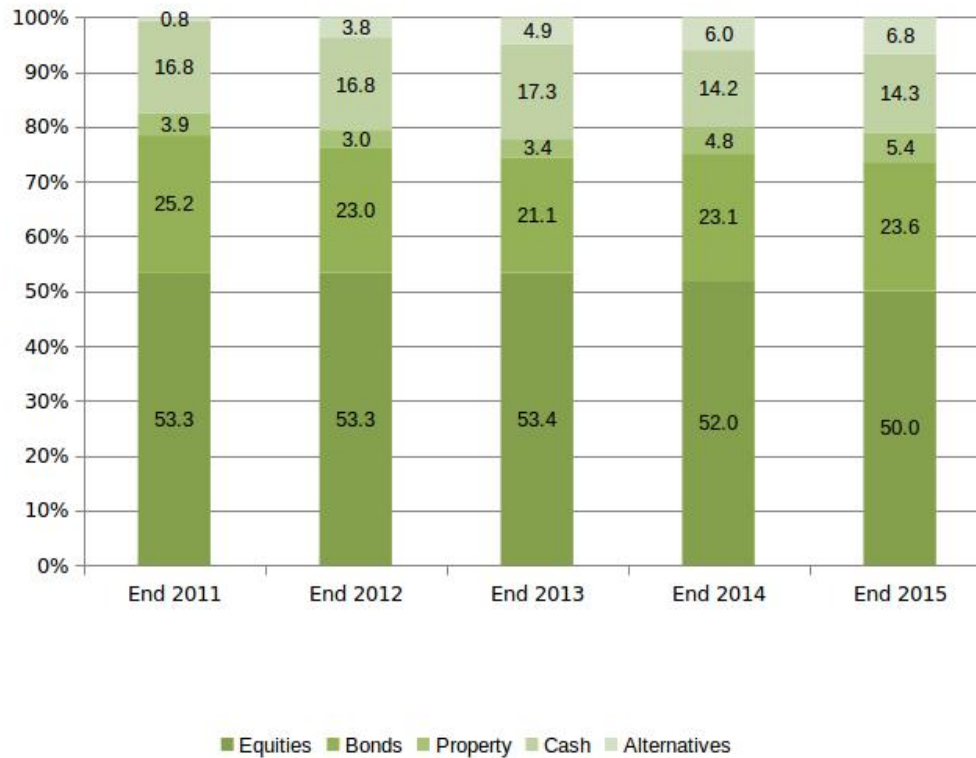


### Nominal/Real





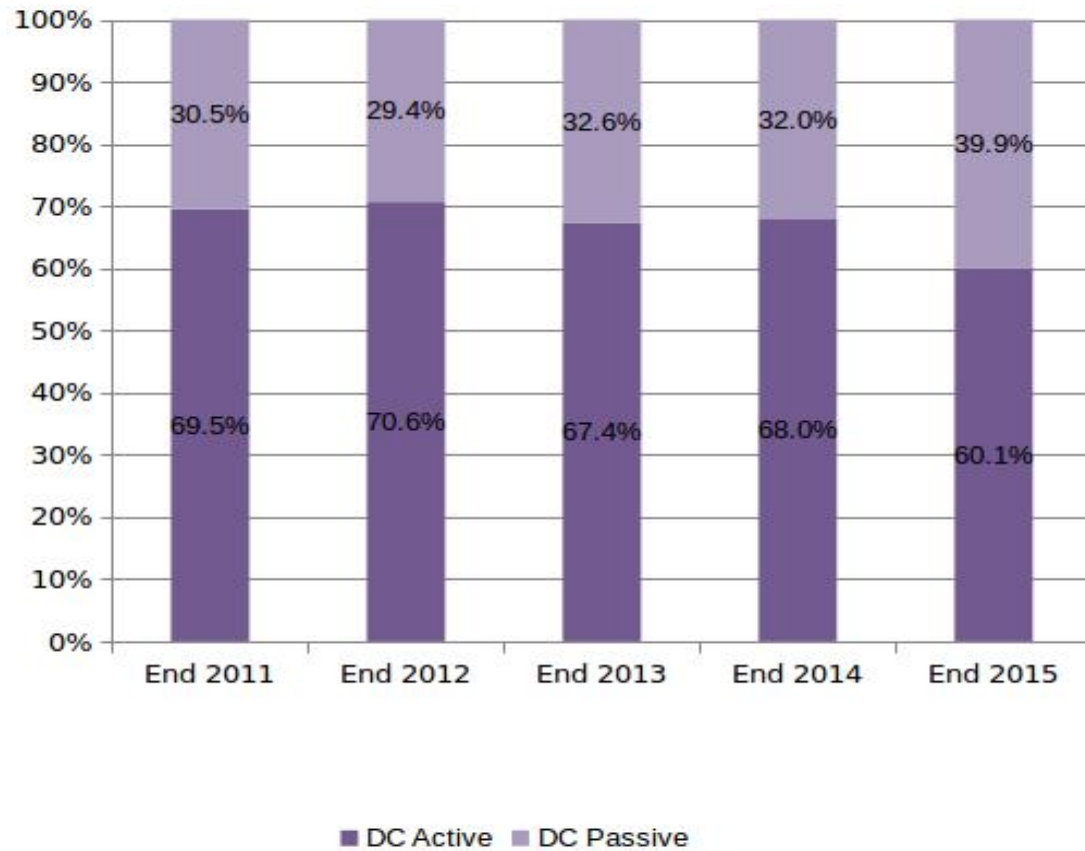
# DC Asset Allocation



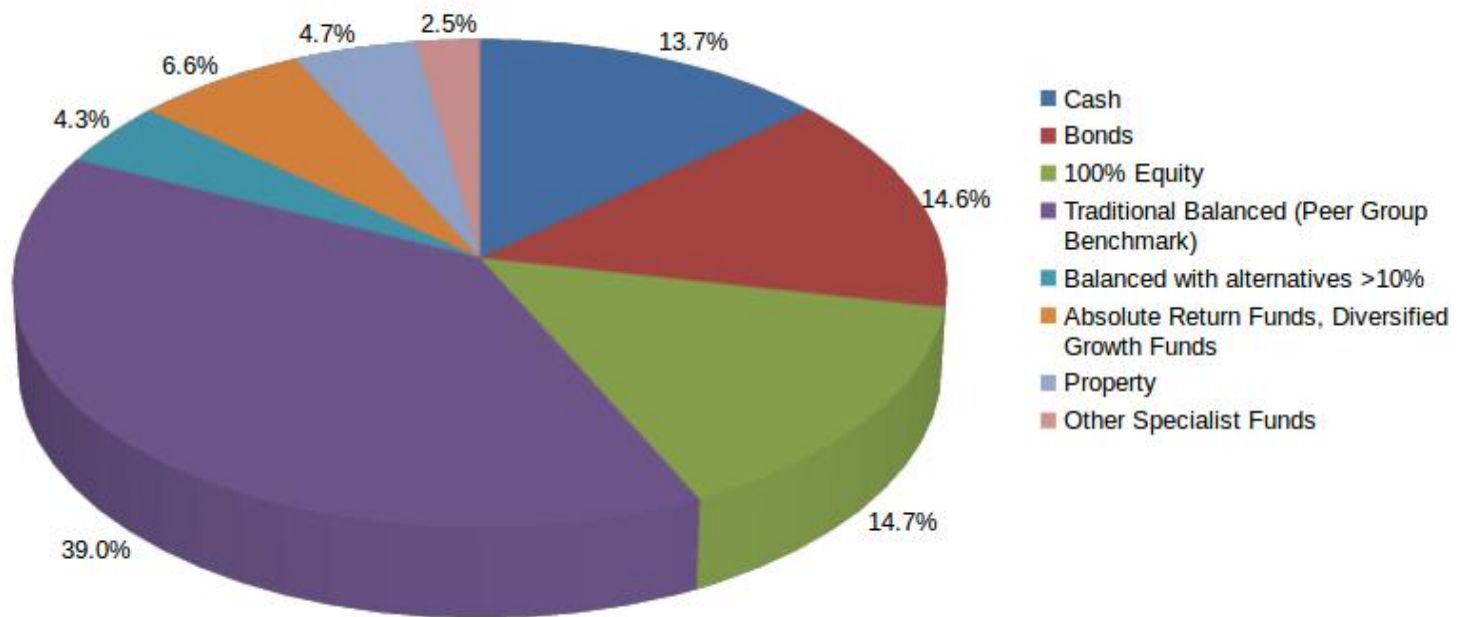




# Active v Passive Split DC Funds



## DC Split by Fund Options





- Asset levels recovered well
- Liabilities growing faster than assets
- Interest rate risk
  - Current low levels make hedging prohibitive
- Duration risk
  - Mismatch with liabilities
- Inflation risk
  - Current low levels may be an opportunity