



# IAPF Guidelines and Research

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## **IAPF Research and Guidelines**

**Over the last five years, there is a growing trend:**

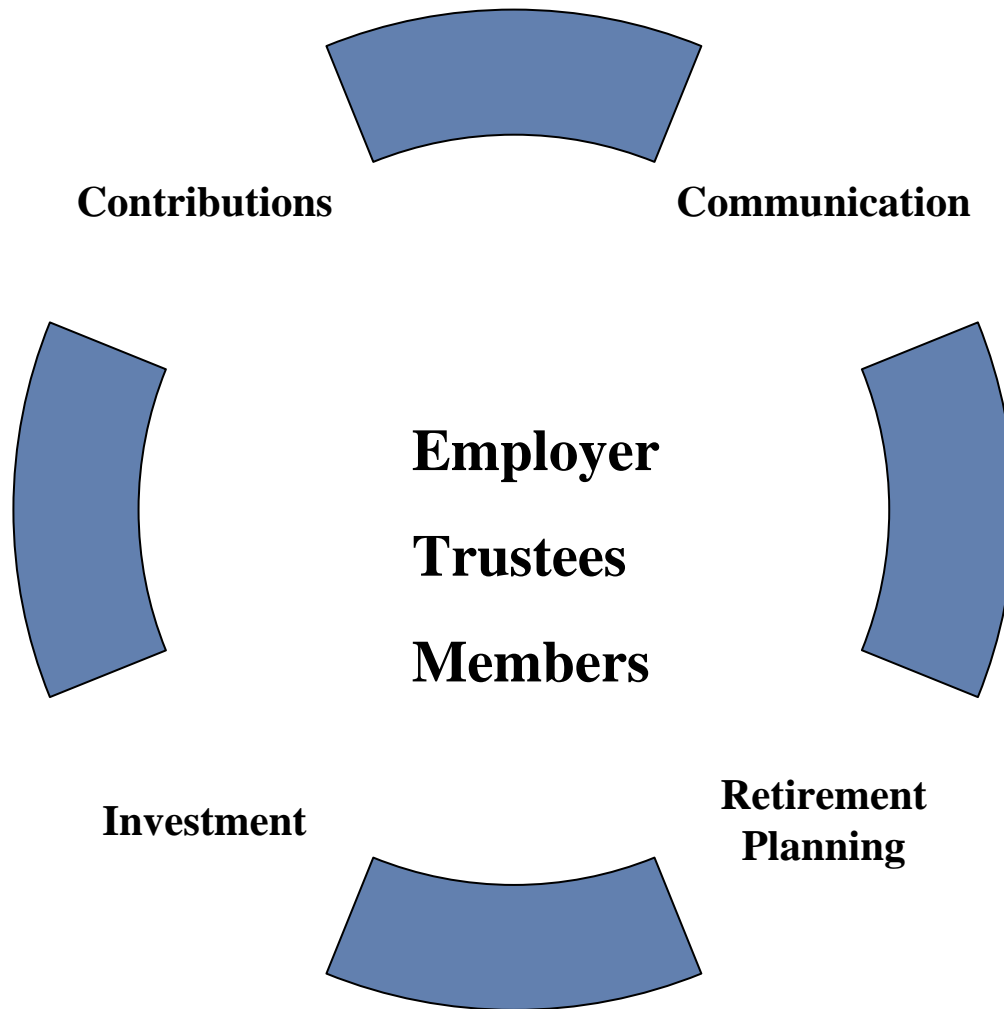
- **New DC schemes for start-ups and multinational companies**
- **Switch to DC schemes from existing arrangements**

### **Key Issues arising**

- **Impact of contributions made to DC schemes**
- **Importance of making an informed investment choice**



# Planning For Retirement





## **The Employer's Challenge**

- **Increase reach to more of the workforce**
- **Prioritise needs**
- **Target pensions spend**
- **Deliver a choice pension scheme**
- **Support employees with difficult decision**



## The Trustee's Challenge

- **Comply with legislation – Trust law and Pensions law**
- **Act in accordance with the Trust Deed and Rules**
- **Educate themselves (continuous/on-going)**
- **Ability to contribute**
- **Work with the tools and the budget available to**
  - ensure members understand their entitlement
  - ensure appropriate investment vehicles are offered and monitored
  - ensure beneficiaries receive entitlements
- **Understand the risks associated with managing the pension scheme and how they are mitigated**



## **The Members' Challenge**

- **Take ownership**
- **Educate themselves**
- **Plan for their future – family discussion**
- **Save for their future**
- **Invest appropriately**



## **Level of Savings**

- **Need to be related to an agreed level of retirement income**
- **Are not currently adequate**
- **Are highly unequally distributed**
- **Are worse for women**
- **Are surrounded with barriers to voluntary increased savings**
- **Are expensive to manage**



## **Increasing Life Expectancy**

- **Has been consistently underestimated**
- **Is the largest influence on pensions economics**
- **Continues to be forecast cautiously**
- **May or may not be healthy**



## The cost issue – Increased Life Expectancy

	<b>Funding period for 2/3rds pension</b>	<b>Pension payment period</b>	<i>Funding period / Payment period</i>
<b>1998</b>	<b>40 years</b>	<b>17 years</b>	<i>2.4 years</i>
<b>2008</b>	<b>40 years</b>	<b>23 years</b>	<i>1.7 years</i>



## Investment

- **Real Growth (Pension Adequacy)**
  
- **Protect Capital (Account Fluctuations)**
  
- **Pension Conversion (Pension fluctuations)**
  
- **Members required to**
  - consider (educate)
  - discuss (seek advice)
  - monitor (at least annually)



# Projected Pension at Age 65 as % of Final Salary

## Age at which Contributions Commence

Contribution Rates

	25	35	40	55
5%	15%	10%	8%	3%
15%	44%	30%	24%	8%
25%	-	-	40%	14%
35%				20%



## Required Contribution rate pa as % of Salary

### Age at which Contributions Commence

	25	35	40	55
40%	13.5%	20.0%	25.0%	71.5%
50%	17.0%	25.0%	31.5%	89.5%
60%	20.5%	30.0%	37.5%	107.5%
66.67%	22.5%	33.5%	42.0%	119.5%

Target Pension at age 65 as % Final Salary



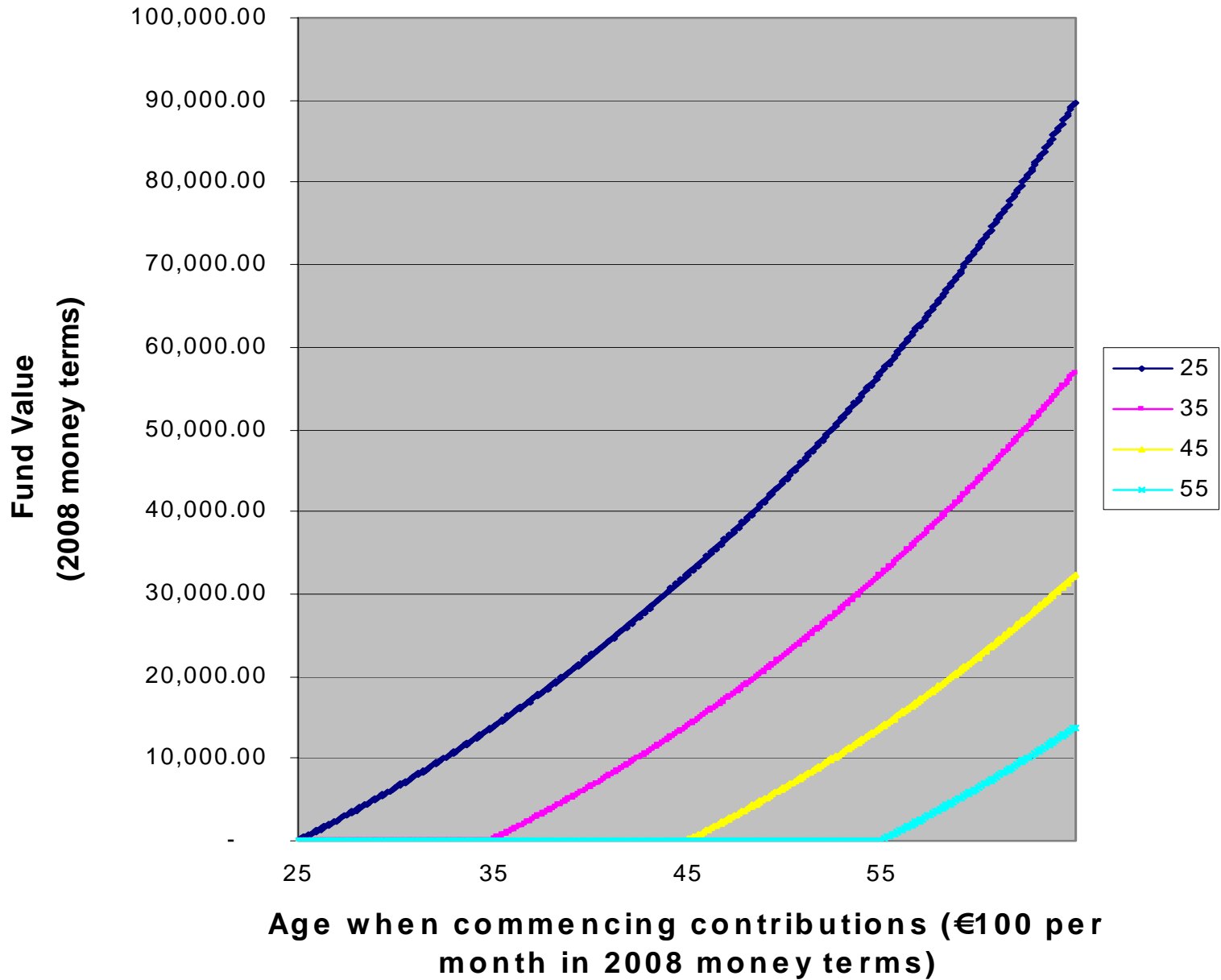
# Projected Pension based on Accumulated Fund only

Age at which Accumulated Fund Achieved

Accumulated Fund

	25	35	40	55
€50,000	€8,000	€6,000	€5,000	€3,500
€100,000	€15,500	€12,000	€10,500	€7,000
€200,000		€23,500	€20,500	€13,500
€500,000			€51,500	€34,000
Add €100 pa	€4,000	€2,800	€2,200	€700

# Impact of delaying pension contributions





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# VOTE