

Its Pensions Joe but not as
we know it!



Brian Griffin

Mercer



iapf The world in 10 years time

To boldly get where no consultant has been before



- DB – “horses for courses”
- DC – “your flexible friend”
- Investment – “a world of choice”

.....off the fence!!



Defined Benefit

“horses for courses”



iapf

From a single DB pension model.....



“Any colour as long as its black!”



iapf

...to multiple DB pension models

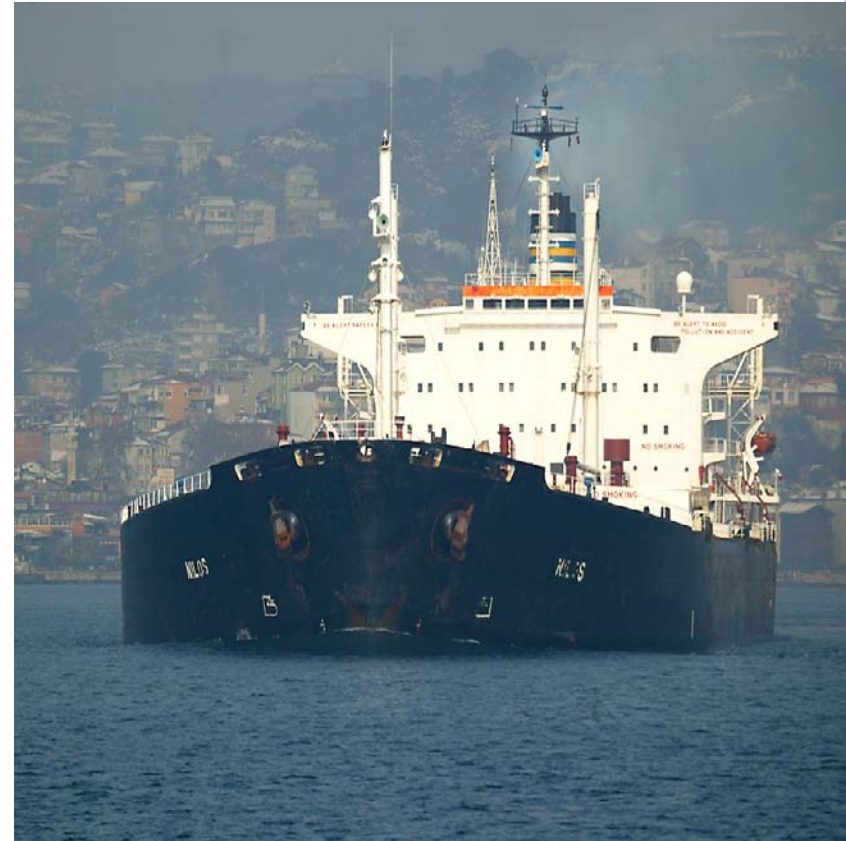


All different colours, shapes and sizes



Need for opportunistic decision-making

- Pension funds are, generally speaking, long term investors
- Long term investors should earn “illiquidity” premium
- In particular, every crisis presents opportunities
- Pension funds have not traditionally been nimble enough to exploit them





- Investment committees
- Substantial powers
- Controlling a material component of “growth” portfolio
- Supported by in-house experts, advisers or preferred managers
- Charged with the responsibility of identifying / exploiting opportunities
- Other trustee groups will choose instead to delegate the opportunism to third parties



iapf

Defined Contribution

“your flexible friend”



Flexibility within DC plans

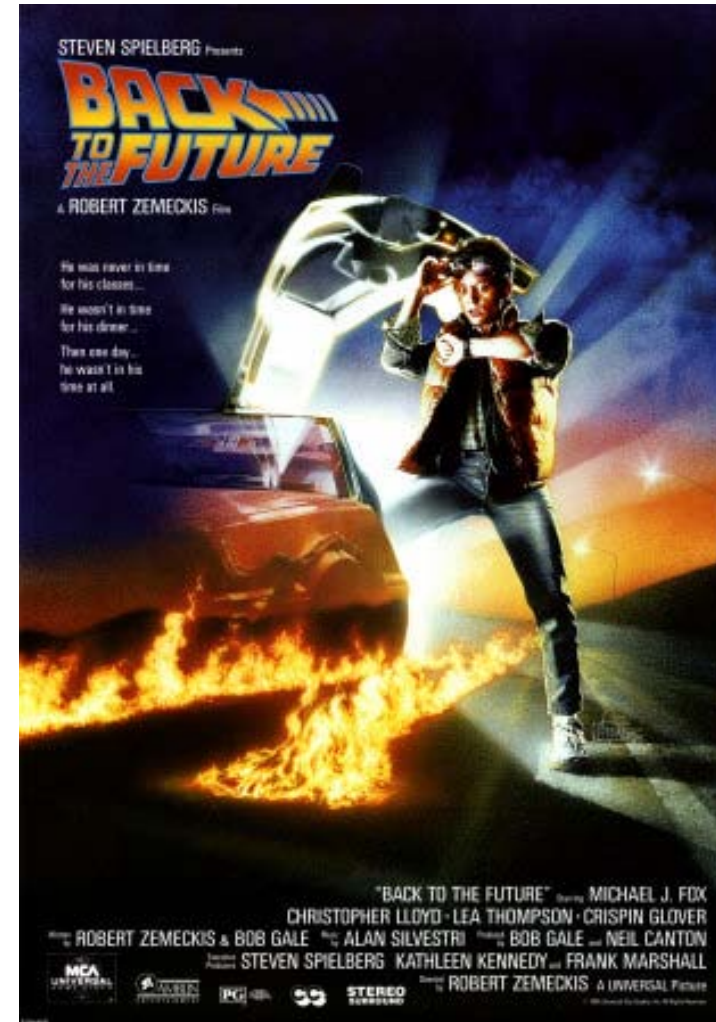
Member / Trustee / Individual / PF Adviser | Individual / PF Adviser

Pension Savings

Personal Savings



- Disillusionment with recent returns
- Fears of pre-retirement crashes
- Demand for guarantees will emerge
- Growth of US variable annuity market
- Products are complex, expensive and potentially have poor portability





- “Maturing” of DC plans
- Issues with liquidity of underlying assets - property and alternative asset classes
- Demand for unit liquidity and greater encashment flexibility





Contract
based
pensions

Employer
sponsored
Trusts

Master
Trust
structures



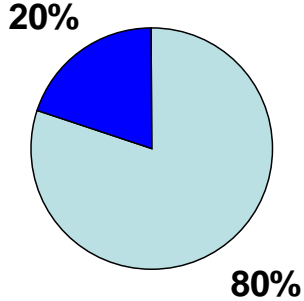
Investment Landscape

“a world of choice”

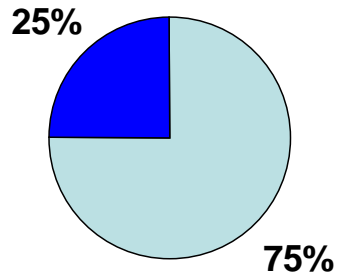


Going Global - Equity

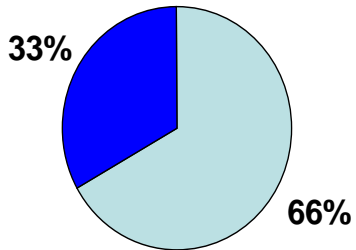
World Population



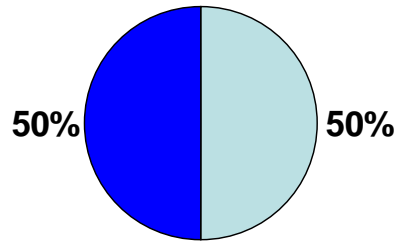
World Land Coverage



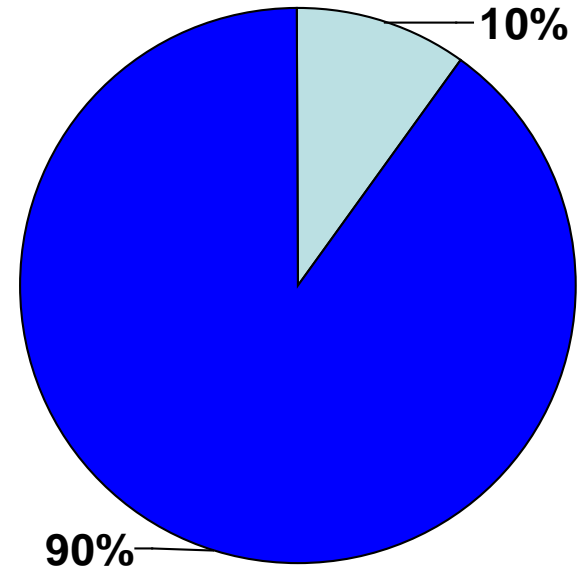
World FX Reserves



World GDP Growth



World Market Cap



...and typically excluded from global benchmarks

■ Emerging Economies ■ Developed Economies

Benchmarks / mandates will be truly global



Going global – bonds

Other
Governments

Eurozone
Governments

Quality
Corporates

Greater use of derivatives – FX hedging &
interest rate swaps



- Benchmarks constrain
- Buy and hold approach of the last decade did not work
- More “unconstrained” equity portfolios
- Scope also for multi asset class growth portfolios
- Performance-related fees – live by the sword, die by the sword
- Greater regulation will limit the boundaries





Two 50-year events within two months

Remarkable how quickly normal life is interrupted



Where do you see yourself in 10 years time?

in the words of Ireland's most recent pop sensations...



...older!