



**Irish Life**

*Supporting  
your pension  
plan*

NATIONAL CONVENTION CENTRE 25 SEPTEMBER 2012

# PENSIONTENSION<sup>2012</sup>

planning the new reality

# Maybe this is normal?

**Tony Gilhawley FSAI**

**Director**

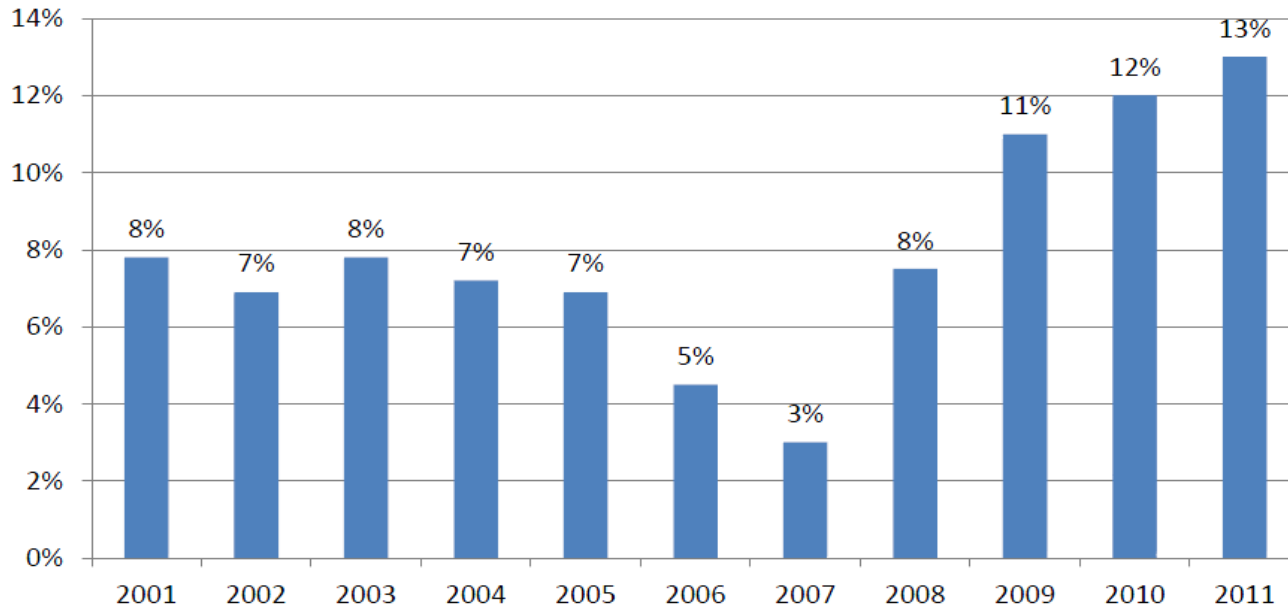


# Impact on our industry

- High unemployment
- Early retirement deals
- Reduced disposable income
- High debt
- Dysfunctional mortgage market
- Long term job insecurity
- Flight to deposits

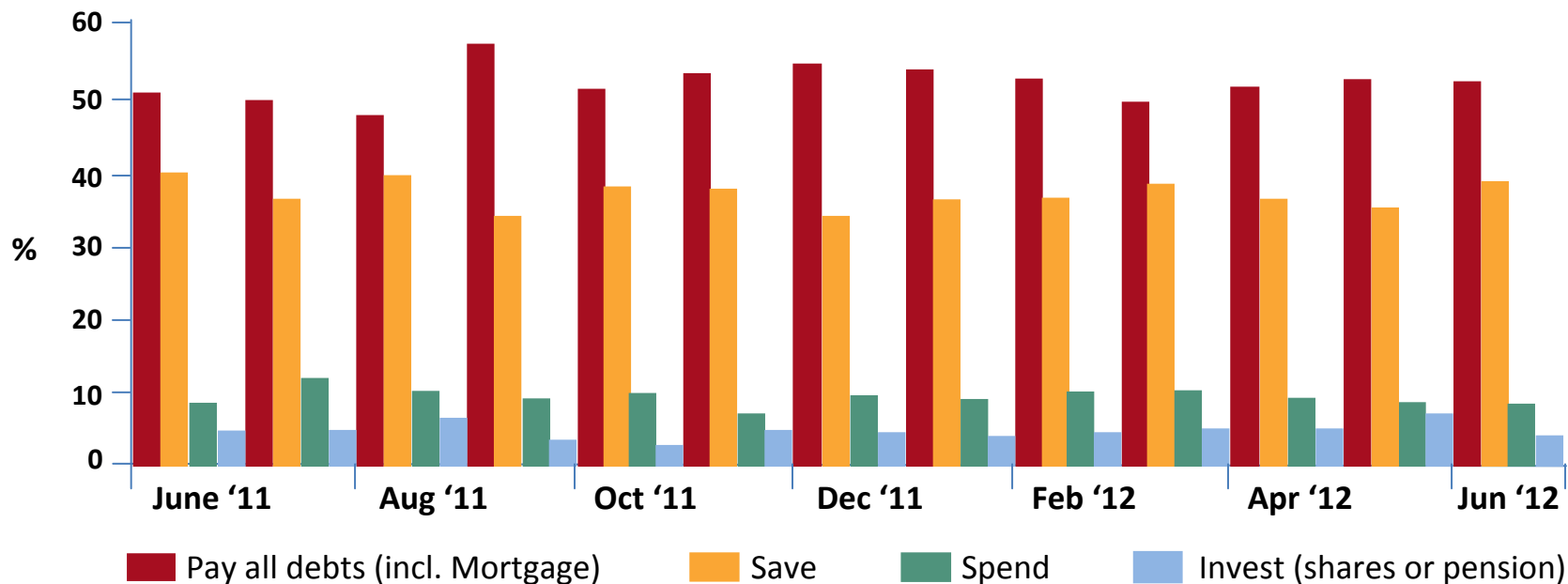
# 2001 - 2011

## Personal Savings as a percentage of Disposable Income



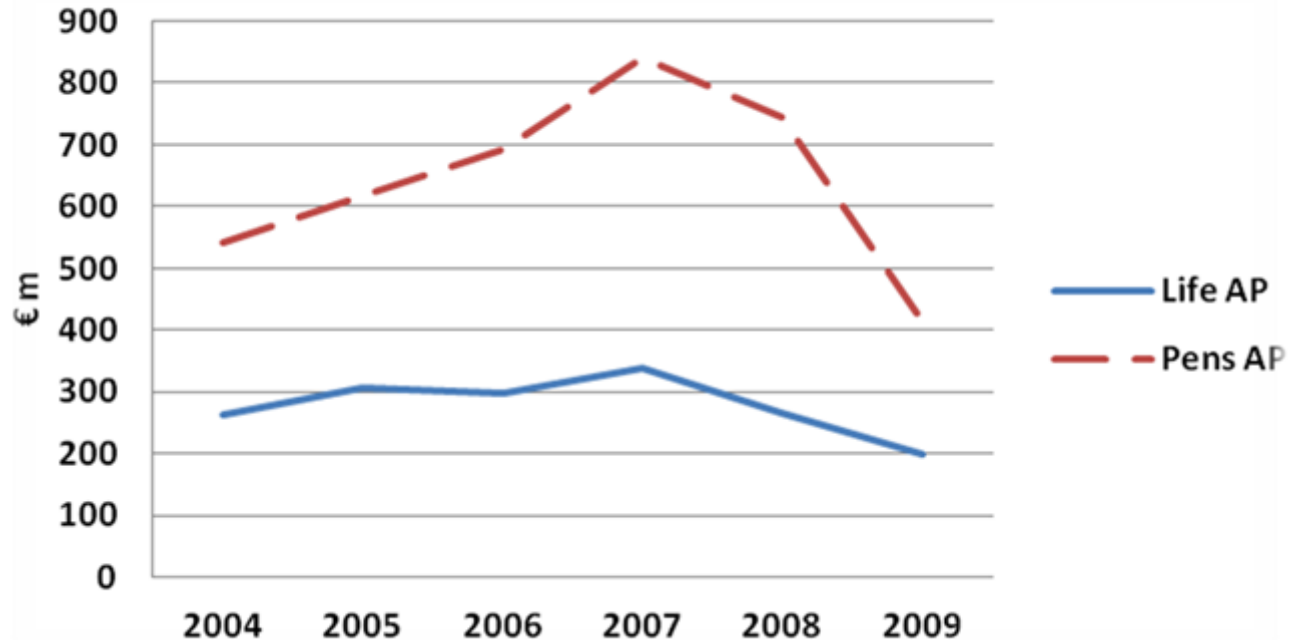
Source : The Marketing Institute Consumer Market Monitor Q1 2012

# What are people doing with their surplus income ?



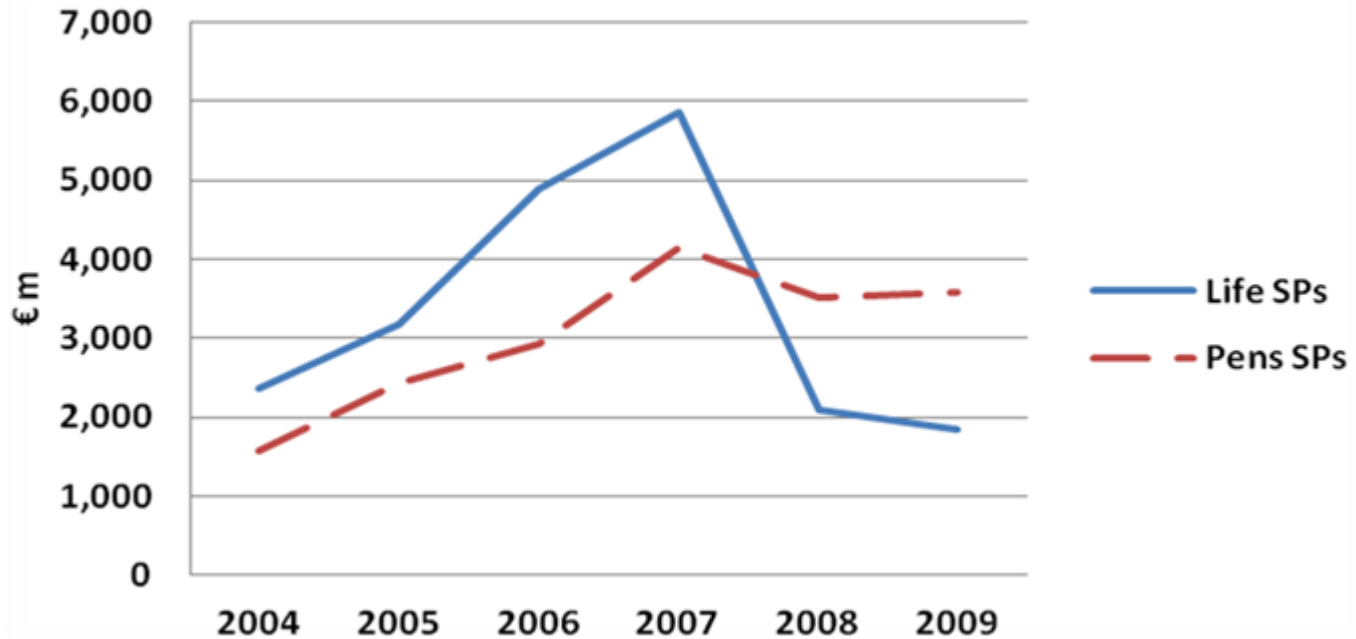
Source: Nationwide UK/ (Ireland) / ERSI Savings Index June 2012

# New APs



Source: IIF Factfiles

# SPs

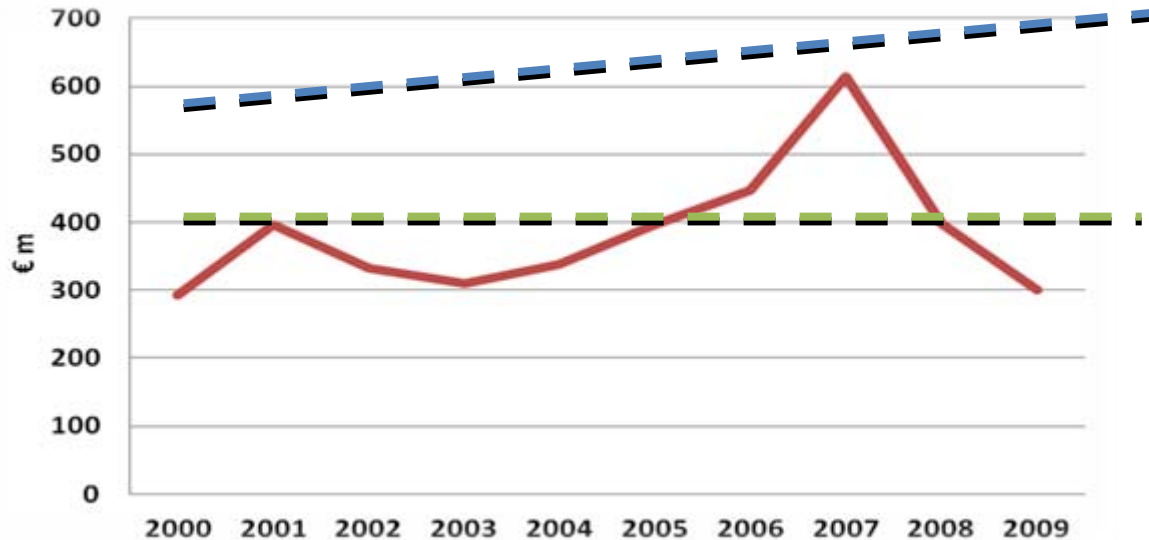


Source: IIF Factfiles



# Which is the 'normal' trend ?

## Intermediary Commissions



Source: Central Bank Insurance Statistical Returns, 2000-09

Maybe this is the new 'normal'



# The future?



- Flat new product/new client sales income?
- Lack of new young clients
- Growing 'grey' investment market
- Ageing population
- Implosion of DB schemes
- Declining private pension coverage
- Increased relationship breakups

**GROWING MARKET FOR PROFESSIONAL  
FINANCIAL ADVICE BUT ...**

**IT MIGHT NOT BE FULLY REMUNERATED BY  
NEW BUSINESS PRODUCT COMMISSION**

# Your remuneration mix



# Fees?

## Review service



Persistency will be the new  
new business





## POSITIVE DEMOGRAPHIC CHANGES



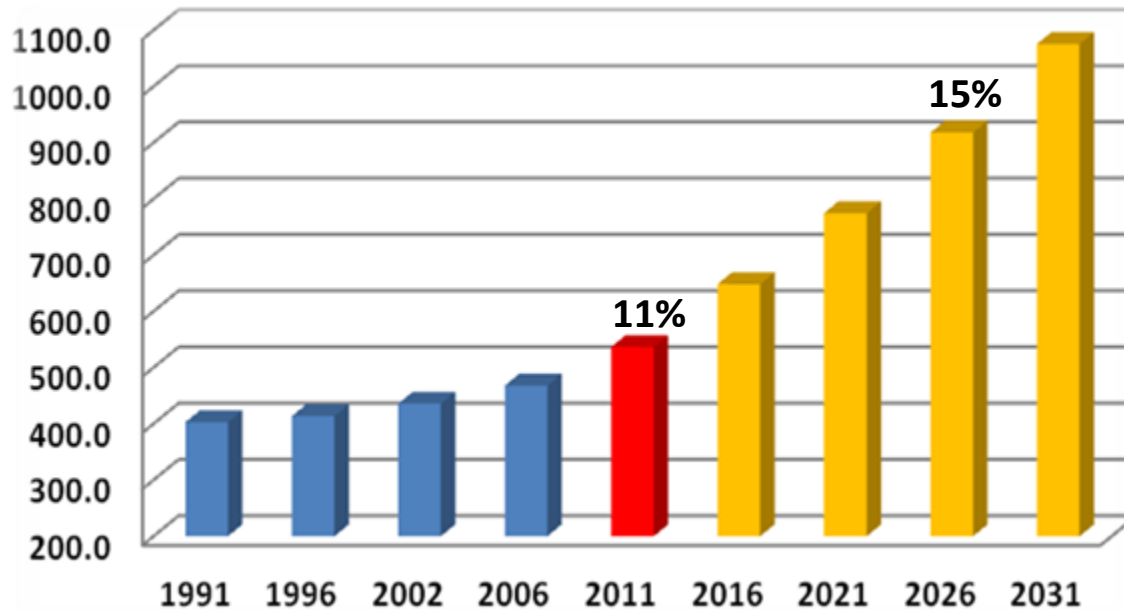
# Population ... increasing rapidly

Year	Population	Actual change since previous Census	Average annual percentage change since previous Census
2002	3,917,203	291,116	1.3
2006	4,239,848	322,645	2.0
2011	4,581,269	341,421	1.6

Source: CSO Census 2011 Preliminary Report

# The grey investment market

No aged 65+



Source: CSO Population Projections

# **IN 10 years time ...**

250,000 ADDITIONAL  
people aged 65 +,  
compared to today

# The one thing they will all need ?

**Retirement benefit  
options**

**Sustaining retirement  
income**

# Advice



# Retirement Benefit Options



# The post retirement market

## Conversion of capital into long term income



# ARFs & vested PRSAs market

**High capital preservation  
hurdle rate**

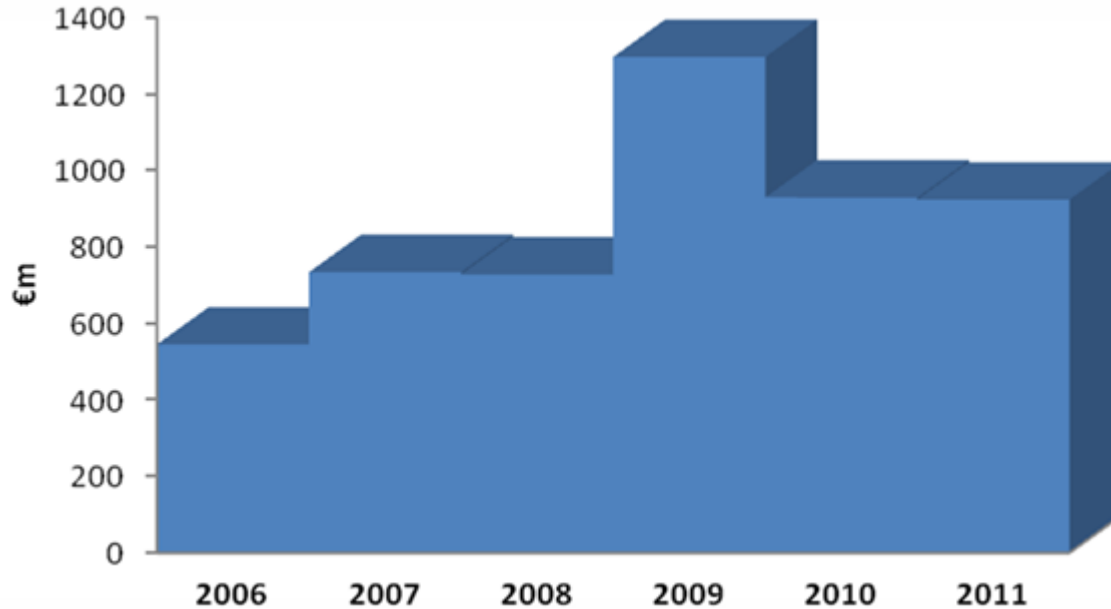
**5% pa + charges**

**but ... a declining capacity for risk**



**Advice**

# The ARF + AMRF market



Doesn't include vested PRSAs and non insured ARFs





# IMPLOSION OF DB SCHEMES

# Most DB schemes will fold ... eventually

**75% currently underfunded**

**Additional reserves 2016**

**Sovereign annuities**

**Conversion to DC for future accrual**



# Breakup of DB schemes

**Actives**



**DC scheme**

**Deferreds**



**BOB/PRSA**

**Pensioners**



**Annuities**

**Advice**



# Relationship breakdown

# Pension Adjustment Orders

- Legal separation
- Divorce
- Dissolution of civil partnership
- Breakdown of cohabitation



loss of  
pension  
fund



transfer to  
BOB/PRSA

# The BOB market



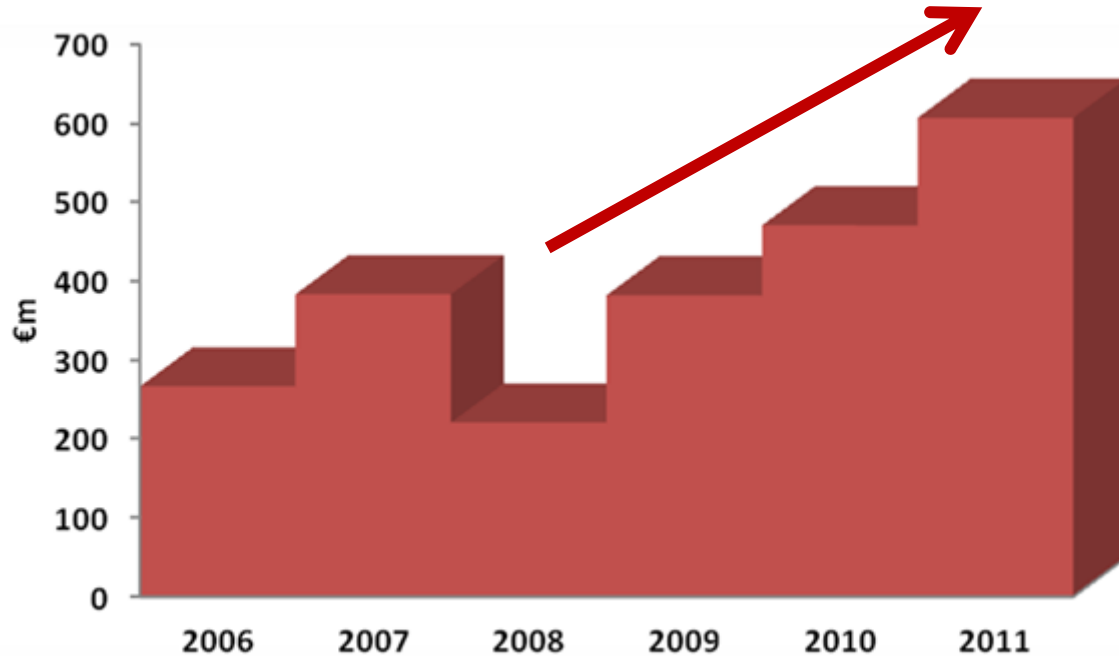
BOB → BOB transfers

Individual transfers from OPS

Group transfers from OPS

PAO transfers

# The Buy Out Bond market







# The **advice** market

BOB/PRSA transfer options

Near/at retirement

Post retirement

**Getting your remuneration mix right**

**EXISTING BUSINESS/CLIENTS WILL BE  
THE MAIN SOURCE OF  
NEW BUSINESS**



# Maybe this is normal?

**Tony Gilhawley FSAI**

**Director**

PENSIONS TIME BOMB... EXTENDED  
WORK LIFE... PENSIONS TAX RELIEF...  
REDUCED "CAPS"... UNEMPLOYMENT  
AND EARLY  
INVESTMENT  
RETIREMENT...  
QUANDRY...  
NEED FOR SPECIALIST ADVICE



**Irish Life**