

COMMERCIAL FEATURE PENSIONS

Pensions still a valuable asset

Despite some uncertainty that remains in the market, pension funds are still one of the safest routes to a stress free retirement

ANYONE who remembers the coverage given to the SSIA's in the early part of this century will

recognise the Irish appetite for free money. But while there was a scramble for the guaranteed extra 25% offered by SSIA's, the reality is that an even better deal has been on the table before and since the SSIA's made the headlines.

Pensions, which have taken a bit of a battering in the markets and the media, come with a guaranteed tax saving which should be significantly ahead of the former SSIA offering – and despite the volatility that still remains in the markets, pension fund managers are now better equipped to ensure that your money works for you to give you a better retirement.

It was unfortunate for fund managers that practically every major asset class fell in unison from 2007 to 2009. This gave them nowhere to hide, and the result is that the average pension fund declined by 45%. But this does not mean that long-term buy and hold strategies are necessarily wrong; and there are

ways of minimising risk by adopting different approaches.

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For example, according to Graham Fox, investment manager at Irish Life, the US endowment approach (as used by Harvard and Yale) is one such model that has been implemented with reasonable success over the years.

"While this approach did experience a peak-to-trough decline of about 20% during the credit crisis, this still compares quite favourably with the peak-to-trough decline in the S&P 500 of nearly 60%," he said.

Armed with this sort of knowledge, Irish Life has launched a new pension fund, CORE, which it believes



would have provided investors with more protection against the recent large falls, while still retaining the capacity to deliver strong returns.

"CORE is positioned to do this by following a similar approach to the US endowment one, but without the illiquidity disadvantage that has characterised many of these funds," said Fox. "Anyone looking for a well diversified pension should really speak to their broker about CORE. It will give the growth potential of the traditional pension managed fund, but with a smoother journey along the way."

A leading Irish pension provider, Irish Life currently manages over €28 billion of Irish people's money, and last year it received new investments of over €3 billion. It also has an outstanding track record, and even last year its pension managed fund rose by 30% (which compares favourably to other pension providers).

Of course, whatever pension people or companies choose from whatever provider, the reality is that the whole area has become more complex, with greater pressures to satisfy new obli-

gations on trustees. In response to the greater requirement for advice information, New Ireland has launched a "Company Pension Choice" – which is a comprehensive employer advisory initiative.

Company Pension Choice has been developed to help employers navigate the wide range of important issues which need be considered when deciding on the most suitable company pension plan. For example, many employers are abandoning Defined Benefit arrangements in favour of a company pension plan where there is a greater control on cost. Also, increasing compliance and obligations on trust-based Defined Contribution company pension plans are leading some employers to consider a possible switch to a Group PRSA arrangement.

In this context, New Ireland believes that both the Group Defined Contribution model and the Group PRSA have certain advantages; so with its Company Pension Choice initiative, it can provide a number of additional supports in terms of comprehensive technical advice, comparison tables and more.