

Annual Conference 2011



Integrated De-Risking Solutions

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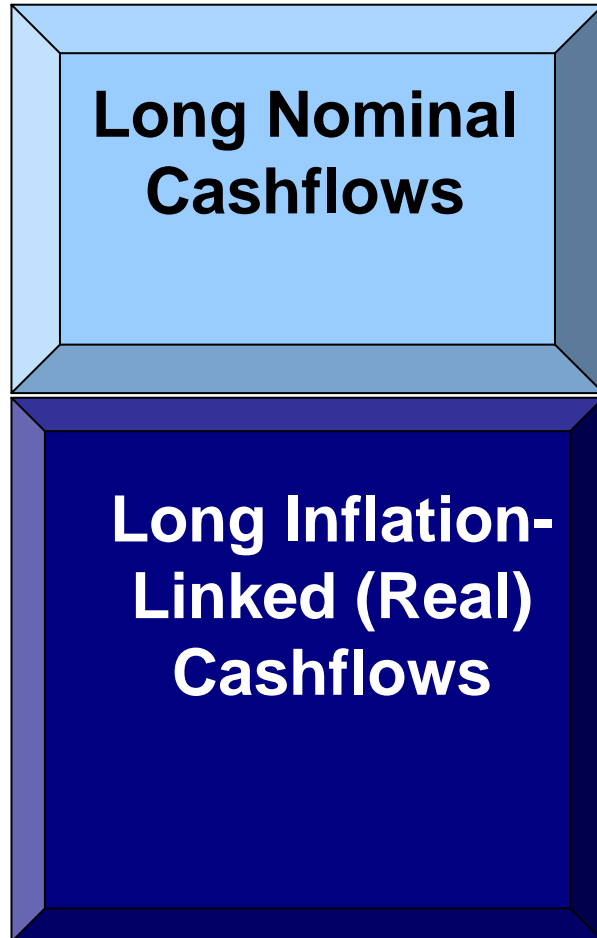
DB Pension Schemes

➤ ***Increased focus on the Big Decisions:***

- *How much to invest in 'Growth' and 'Defensive' assets?*
- *What are the appropriate 'Defensive' assets to hold?*
- *What is the most effective way to move from 'Growth' to 'Defensive' assets over time?*

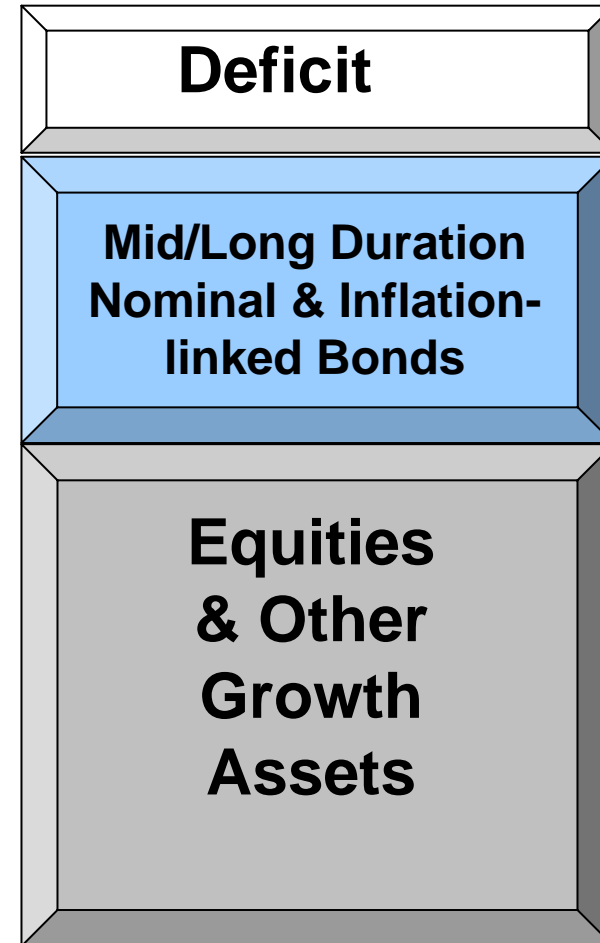
Irish DB Schemes

Liabilities



Hedge
Liabilities

Assets



Liability Driven Investment Strategies (LDI)

- *A strategy that hedges the interest rate and inflation risks associated with your liabilities*

Identify the 'Matched' LDI Portfolio:

- *Invest in real/nominal assets of a similar duration as the liabilities you are seeking to hedge*
- *Provides a hedge for changes in your liabilities caused by shifts in interest rates and inflation*

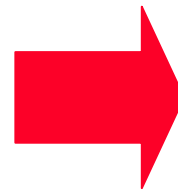
Next Considerations

- *What is the right mix between growth and defensive assets for your Scheme?*
- *How should this evolve with time & changes in the solvency of the Scheme?*
- *Need for 'Growth Assets' reduces as funding level improves – sensible risk management.*

Put in place a strategic 'Road Map' or 'Flight Plan' to take advantage of market movements / liability changes as they occur

Example – De-Risking Schedule*

Improvement in Solvency	Shift from Growth to Defensive Assets
5%	10%
5%	10%
5%	10%
5%	10%
5%	10%
5%	10%
5%	10%



Funding Level	Growth Assets	Defensive Assets
70.0%	80.0%	20.0%
75.0%	70.0%	30.0%
80.0%	60.0%	40.0%
85.0%	50.0%	50.0%
90.0%	40.0%	60.0%
95.0%	30.0%	70.0%
100.0%	20.0%	80.0%

**Sample for illustrative purposes*

**Trustees specify the ‘Roadmap’:
ILIM’s De-Risking Overlay provides the execution**

Levels of Sophistication

- ***De-Risking Overlay can provide differing levels of service / sophistication as required:***
 - *De-Risking based on improvements in solvency using scheme specific data*
 - *De-Risking based on appreciation of 'Growth' over 'Defensive' assets as a proxy for solvency*
 - *De-Risking based on appreciation of 'Growth' assets*

Historical Experience*

**Funding
Levels**

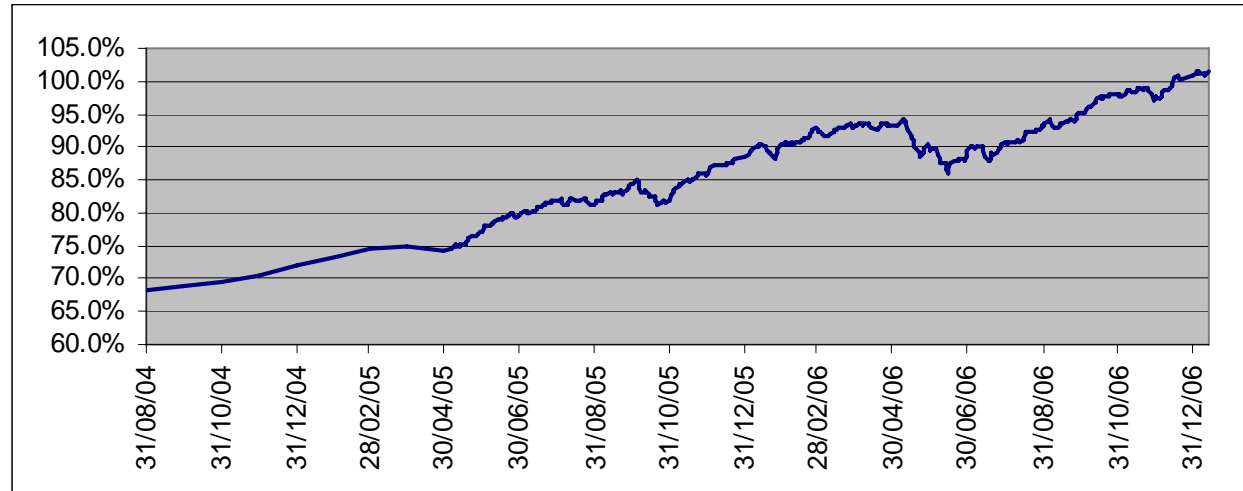


**Sample for illustrative purposes*

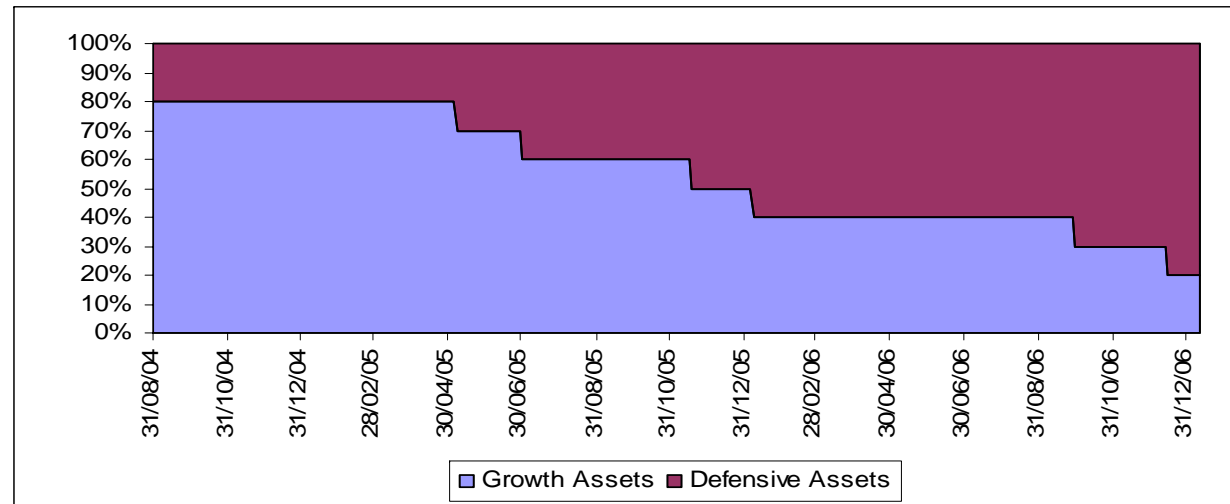
Example: 2004 - 2006

Funding Level

Funding Level	Growth Assets	Defensive Assets
70.0%	80.0%	20.0%
75.0%	70.0%	30.0%
80.0%	60.0%	40.0%
85.0%	50.0%	50.0%
90.0%	40.0%	60.0%
95.0%	30.0%	70.0%
100.0%	20.0%	80.0%



Resulting Asset Allocation



Governance

- *Trustees & Advisors are in full control of decision making process and strategic agenda*

- *Fully Transparent rules based approach:*
 - *Based on individual requirement & risk tolerances*
 - *Upfront agreement with clear targets and actions*
 - *Regular updates provided and regularly reviewed with Trustees & Advisors*

Tactical Considerations

- *De-Risking Overlay need not blindly allocate to 'Least Risk' Portfolio – ability to take account of tactical considerations:*

***Growth Assets
Portfolio***



Cash / Low Risk Bonds



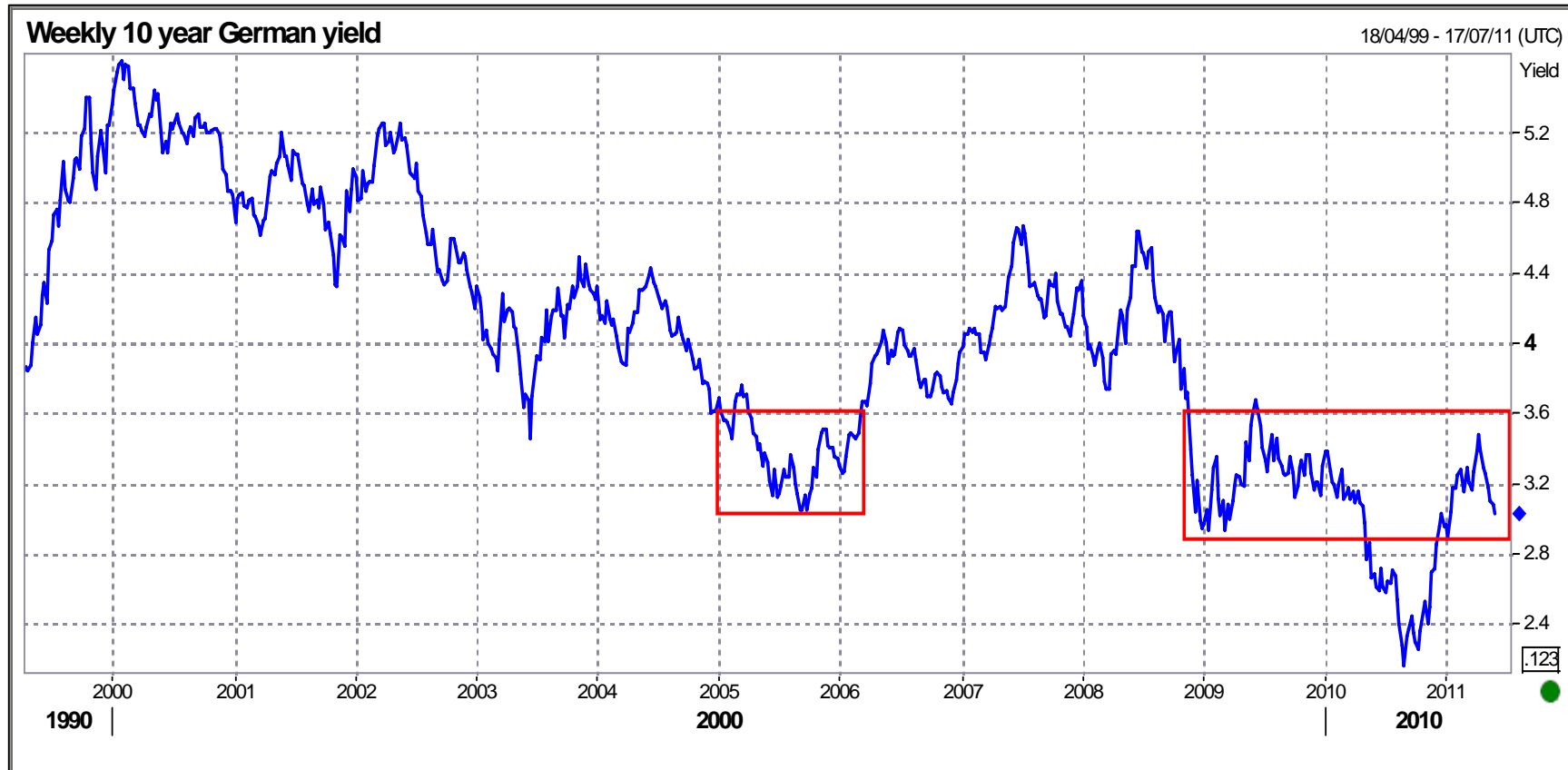
Matched



Based on Trustee 'Flight Plan'

Based on Trigger Levels

Tactical Considerations – Nominal Yields



Source: Bloomberg

ILIM will assist with tactical considerations such as:

- *Move into longer-dated nominal assets (long-dated nominal yields)*
- *Transfer from nominal to inflation-linked assets (breakevens)*

Summary

- *Increased focus on the ‘Big Decisions’*
- *Identify the appropriate LDI Portfolio*
- *Put in place a Strategic ‘Road Map’ or ‘Flight Plan’ to get to your required asset allocation*

Disclosure Statement

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Investments may fall as well as rise

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