



PRSA Conference  
16 April 2012

Michael Butler FIA, CFA

# *DC Investment Strategies*

Lane Clark & Peacock Ireland Limited **Trustee Consulting** **Investment Consulting**  
**Corporate Consulting** Insurance Consulting Business Analytics [www.lcpireland.com](http://www.lcpireland.com)

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# Agenda

**Evolution of DC Options**

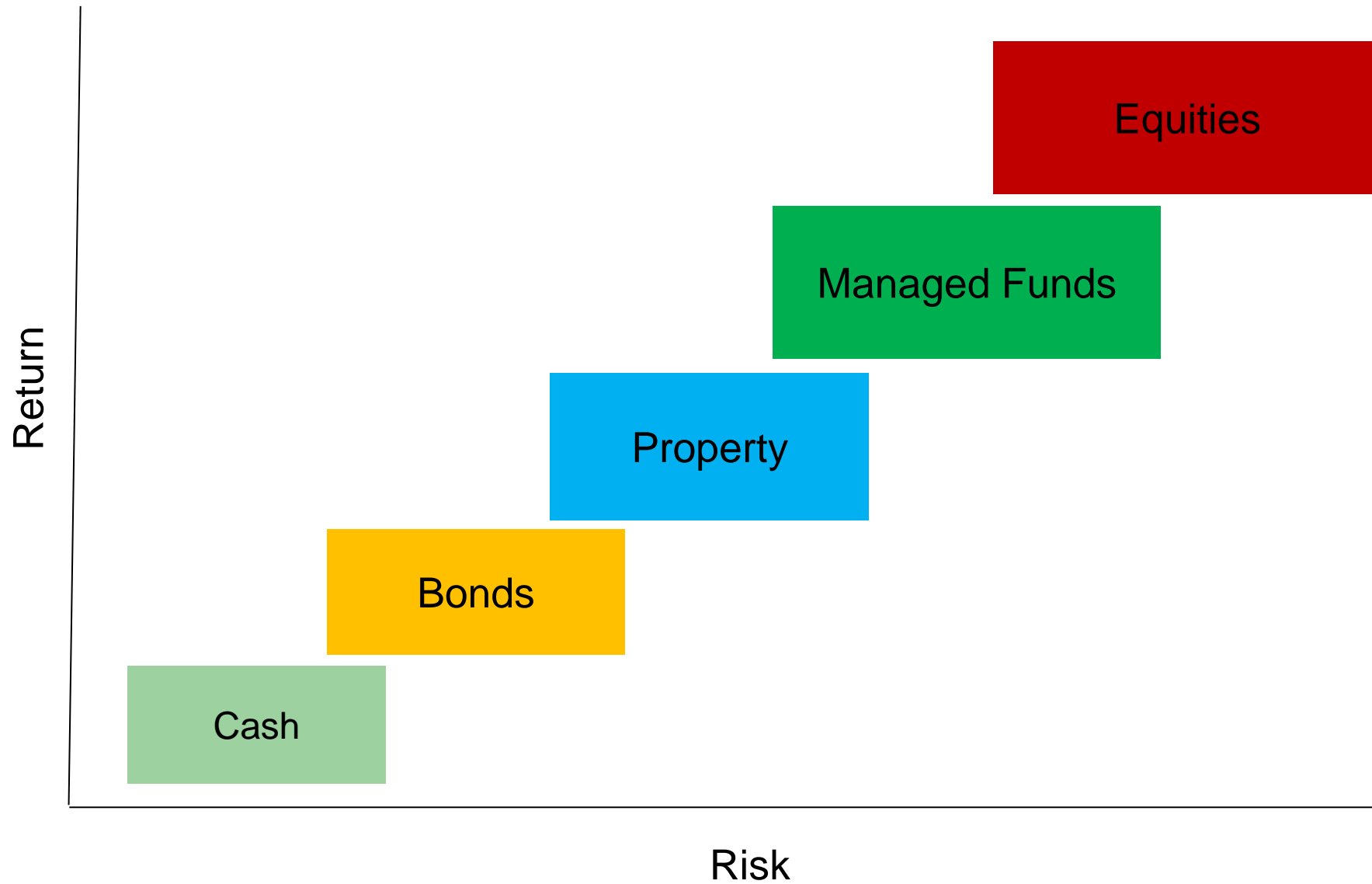
**Default Strategies**

**Predictions for DC**

# Evolution of DC Options

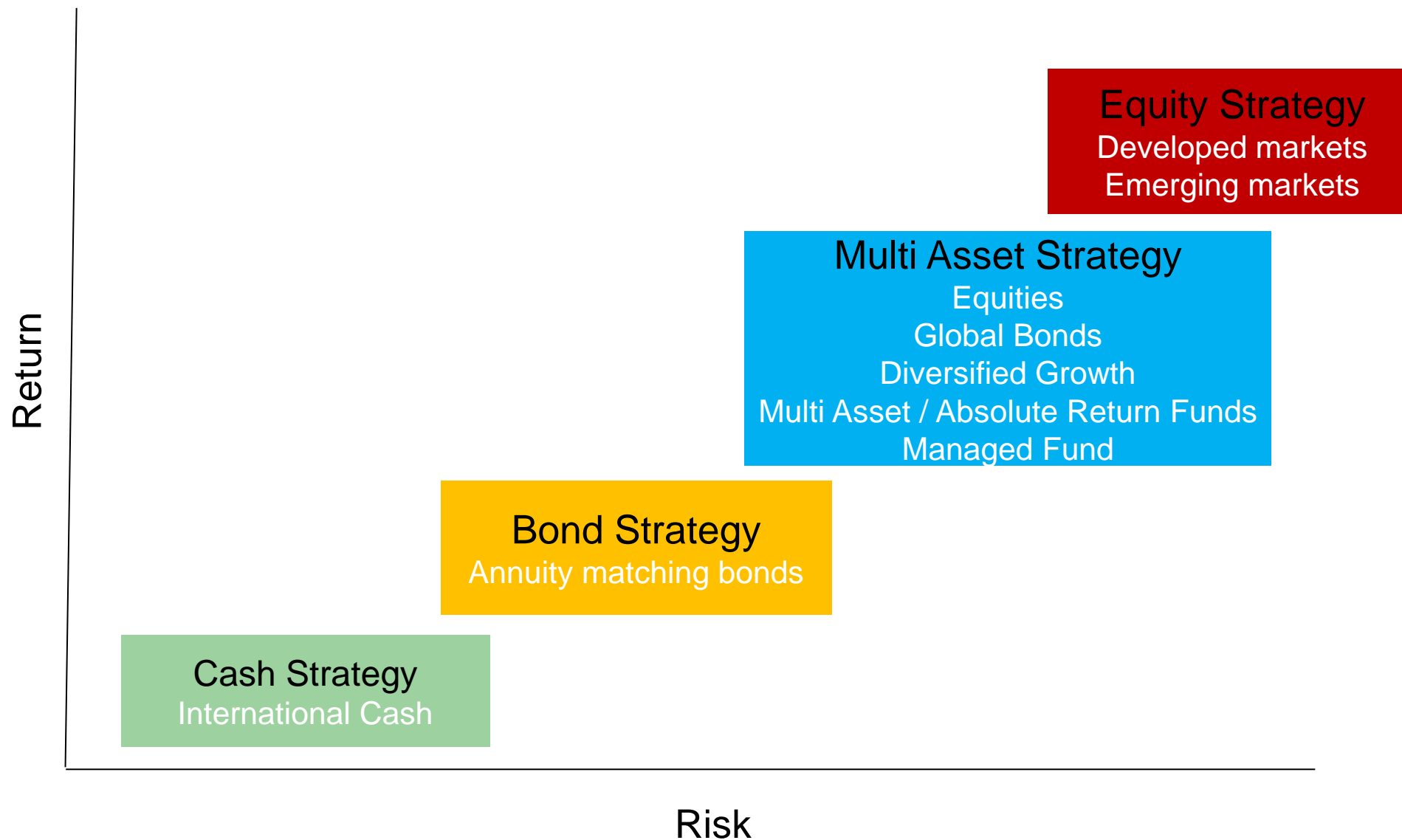
- Traditional Funds
- White Labelled Strategies

# Traditional Fund Options



# White Labelled Options

## Evolutions from Traditional Strategies

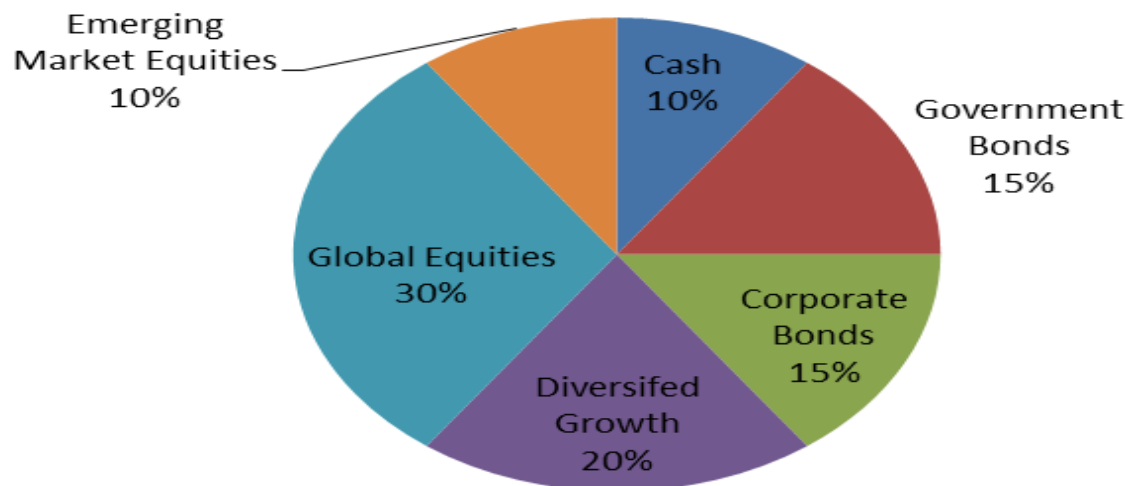


# White Labelled Options

## Multi Asset Strategies

- Multi-Asset strategies starting to take the place of traditional managed funds
- Multi-Asset strategies could be a mixture of diversified growth funds
- Can also use asset allocation determined by Advisors/Fiduciary Managers with specialist managers for each asset class (more common in UK)
- Examples:

**Multi Asset Strategy - Medium Risk/Return**

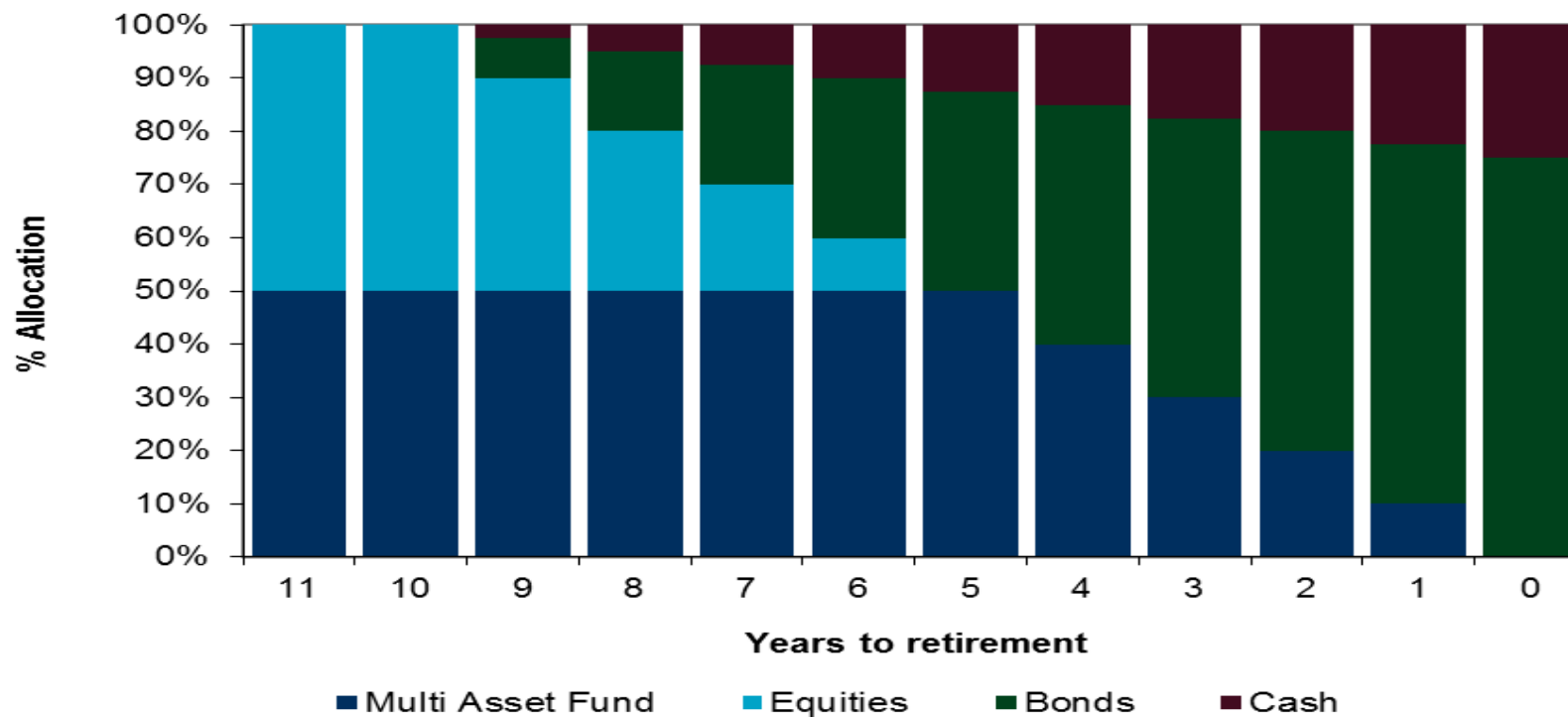


# Default Strategies



# Typical Default Strategy

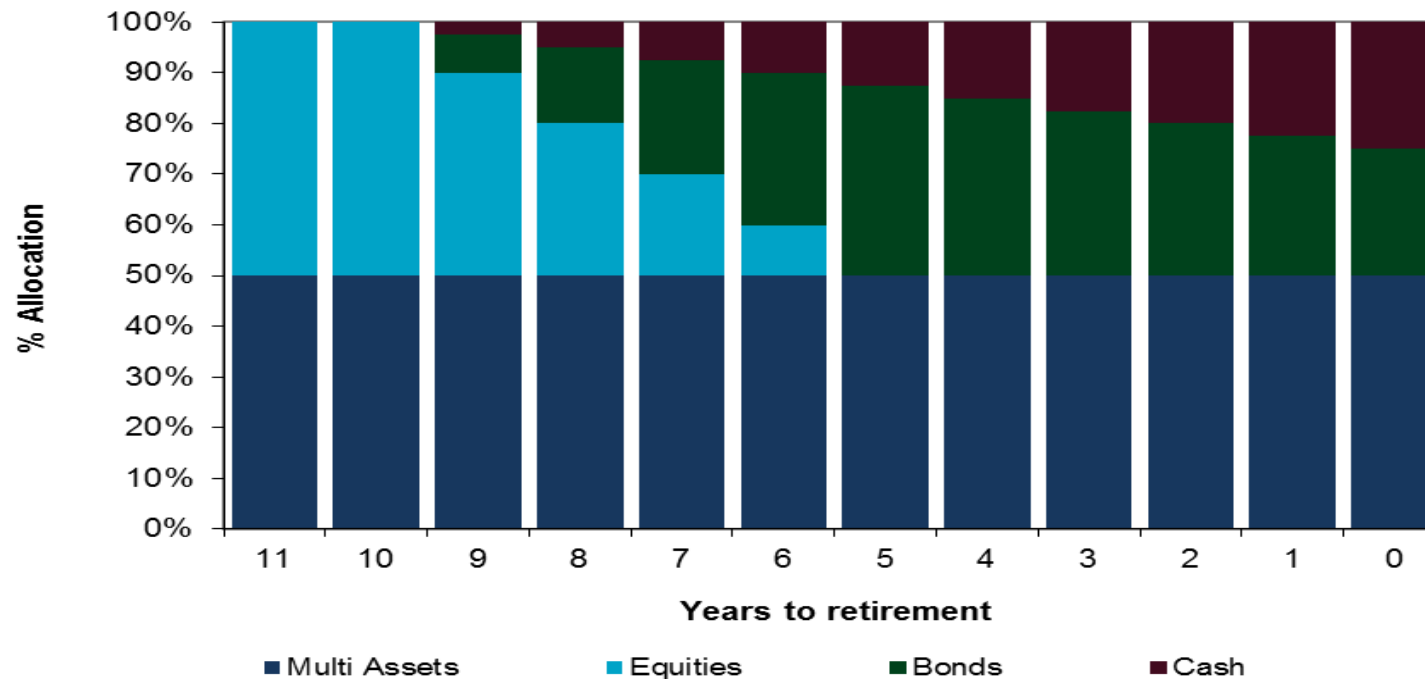
- De-risking starts between 5 and 15 years from retirement (with 10 years the most common)
- In the growth phase, multi-asset funds and equities are typical
- Greater focus on the most appropriate bonds in the de-risking phase





# Lifestyle (ARF) Strategy

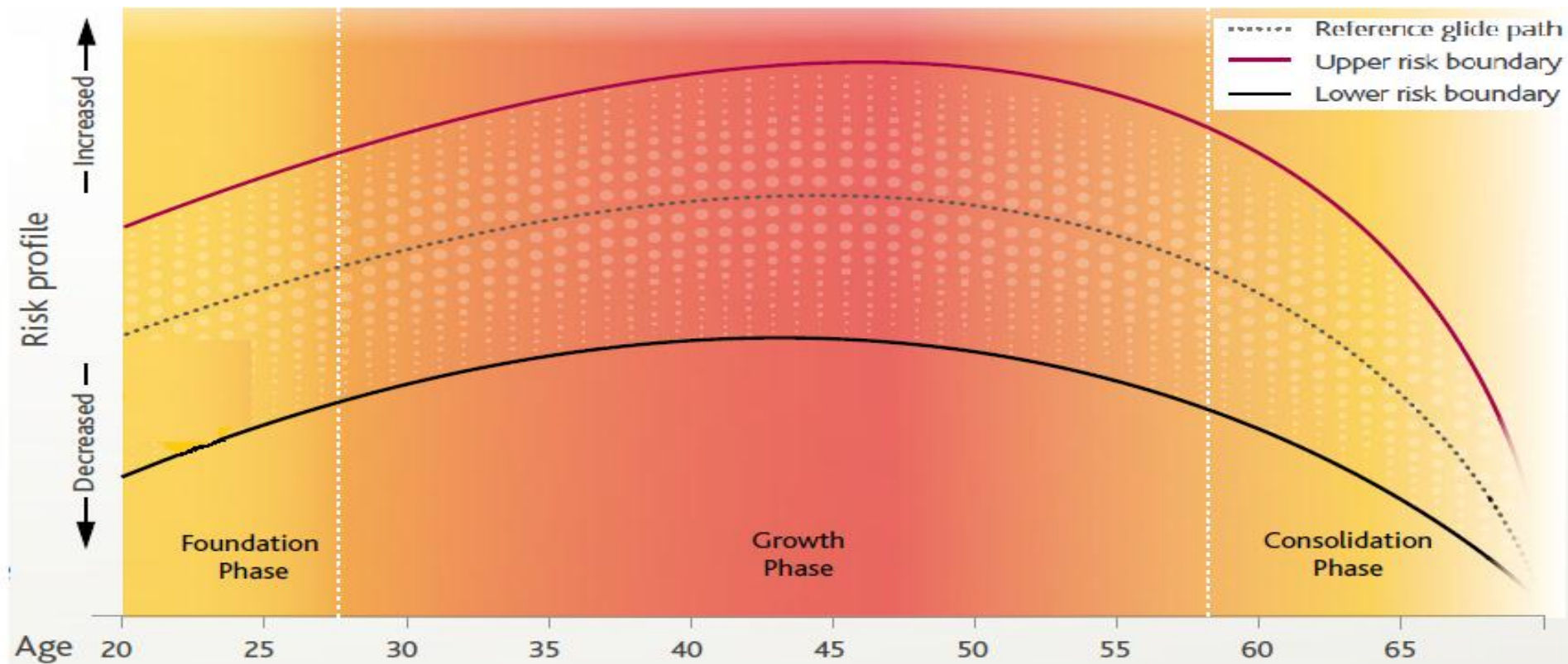
- Trustees still have a default fund that targets an annuity at retirement
- However, some Trustees are adding a new Lifestyle (ARF) option to cater for members that might take an ARF on retirement
- Example:



# National Employment Savings Trusts (NEST)

## Default Option

- Nest will use a Target Retirement Date approach for the default strategy with three distinct phases.
- Nest will dynamically manage the risk profile of the funds within each stage depending on their market views.



# Predictions for DC



# 5 Predictions for DC

1

2

3

4

5

# 5 Predictions for DC

Greater use of  
White Labelled  
Strategies

2

3

4

5



# 5 Predictions for DC

Greater use of  
White Labelled  
Strategies

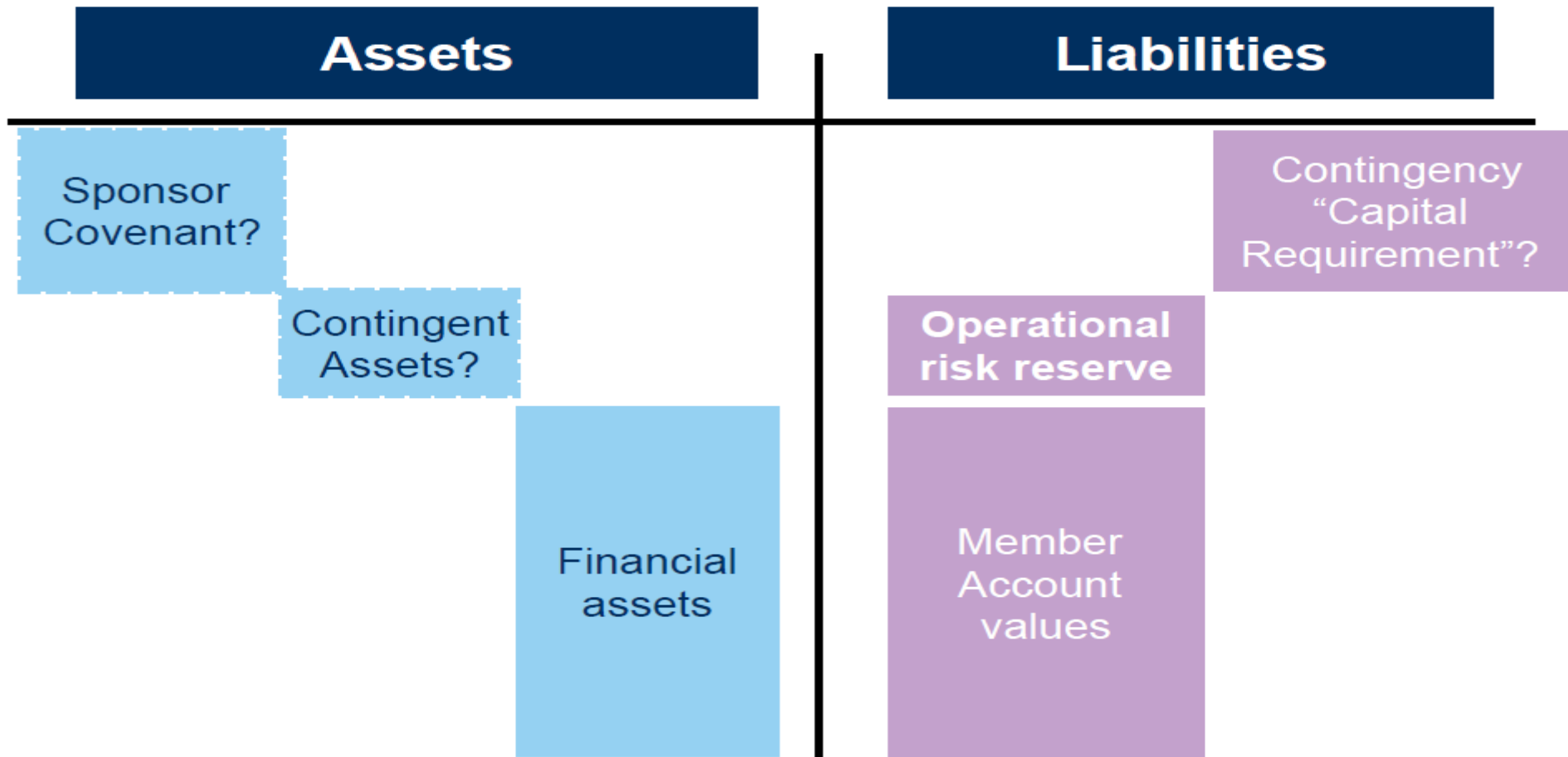
Solvency II Impact on  
Trust  
Based DC Schemes

3

4

5

# Possible implications of Solvency II for DC



- The calculation and maintenance of a reserve to cover operation risk will add significantly to frictional costs. This could increase the move to a contract basis for DC.

# 5 Predictions for DC

Greater use of  
White Labelled  
Strategies

Solvency II Impact on Trust  
Based  
DC Schemes

Advanced Communication  
Policy

4

5

Use of video  
and animations

The screenshot shows a web browser window with the URL [www.smartpensionsuk.co.uk/index.php/714/848](http://www.smartpensionsuk.co.uk/index.php/714/848). The page title is "Investments made easy Risk". A navigation bar includes "Introduction", "How risky am I?", "My age and risk", and "How risky are my investments?". The main content area features an "Introduction" section with the heading "Risk? No-one mentioned risk!". Below this is a video player titled "Cambridge Ideas - Professor Risk" showing a man on a bicycle. To the right of the video is a callout box with a speech bubble containing the text: "Risk is everywhere! How much risk you take is always up to you - whether it's deciding where to cross a road, taking part in sports, healthy eating or drinking habits". Below the speech bubble, it says: "We want you to have the information you need to take risks that are balanced with your age and expectations." and includes a link: "Use our 'Risk Quiz' to think more about the type of saver you are...". The callout box also contains several icons: a house, a target, a person jumping, the letters "A&B", and a clock.

...short information bites, and risk quiz, to help engage and educate the members

# 5 Predictions for DC

Greater use of  
White Labelled  
Strategies

Solvency II Impact on Trust  
Based  
DC Schemes

Advanced Communication  
Policy

Increased use of  
Target Date Retirement  
Funds

5



# 5 Predictions for DC

Greater use of  
White Labelled  
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Solvency II Impact on Trust  
Based  
DC Schemes

Advanced Communication  
Policy

Increased use of  
Target Date Retirement  
Funds

Introduction of  
Platform Providers





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