



Trends in Pension Fund Governance and Risk Management

The Custodian's Perspective

Irish Association of Pension Funds Trustee Network

9 November 2011

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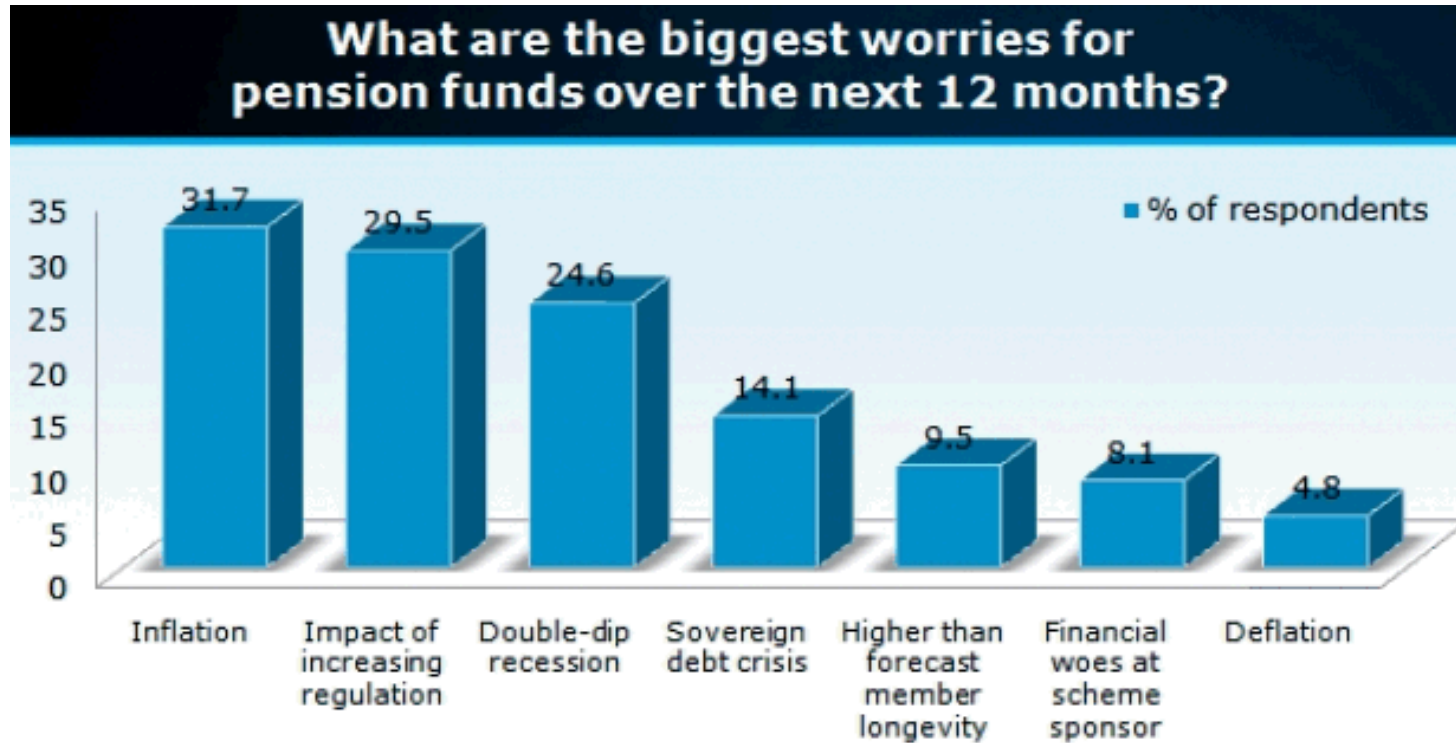


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A Range of Continuing Challenges

An environment in which risks are interconnecting and persistent...



Financial News Pension Fund Barometer survey of 64 European pension schemes with €300bn+ assets
E-financial news (April 2011)



A High-Level Portfolio Overview No Longer Suffices

Global stocks and euro fall
on fears of Athens default

Banks and mining stocks
lead downward spiral

Irish pension funds lose
billions in three-year low

Headlines: Irish Times



- What is our exposure to that **country**?
- What is our exposure to that **counterparty**?
- What is our exposure to that **security**?
- How do we get the information
our regulator needs?
- How do our investments support our **CSR goals**?





Data Has Become Key in Answering These Questions Effectively





Examples: (1) Basic Trading Cost Information...

Trade Exec
XX DEC XX
Consolidated ABCCR
ABC Client

Trade Execution Analysis - Trade Detail

Trade Date	Settle Date	Issue Description	Country	Broker	Buy/Sell	Shares Principal	Trade Price WVAP	Commission Amount in BPS	Pricing Impact Amount in BPS	Local Fees Amount in BPS	Total Costs Amount in BPS
PM101 - F & C EUROPE EQUITIES											
XXDec XX	XXDec XX	THYSSENKRUPP AG NPV	Germany	BANK JULIUS BAER FRANKFURT	Sell	278,600.00 4,174,540.44	150151 N/A	-8,365.42 -20.0	N/A N/A	0.00 0.0	-8,365.42 -20.00
XXDec XX	XXDec XX	BNP PARIBAS EUR2	France	FOX PTT KELTON LONDON	Sell	176,412.00 8,537,109.45	484900 482100	-17,108.43 -20.0	-3,528.24 -4.1	0.00 0.0	-20,636.67 -24.20
XXDec XX	XXDec XX	ENEL EUR1	Italy	MERRILL LYNCH INTL LTD EQUITIES	Buy	813,200.00 4,434,692.68	54425 54600	-8,851.88 -20.0	14,231.00 32.1	0.00 0.0	5,379.32 12.10
XXDec XX	XXDec XX	E.ON AG NPV	Germany	GOLDMAN SACHS INTL LDN (CST B01)	Sell	88,200.00 4,375,405.81	497072 N/A	-8,768.35 -20.0	N/A N/A	0.00 0.0	-8,768.35 -20.00
XXDec XX	XXDec XX	DEUTSCHE BOERSE AG NPV(REGD)	Germany	MANFRST BANK AKTIENGESE US CHAFT	Buy	104,881.00 4,514,488.96	429580 N/A	-9,010.86 -20.0	N/A N/A	0.00 0.0	-9,010.86 -20.00
XXDec XX	XXDec XX	CAPTALIA SPA EUR1	Italy	INTERMONTE SECURITIES SIM	Buy	1,778,500.00 4,514,306.79	2,5332 2,5500	-9,010.89 -20.0	29,878.80 66.2	0.00 0.0	20,868.21 46.20
XXDec XX	XXDec XX	VNU NV EUR0.2D	Netherlands	MERRILL LYNCH INTERNATIONAL, LONDON	Sell	115,250.00 2,879,421.17	250342 250700	-5,770.38 -20.0	-4,125.95 -14.3	0.00 0.0	-9,896.33 -34.40
XXDec XX	XXDec XX	ACCOR EUR3	France	UBS AG LONDON	Buy	48,560.00 1,727,541.85	355044 356400	-3,448.19 -20.0	6,584.74 38.1	0.00 0.0	3,136.55 18.20
XXDec XX	XXDec XX	TELEFONICA SA EUR1	Spain	CITIGROUP GLOBAL LTD BROKER	Buy	1,512,100.00 17,543,623.11	11,5790 N/A	-35,017.21 -20.0	N/A N/A	0.00 0.0	-35,017.21 -20.00
XXDec XX	XXDec XX	BOUYGUES EUR1	France	CHELVREUX DEVRIEUPARE	Sell	195,541.00 5,151,587.05	263981 264100	-10,323.82 -20.0	-2,326.94 -4.5	0.00 0.0	-12,650.76 -24.00
XXDec XX	XXDec XX	BNP PARIBAS EUR2	France	EXANE PARIS	Sell	88,500.00 4,286,327.69	483037 484000	-8,549.76 -20.0	-8,522.55 -20.0	0.00 0.0	-17,072.31 -40.00
XXDec XX	XXDec XX	CIE DE ST-GOBAIN EUR4	France	DEUTSCHE BKAG LONDON INTL EQUITIES	Sell	115,700.00 4,445,425.63	384990 383700	-8,908.67 -20.0	14,925.30 36.6	0.00 0.0	6,016.63 13.60

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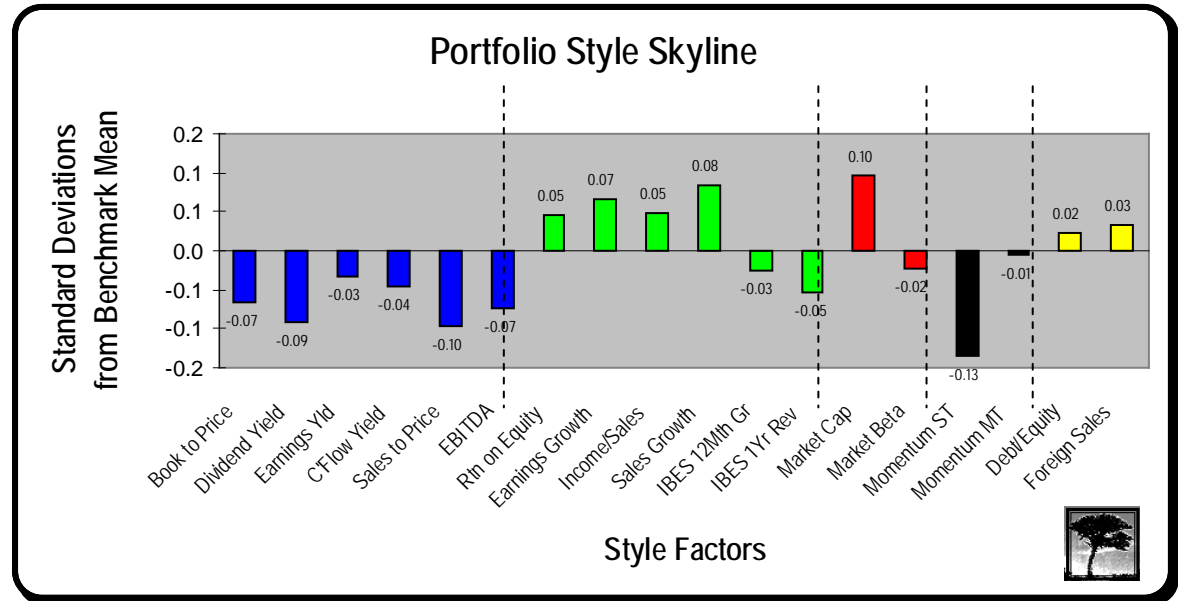
*Generated by The Northern Trust Company from periodic data on XX Feb XX 2169C0

Key questions include:

- How many stocks did I buy?
- What did they cost?
- What were the associated fees?
- What are my trading costs by manager ?
- How do my costs vary from manager to manager?

Key questions include:

- Are my managers complementary?
- Are my expected returns and risks aligned?
- Is there unintended exposure?
- Is my asset allocation aligned with my liability profile?

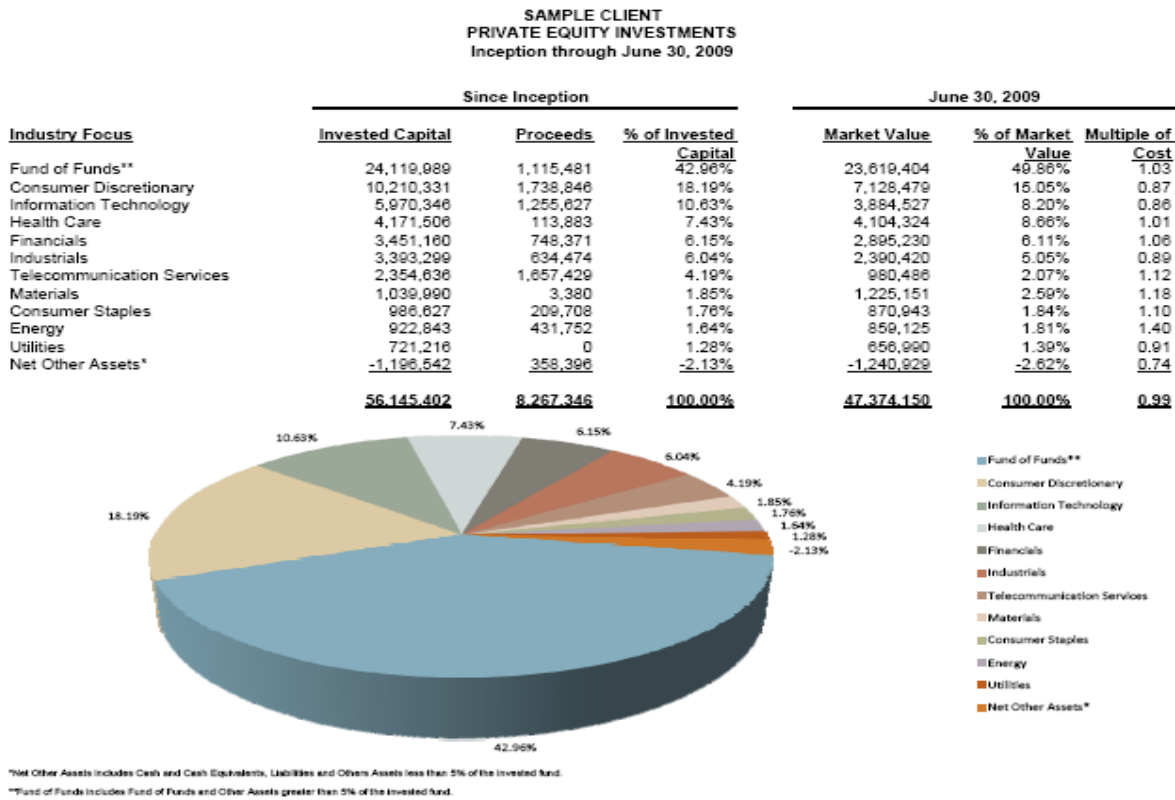




(3)...Transparency over Complex Alternative Investments

Key questions include:

- What is my likely cashflow/asset allocation?
- What is the potential range of capital calls, distributions and unrealised investments?
- What is my exposure to country/industry sector?



Example: private equity investments



Key questions include:

- What is the “true” asset allocation of my total plan
- What is my “true” exposure at an asset class and country level?
- Are my managers investing appropriately?

<i>Reports</i> <u>XX-XX-XXXX</u>	Account number ABC Client	
◆ Effective Currency Exposure		
Country	Currency (Base Currency)	%
Australia	1,630,504	3.33%
Canada	2,997,192	5.12%
Denmark	999,314	2.04%
<u>Euroland Region</u>	15,179,395	31.04%
Hong Kong	1,837,565	3.75%
Japan	5,472,449	11.19%
New Zealand	245,092	0.50%
Norway	231,011	0.47%
South Korea	2,085,000	4.27%
Sweden	1,783,711	3.65%
Switzerland	1,373,915	2.81%
United Kingdom	12,239,711	25.03%
United States	3,172,578	5.49%
Total for Report	48,900,774	100.00%





Northern Trust: Institutional Governance Services

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Fiduciary support

Hedge fund analysis

Investment oversight solutions

Performance analysis

Pooled fund peek through

Private equity tools

Regulatory reporting

Risk solutions

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Solvency II reporting

Transaction cost analysis

Thank You

INSTITUTIONAL GOVERNANCE SERVICES





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