IAPF Investment Guidelines

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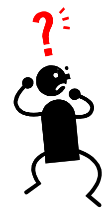
What? 

 Why?

Who? 

 When?

How? 

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What?

7 guidelines for DC

&

7 guidelines for DB

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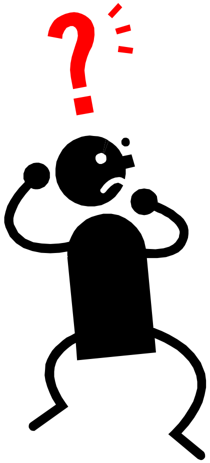

Why?

To change behaviour

&

Improve governance

(the game has changed)

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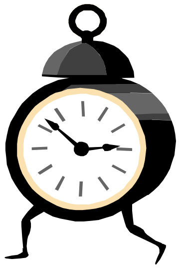
Who?

Trustees

When?



Now!

(currently voluntary)

How?

Not prescribed

Summary guidelines

1. Annual consideration
2. Seek advice
3. Comply with regulations

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Summary guidelines DC

4. Appropriate options – review every 3 years

5. Member objectives

6. Communications

7. Trustees own strategic design but may delegate all other tasks.

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Summary guidelines DB

4. Risk relative to liabilities (not peers)
5. Cost & covenant – consult sponsor!
6. Review strategy at least every 3 years
7. Trustees own “Risk & Return” objectives but may delegate all other tasks.

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Compliance

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Whither?

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Appendix

The IAPF Investment Guidelines

1

Trustees should formally discuss investment matters at least annually (including their compliance with these guidelines).

2

Trustees should take expert advice in relation to investment issues unless they are satisfied that they already have the necessary skills and information.

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3

Trustees should ensure that they comply with all relevant investment regulations. If necessary they should seek confirmation from their investment advisers.

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4 DB

Trustees should always consider investment risk as well as investment return. They should measure investment risk by reference to the scheme's liabilities rather than to average or market returns. Trustees should consider the likelihood and implications of a range of possible outcomes.

5 DB

A policy of minimising investment risk may not be appropriate. Expected costs as well as the future willingness and ability of the sponsor to fund the scheme should be considered. The sponsor should be consulted as part of these considerations.

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6 DB

Trustees should review their investment strategy at least every three years. This should include a review of overall strategy, liability matching and risk, and investment management performance.

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7 DB

Trustees should retain responsibility for high level strategic decisions in terms of requirements and objectives for risk and return. Trustees may delegate implementation to others and should do so where they do not have the necessary skills.

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4 DC

The responsibility of trustees in defined contribution schemes is to provide a reasonable range of appropriate investment options for their members. The range should be formally reviewed at least every three years.

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5 DC

Trustees should consider likely investment needs of members (including growth, capital protection and income protection) and should measure risk in relation to these objectives and to the likely risk tolerance of their members. In particular, attention should be paid to the requirements of members within 10 years of normal retirement.

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6 DC

Trustees should ensure that sufficient communication exists to enable members to be aware of the important features of the investment options available to them and should provide for appropriate default strategies for members.

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7 DC

Trustees should retain responsibility for high level strategic decisions in terms of assessing investment objectives, options and default strategies. Trustees may delegate implementation to others and should do so where they do not have the necessary skills.

BRENDAN KENNEDY

Chief Executive,

The Pensions Board

Followed by

Questions & Answers

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