



IAPF Pension Investment Survey 2016

Key Highlights from the 2016 IAPF Pension Investment Survey

- The value of Irish pension savings grew by just over 8% in 2016 to €125.5bn, a rise of almost €10 billion.
- This is the highest level of pension assets recorded. Pension savings had fallen to €63.5 billion at the end of 2008 and have now almost doubled in the intervening period.
- Savings in defined benefit schemes amount to just over €78 billion with those in defined contribution schemes totalling €47.5 billion.
- Defined benefit savings grew by 8.6%, while defined contribution savings grew by almost 8%.
- 13.7% of defined benefit assets are now invested in alternative asset classes, an increase from 5.1% in 2012.
- The amount of defined contribution assets invested in cash fell from 14.3% to 11.5%.

Section 1: Overview

8+% Growth in Pension Fund Assets: The value of Irish pension funds grew 8+% in 2016 to €125.5 billion compared to €115.8 billion in 2015. A relatively strong performance across international equity markets in 2016 drove much of the improved result.

62% of total assets (€78bn) are managed on behalf of defined benefit schemes while 38% of total scheme assets (€47.5bn) are managed on behalf of defined contribution schemes (including additional voluntary contribution schemes).

Figure 1: Total Value of Irish Pension Fund Assets (€bn)

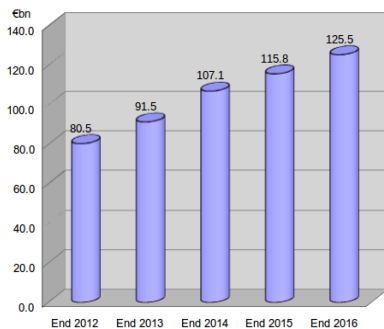


Figure 2: Split of Pension Fund Assets by Scheme Type

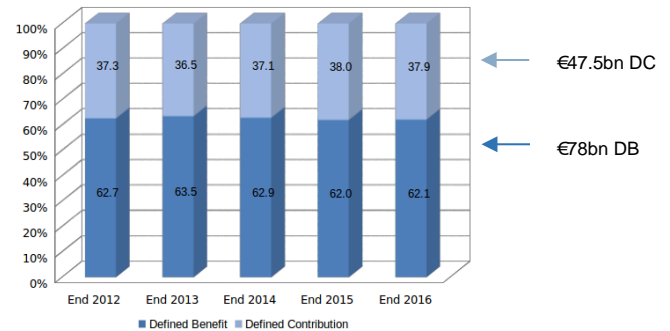
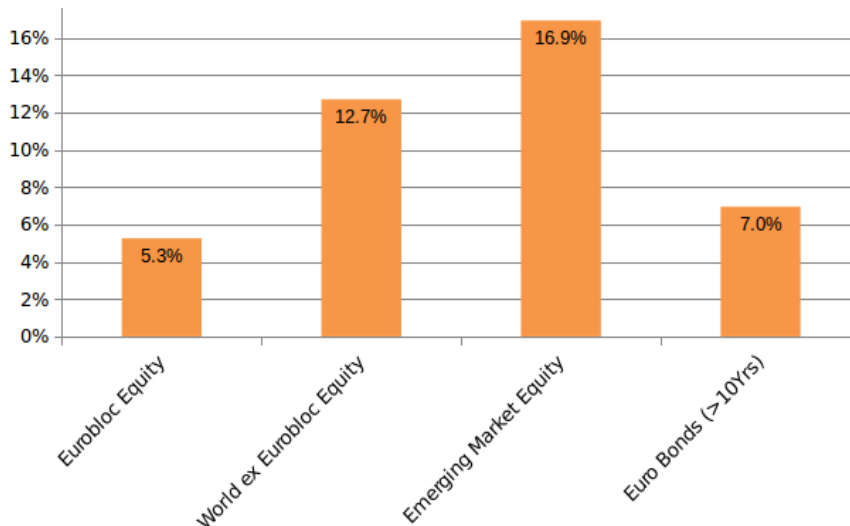


Figure 3: 2016 Asset Class Returns in Euro (Source: Rubicon Investment Consulting)



Section 2: Defined Benefit Schemes

There were small changes in the levels of asset allocation compared to the end of 2015. **Equity** allocation now stands at 40.6% of assets compared to 41.1% in 2015. The allocation to **bonds** fell from 39% to 36.9%. **Alternatives** increased from 11.1% in 2015 to 13.7% in 2016, while cash fell from 6% to 5.2%. Within alternatives, Absolute Return and Hedge Fund strategies account for 6.3% of total DB assets with other alternatives accounting for 7.3%.

Passive Management Drops Slightly: In 2016, 54.8% of defined benefit scheme assets were passively managed compared to 57.8% in 2015.

Scheme Specific Benchmarks Preferred: 89.2% of defined benefit schemes now use a tailored approach to scheme asset allocation compared to 10.8% of schemes using a peer group benchmark for performance comparison.

The type of **bonds** held by DB schemes remained largely unchanged from 2015 with the majority being long-dated, fixed interest, Eurozone Government bonds.

Figure 4: DB Asset Class Weights

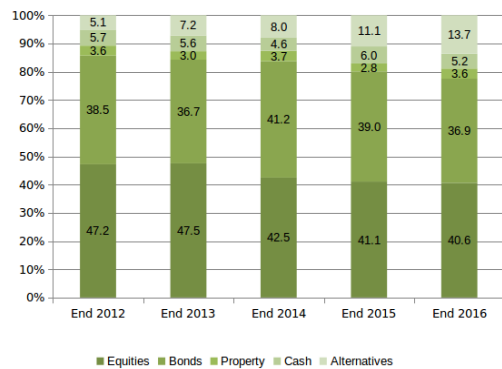


Figure 5: DB Split between Active & Passive Assets

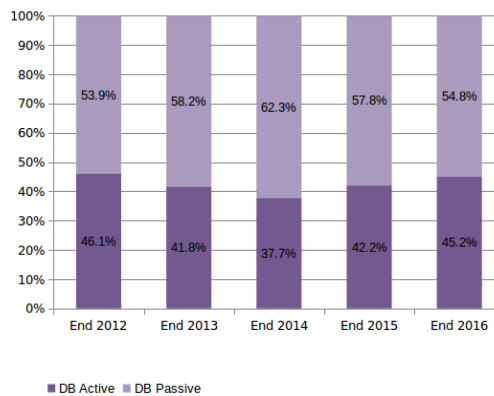


Figure 6: DB Split by Benchmark Type

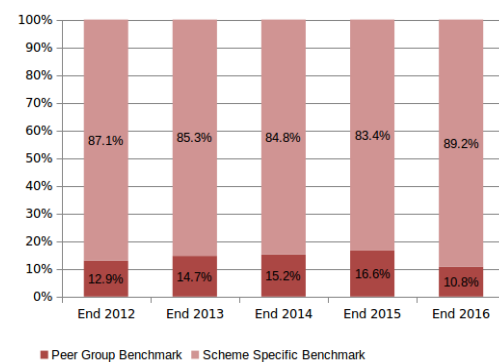
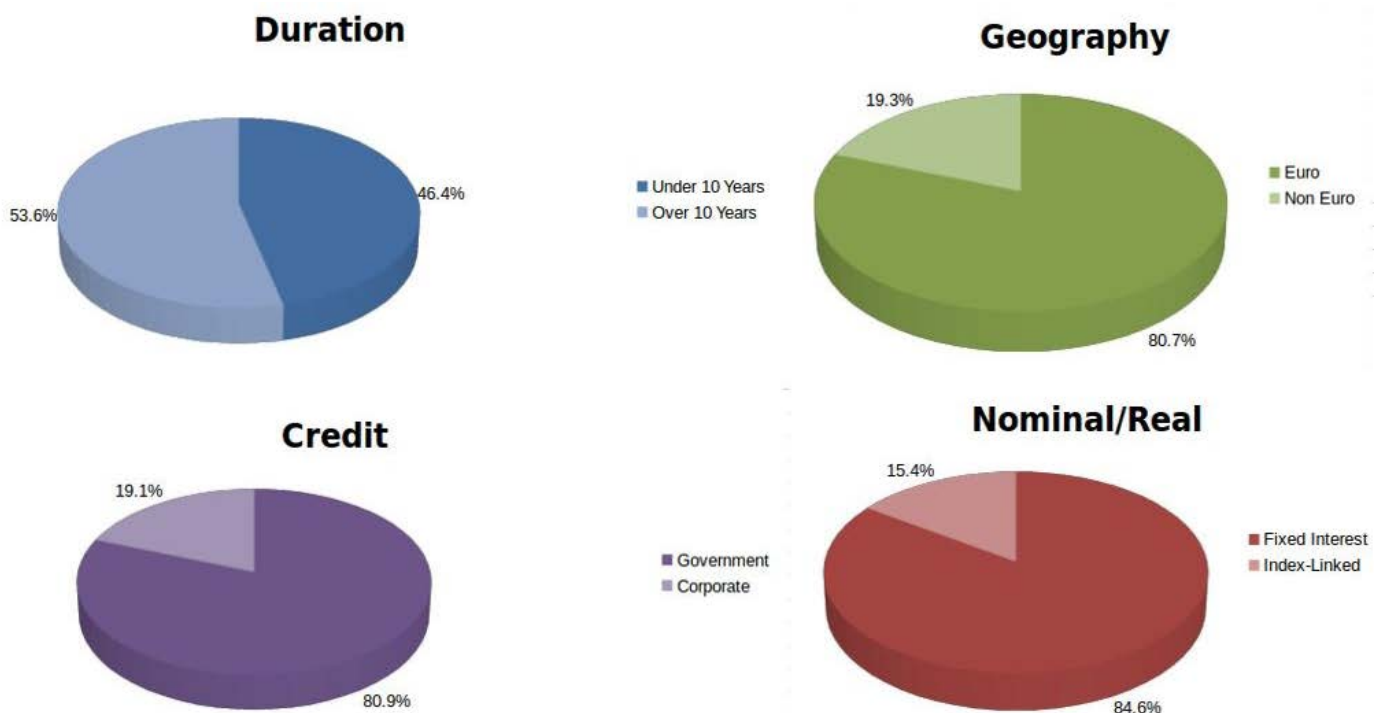


Figure 7: DB Analysis of Bond Holdings



Section 3: Defined Contribution Schemes

Equities accounted for 53.9% of defined contribution scheme assets in 2016, a 3.9% increase from a year ago. The allocation to **bonds** dropped slightly to 22.8% from 23.6%. The amount of assets in **cash** funds fell from 14.3% to 11.5%.

Alternatives account for 6.6% of DC assets in 2016, 3.9% in absolute return and hedge fund strategies and 2.7% in other alternatives.

Defined contribution schemes slightly increased the amount allocated to **active management** from 60% in 2015 to 60.9%.

Figure 8: DC Asset Class Weights

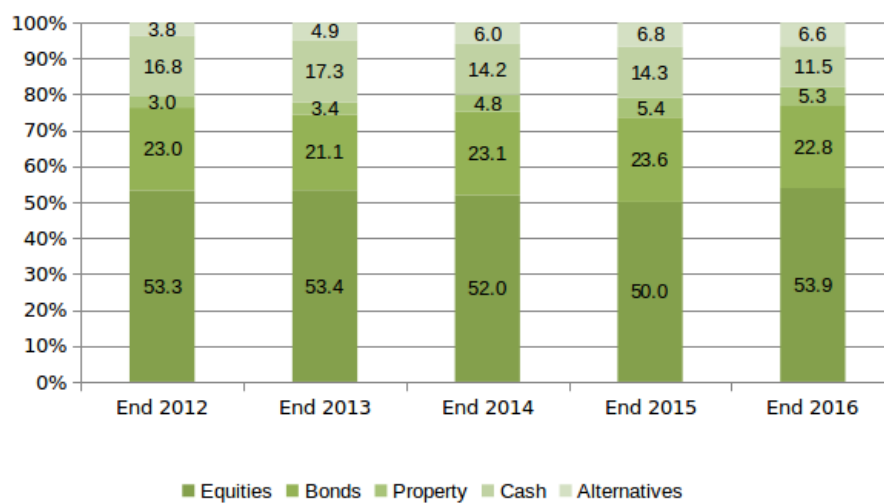


Figure 9: DC Split between Active and Passive Assets

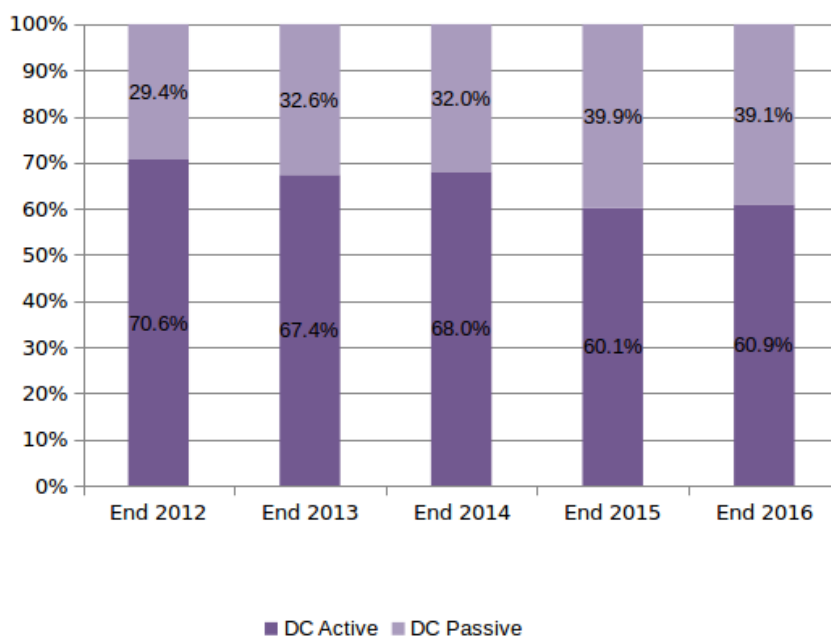
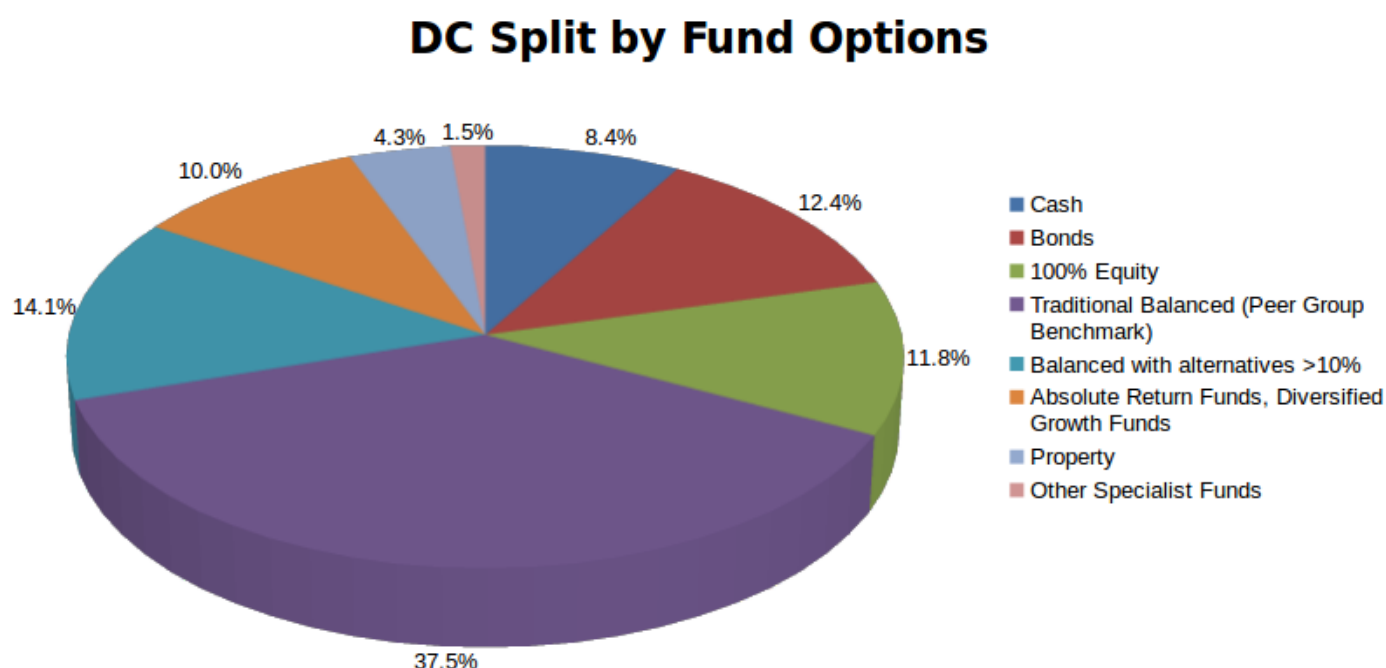


Figure 10: The relative split for broadly defined DC fund options.



Survey Methodology

The survey was conducted by circulating a questionnaire to financial institutions involved in pension fund asset management.

Complementing this source, the largest Irish pension funds were asked, on a similar basis, to return information on any assets where management was not delegated to one of the financial institutions already contacted.

Please note that the figures in this report have been rounded, and may not always add up exactly as a result.



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