

Association of Consulting Actuaries

LDI concepts for DC

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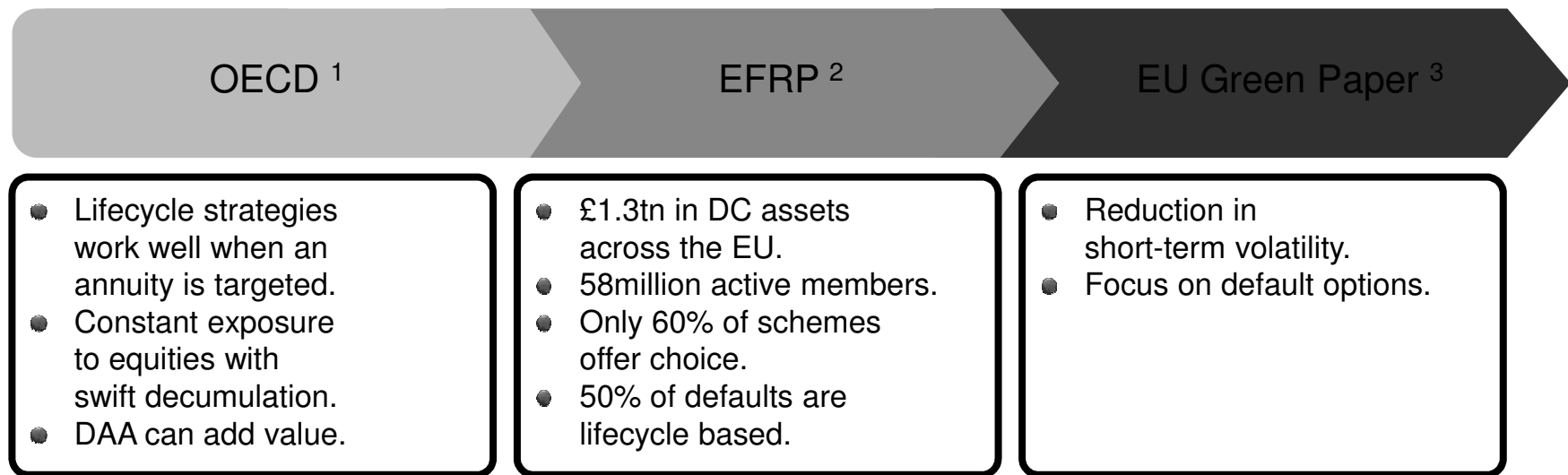
INVESTORS
IN PEOPLE



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DC Investment

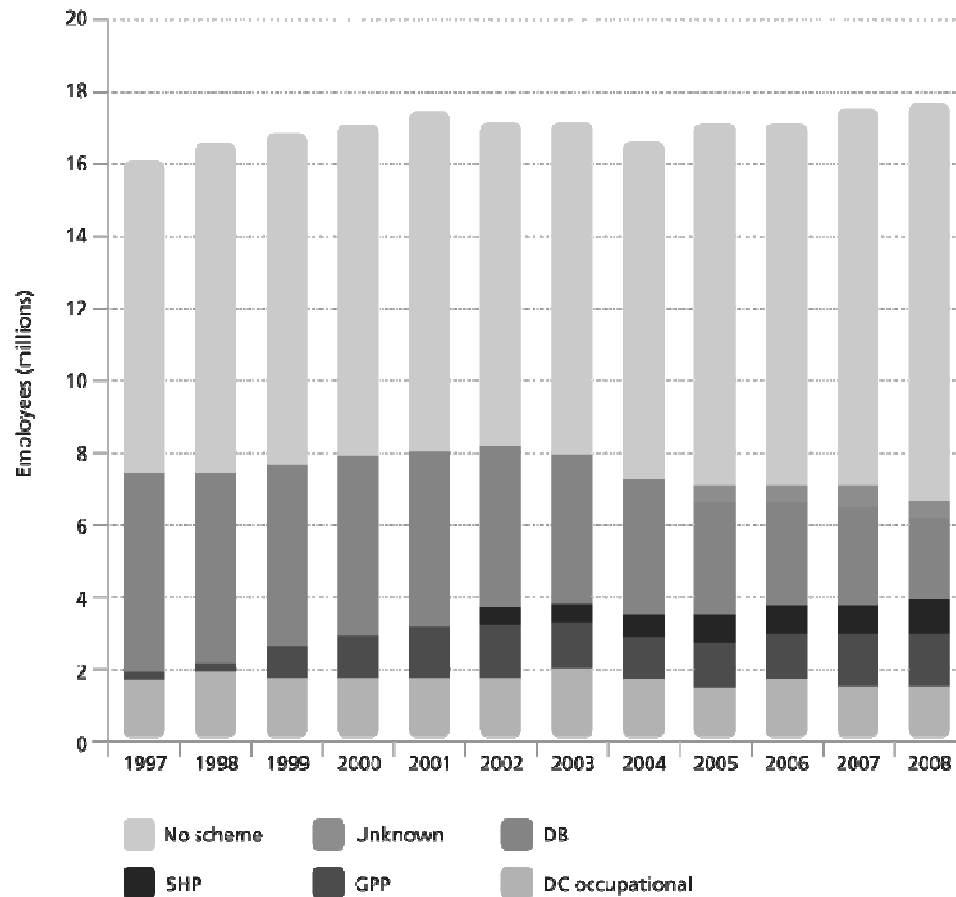
Ever increasing focus at global level



1. Antolín, P., S. Payet and J. Yermo (2010), "Assessing Default Investment Strategies in Defined Contribution Pension Plans", OECD Working Papers on Finance, Insurance and Private Pensions, No. 2, OECD Publishing
2. European Federation for Retirement Provision; 2010 DC Pensions Survey
3. European Commission; Green paper; "Towards adequate, sustainable and safe European pension systems"

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Membership data



UK employee membership of employer-sponsored pension scheme, 1997-2008 (private sector only)³

Source: Defined Contribution Pension Provision by PriceWaterhouseCoopers DWP research publication 608 published in 2009

³Changes in methodology in the ASHE survey for 2006 (and onwards) mean that comparisons with 2005 and earlier should be treated with caution. The ASHE survey replaced the New Earnings Survey (NES) in 2004.

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Progress over the last 30 years



With-profits/
balanced managed

Passive/
lifecycles

Diversification/
white-labelling

Pre-1990s

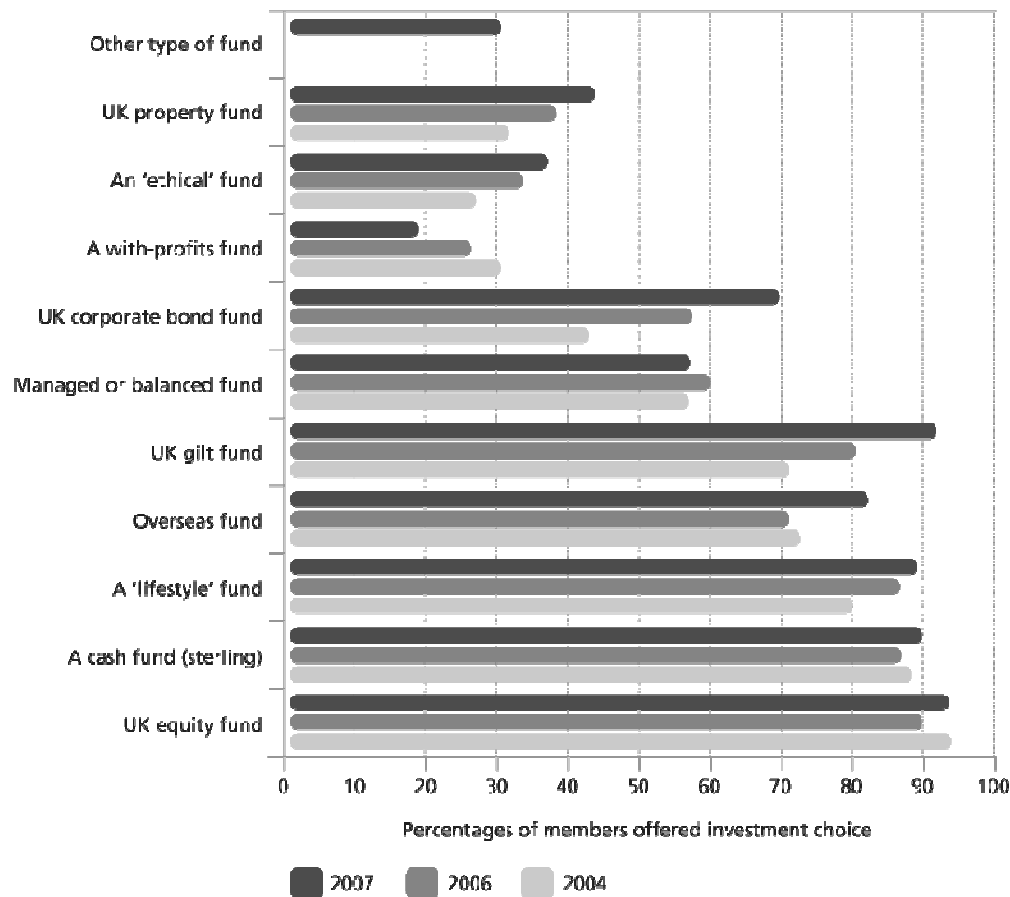
1990-2010

2010 onwards

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What funds are actually made available?



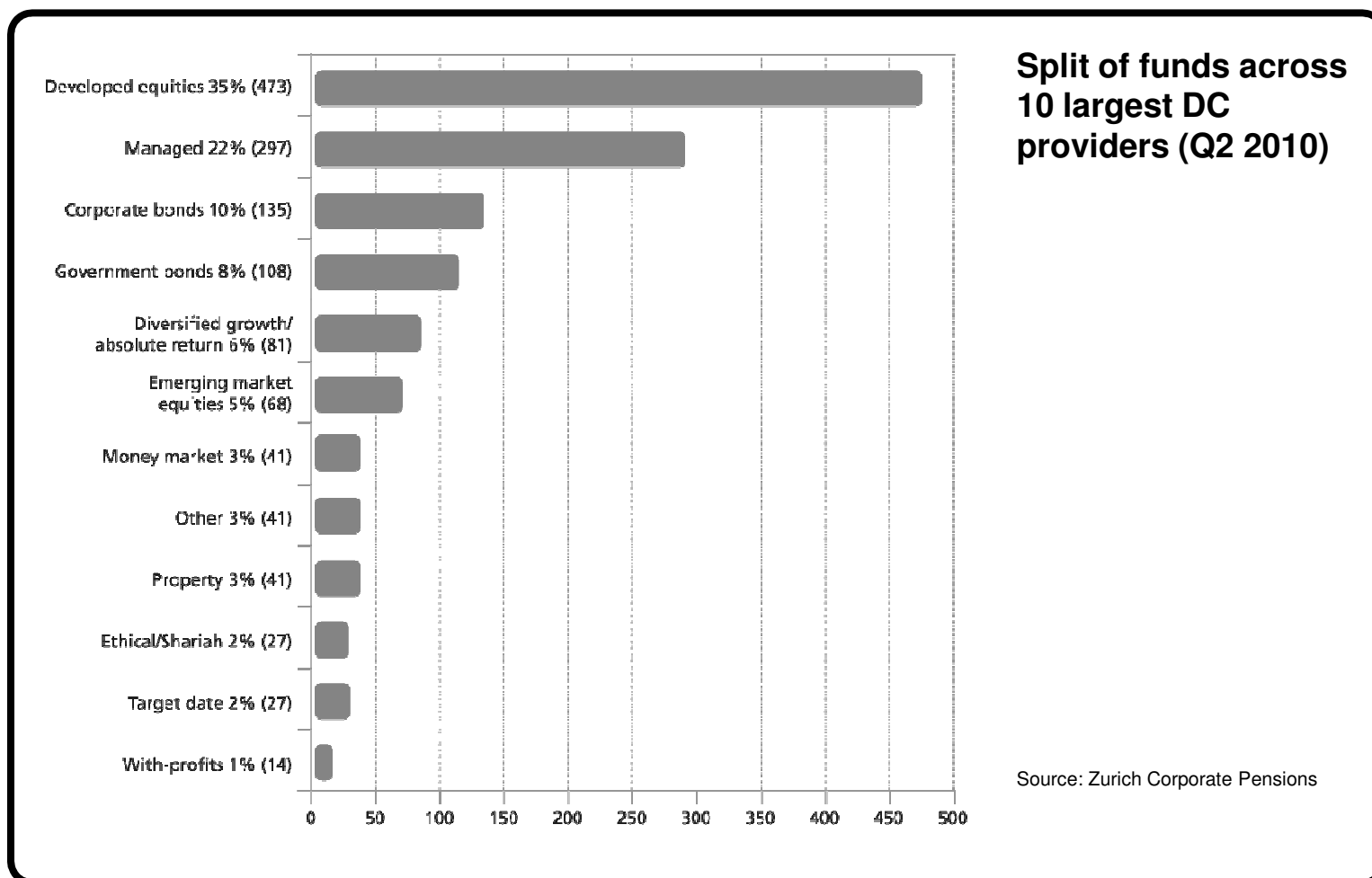
Available investment choices, UK DC occupational pension scheme members, 2004-2007^a, 105

Source: Defined Contribution Pension Provision by PriceWaterhouseCoopers DWP research publication 608 published in 2009 (NB only covers Trust Based Schemes) ONS, 2004-07, OPSS

^a Changes in methodology for 2006 onwards means that comparisons with 2004 should be treated with caution.

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The provider perspective



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The future?



Outcome orientated

- Return target
- Volatility target
- Income target

Use of derivatives

- Improved annuity matching
- Leverage
- Access to new asset classes
- Explicit downside protection

Improvements to time-based asset allocation strategies

- Target date
- Flexible/post retirement options
- Annuitisation?

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What LDI products are available?



LDI DC products

- BlackRock DC Banking
- F&C Annuity Matching
- Dimensional Managed DC
- Alliance Bernstein Customised Retirement Strategies
- Aegon 5 for Life

Thank you

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