

The Irish Institute of Pensions Managers, 27th March 2008

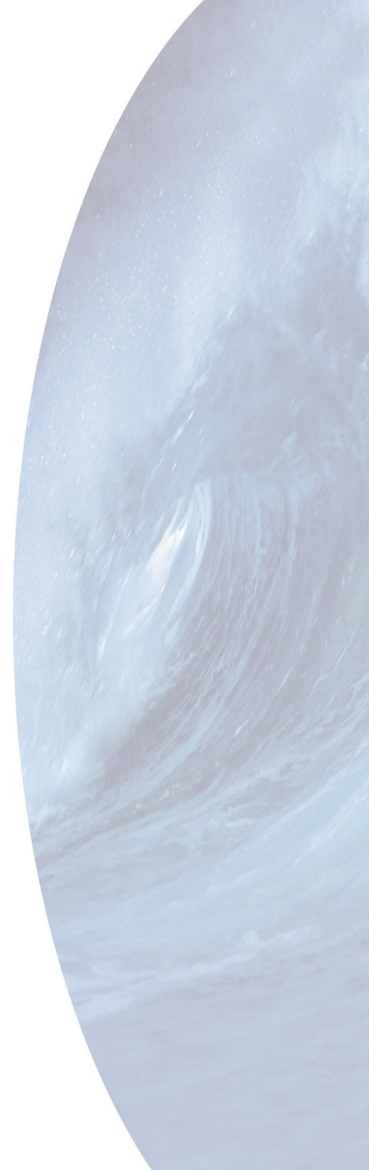


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Brendan Johnston

Pensions Director
Eagle Star

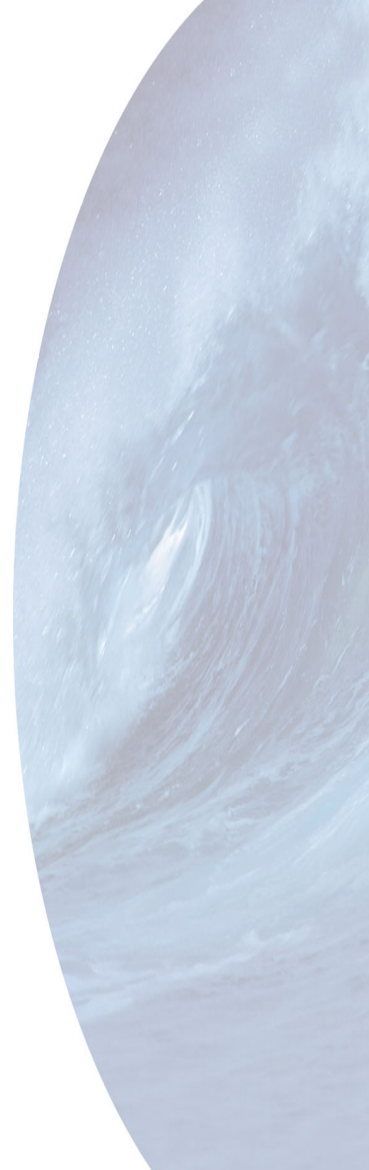




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PRSAs and Trust Based Plans Which and When?



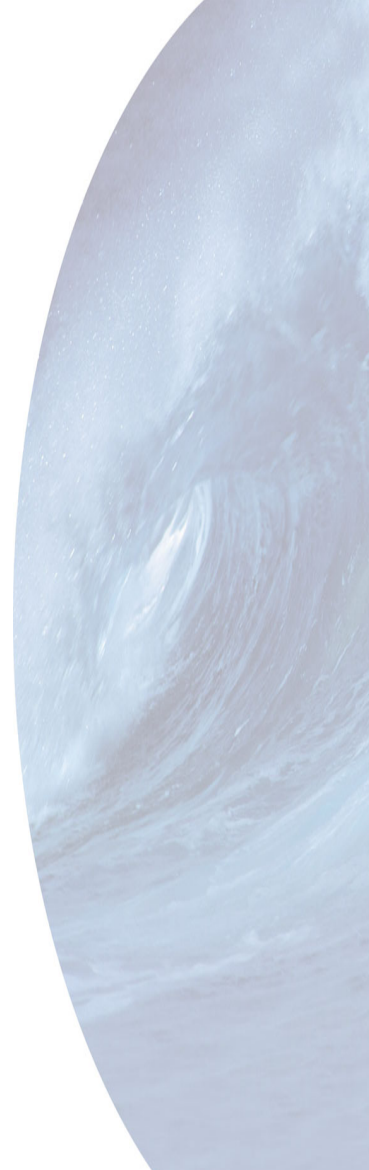
Overview



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- Summary
- Trustees
- PRSAs
- Which and When?



Summary



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- PRSAs will become increasingly important.
- Trustee based plans will continue to have major role but trusteeship will change
- Advisors will adapt their roles with greater emphasis on member advice

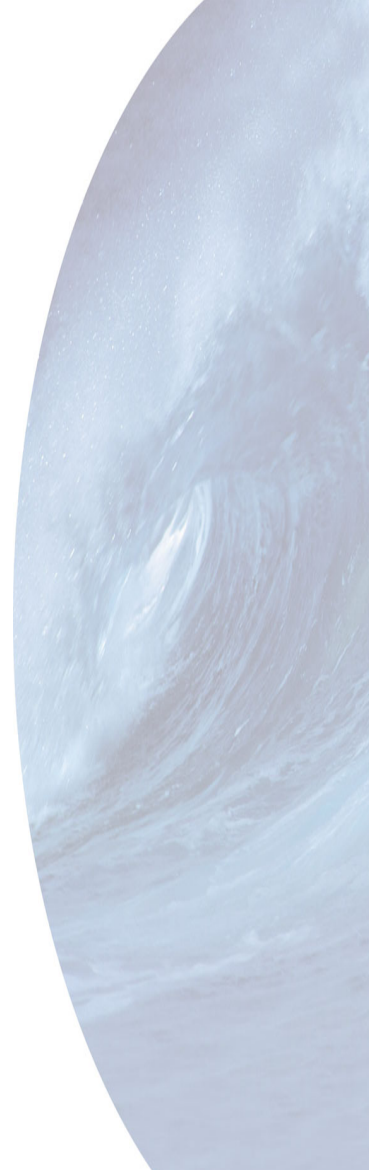
Trustees



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- Pension assets under trust to give protection
 - Unscrupulous employer
 - Liquidator



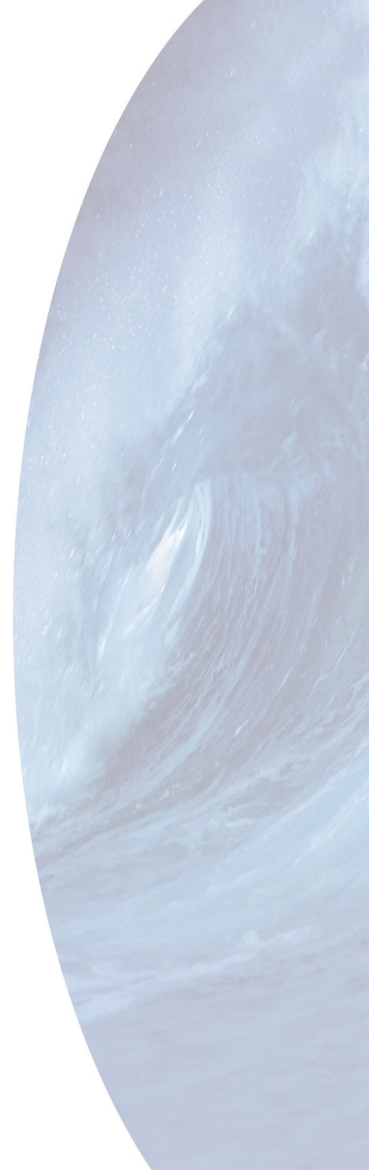
Trustees



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- Trustees are normally
 - Employer
 - Individual Employees
 - Corporate Trustees





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Trustees

- Are responsible for just about everything
 - Making sure the correct contributions are paid
 - Appropriate Investment Strategies
 - Appropriate documentation and records are kept
 - Benefits are paid correctly
 - Complying with over 380 pages of Pensions Acts
 - Proper disclosure to members

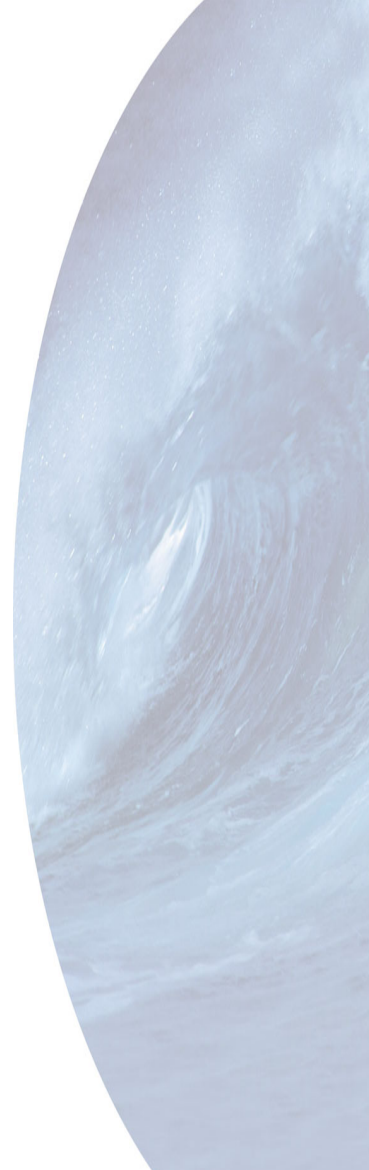


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Trustees

- Trustees are liable to
 - Fines
 - Prosecution
 - Be sued by unhappy employees
 - Be left in the lurch by employer
 - At loggerheads with a liquidator



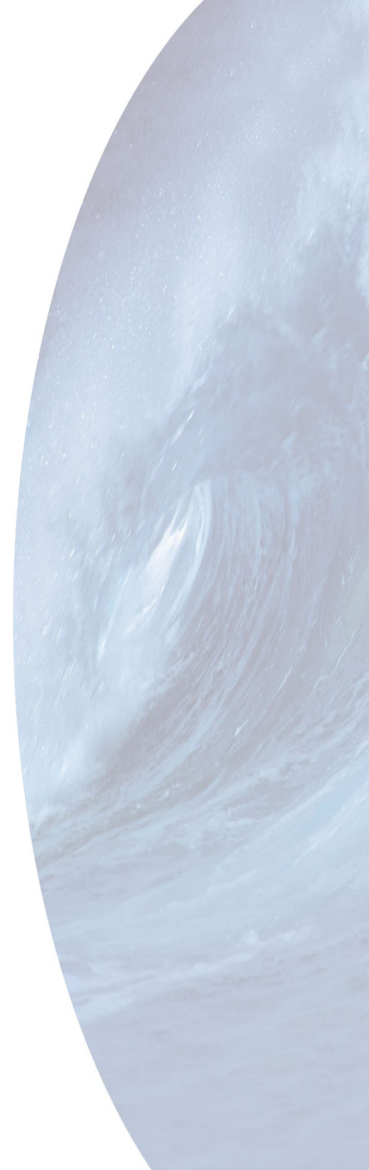


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Trustees

- Quite often do not get paid
- May be personally liable for mistakes or insolvency
- Is there professional indemnity cover?
- Will employer be there to indemnify?



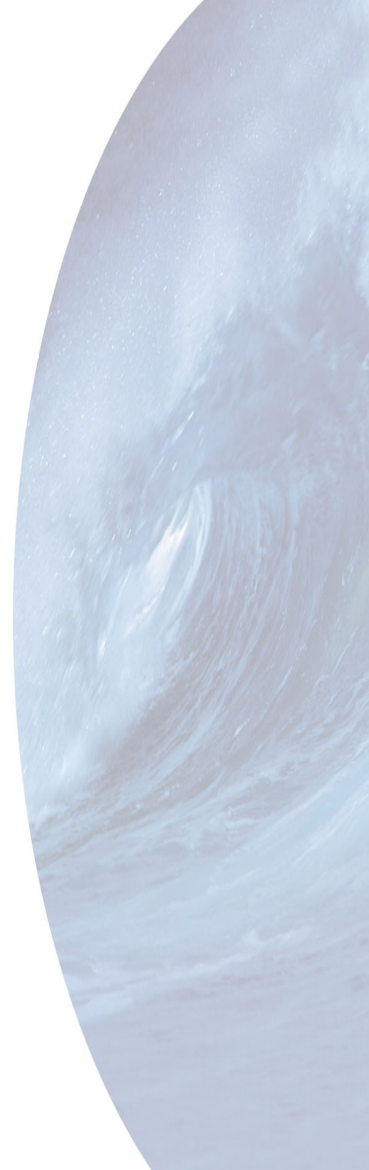


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Are Trustees Crazy?

Nearly the only reason why you can be excluded from being a trustee.



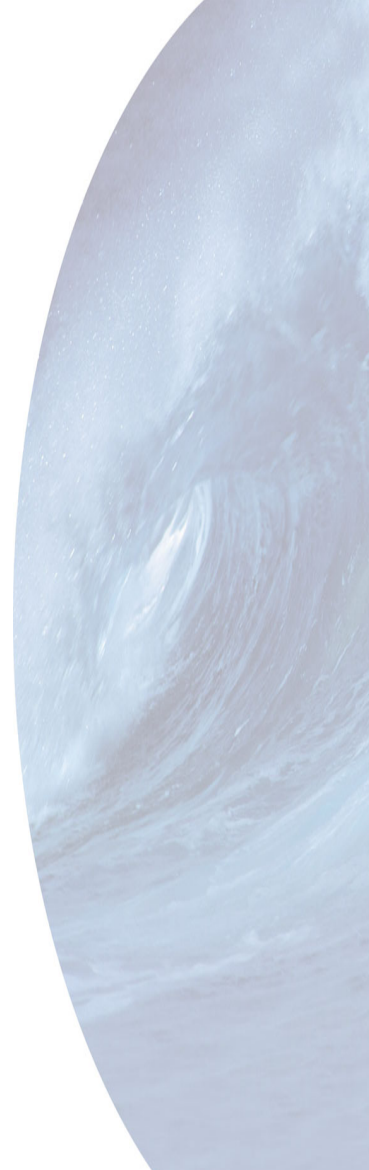


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Why does anyone do it?

- Inertia
- Tradition
- No other model until recently





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Legislation is changing again

- Introduction of the registered administrator
- Trustee training will be a requirement
- Employer may not be willing to attend trustee course
- Employer may be unwilling to continue as trustee after the course
- PRSAs will become an increasingly attractive solution



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PRSA's

- PRSA's on individual and group basis.
- Normally life office solvency protection
- Contract based.
- Well regulated
- Controlled and explicit charging
- Good investment choice
- Does not allow for "Revenue Max Contributions"



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PRSA's

- Clear access to ARFS
- Fewer dead ends compared to occupational plans/buyout bonds
- Transferability through different employments

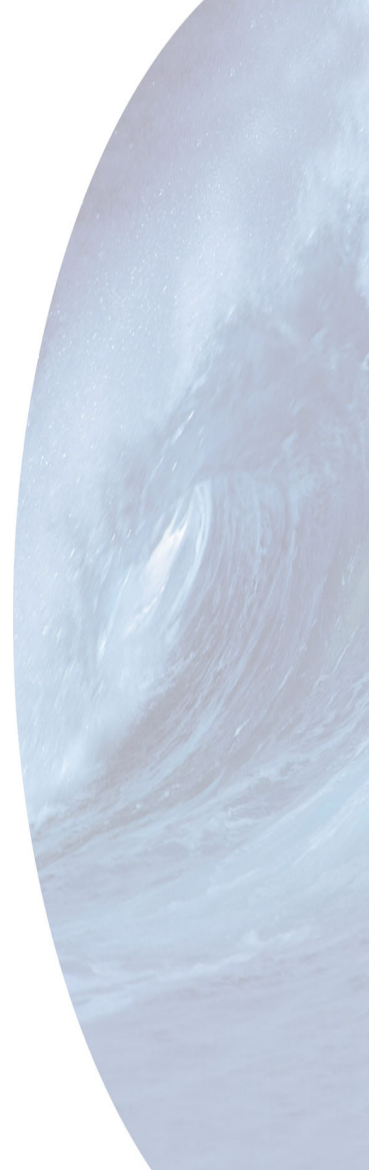
PRSAs



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- PRSAs are opening up new ideas- PRSA AVCs, Group PRSAs
- PRSAs are Big Business





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PRSAs as standalone AVCs

- Increasing popularity
- Privacy from employer
- Normally greater investment choice
- Tax relief and PRSI relief available
- Provider will do Revenue Check
- Needs to inform trustees of existence
- Very popular with public service
- Care needed on added years alternative



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PRSAs are big business

- Individual SP >€5m
- Individual AP >€100K
- Group PRSAs with hundreds of members
- Total number of cases 131,000
- Total funds under management in excess of €1.25 bn

And Growing



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Year End	Assets €m	Growth	Number	Growth
2007	1253	50.1%	131000	37.9%
2006	835	85.1%	95000	39.7%
2005	451	153.4%	68000	47.8%
2004	178	334.1%	46000	142.1%
2003	41		19000	

Figures form Pensions Board

Typical Group PRSA

- Contributions by deduction from salary
- Aggregated contributions
- Employer access to contribution data on-line
- Same service as Group DC
- Numerous charging structures

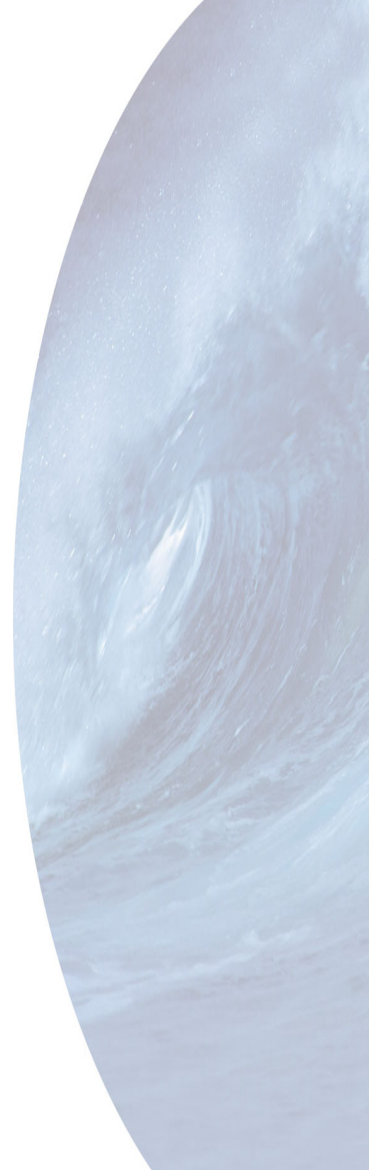
Group PRSA



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- No trustees
- No fines
- No audit
- No expensive wind up of the plan



What the Employer Wants

- Good provision for employees especially key employees in terms of investment design and choice
- No hassle from administration
- No unexpected liabilities to bite such as investment responsibility or wind-up costs
- Can provide value to employees through bulk purchase

Scoring Group PRSA versus DC



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Attribute	PRSA	DC
Trustee Liability	5	0
Member Security	5	4
Access to ARFs	5	2
Investment Choice	4	5
Group Processing , Bulk Discount	5	5
Member Flexibility and options	5	3
Risk Cost Deduction	0	1
Audit Fees	3	0
Maximum Contribution	0	2
Employer refund of pre-vesting contributions	0	1
Pensions Board Fees	1	1
Total	33	24



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Investment Choice For PRSAs

- Wide choice including self directed. With profit and concentrated investments allowed in non standard PRSAs
- Charges must include those from sub funds making external manager choice more difficult

Which and When?



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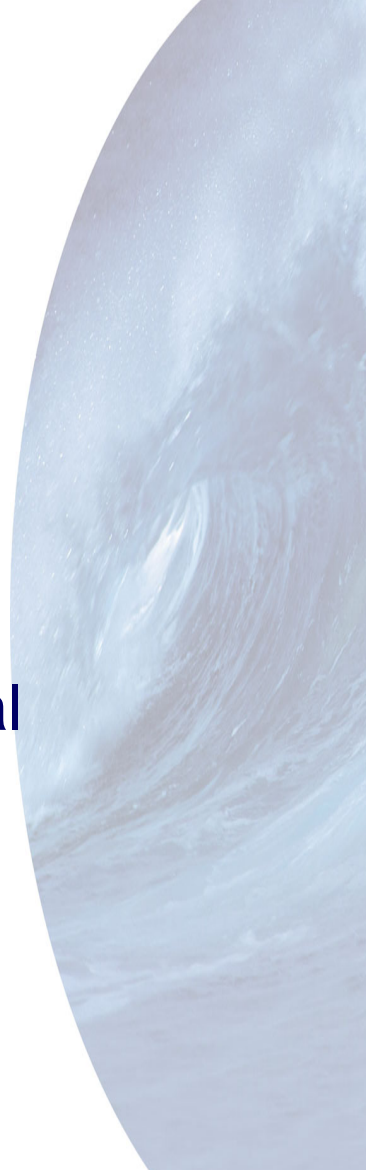
Trust Based:

For key employees to allow:

- Revenue maximum contributions
- Greater fund choice

PRSAs:

- For bulk of employees whether group or individual
- For those wanting unhindered access to ARFs



Brokers role



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- Wide range of charging structures and commission options
- Selling to a group is not as onerous as many think as individual fact finds not required in many cases
- Much more emphasis on the investment choice and contribution plans of senior employees

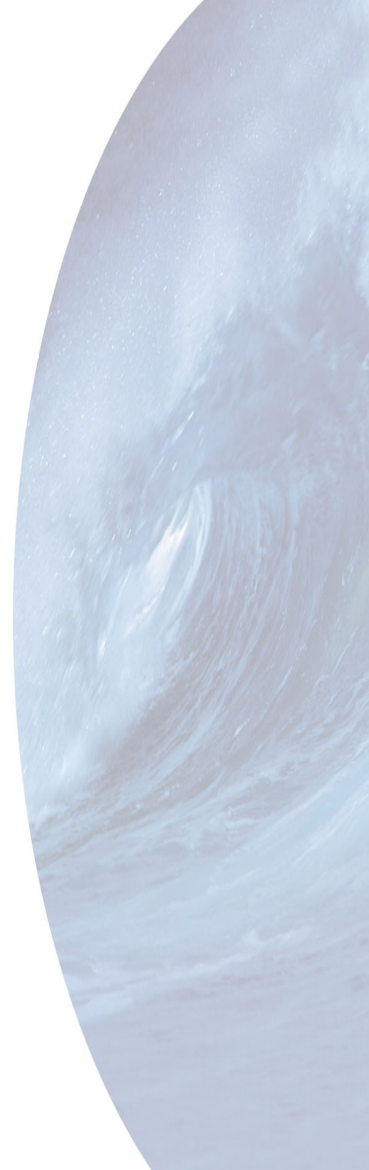
Traditional Plan



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- 100 employees
- Member contribution rate 5%
- Employer contribution rate 5%
- 10 executives employer pays 30%
employees pay 10%



Fusion



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- 90 employees in PRSA
- 10 executives in individual executive plans and PRSAs used as AVCs.
- Executives have much greater scope for future options

Future Design – Fusion

- Greatly reduces trustee liability
- No audit fees saving €5,000 per year
- Group processing

The Future and the Green Paper

- More PRSAs especially Group
- Corporate trustees rather than part timers
- Trustee training
- Green Paper generating Questions
- Tax credits not enough
- Auto-enrolment will work