The need for professional advice has never been greater

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In an era of ever increasing regulation and legislative complexity, combined with historically low interest rates, the need for professional advice to ensure the best outcome from pension savings has never been greater. Equally there continues to be a need for simplification and reform to ensure that not only the current but also future generations make adequate provision for their retirement.

While in the future defined benefit (DB) schemes may only be preserve of the public sector, private sector DB schemes are still very significant in value terms representing €72 billion or 62% of the total Irish pension scheme assets. In theory, those who have benefits in the remaining DB schemes might expect a reasonable retirement income. However, managing these schemes in a long run-off phase is now an increasing challenge in an era of very low bond yields as trustees and sponsors seek to manage liabilities and balance risk and reward. In this regard there is an urgent need to reform the statutory funding standard and review the regulatory requirement to "de-risk" to Eurozone government bonds in order to avoid unintended adverse outcomes.

If the past (and still for some the present) is DB, the future for most of us is certainly defined contribution (DC). This means that all the risk and reward lies with the member. This in turn means that advice on the appropriate structure and investment strategy becomes critical.

In terms of structure, Invesco supports the proposed government policy of reform and simplification. The Invesco Master Trust was established in June 2016. This can help deliver better outcomes for members through economies of scale and is an ideal vehicle for the stated, but yet to be launched, auto-enrolment systems.

While auto-enrolment will help address pension coverage, pension adequacy also needs to be tackled. Any minimum pension requirement needs to be meaningful. We continue to call for other measures to encourage pension provision, including early access to funds, restoring PRSI and USC relief on employee contributions and indexing of the Standard Fund Threshold (SFT). The extension of ARF options to transfers from DB schemes prior to retirement is to be welcomed but members need to think carefully and seek professional advice before making a decision on their options.

With negative short term interest rates and government bond yields at only around 1% p.a., it is not possible to achieve a reasonable rate of investment return without taking some level of risk. Traditionally this has meant investing in equities, property or more recently in absolute return funds. Investing in infrastructure is another alternative which we believe is worth considering and could be seen as an ideal investment for long term investors in both DB and DC schemes. It would also help to increase the exposure to Irish assets in pension funds which has fallen from around 50% of total pension scheme assets in 1999 (prior to the introduction of the Euro) to around 10% today.

Developing an appropriate investment strategy should be built around the needs of scheme members and recognise their different risk appetites and potential benefit outcomes. At Invesco we continue to work with trustees and members to develop and offer innovative investment choices and default strategies. Our objective is always to achieve the best outcome for all stakeholders. This should also be the guiding principle of government pension policy.

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