

The Society of Actuaries in Ireland

Falling euro Generates Exceptional Returns for Irish Pension Funds

Irish pension schemes with holdings in the U.S. stock market have enjoyed an exceptional return of up to 62% since the euro was launched in January 1999.

During that period the U.S. stock market has risen by over 22%, but Irish investments have benefited by a further 40% due to currency gains as the euro weakened against the Dollar. If the euro had strengthened to the same degree as it weakened, Irish investors in the U.S. equity market could have returned a loss of 9%.

These figures emerged today at a seminar jointly organised by the Society of Actuaries and the Society of Investment Analysts.

It was stated, at the seminar, that currency risk management is of crucial importance to the National Treasury Management Agency (NTMA). The NTMA is expected to take over management of the £4.8bn National Pensions Reserve Fund after legislation is passed later this year.

Extra Pension Fund Payments

The seminar heard that if global growth slows and equity markets fall, companies may be called upon to provide extra cash for their pension funds.

However, delegates were told that trustees could sustain good returns, with lower risk, through alternative investments such as currency funds — thus avoiding over exposure to downturns in equity markets.

For example, the stg£23bn Coal Pensions Fund (the largest pension fund in the UK) is reported to be insuring itself against stock market losses by substantially increasing its exposure to alternative investments.

Also the California Public Employees' Retirement System (Calpers), which is the largest public pension fund in the US, is looking to invest up to US\$11bn of its US\$160bn in alternative investments.

These, and more, financial issues were raised today at a seminar entitled *Currency Overlay and Currency Fund Management*, which took place at the Conrad Hotel.

The speakers included: Matthew Annenberg, SSB Citibank; Mark Caslin, Alder Capital; Adrian Lee, Lee Currency Overlay and Bill Muysken, Chairman of Mercer's Global Manager Research Committee.

Note to Editors

Changes in currency exchange rates can add significantly to, or detract from, investment performance. The return, to an Irish domiciled fund, on a US equity has two components: The return on the equity in US\$ and movements in the exchange rate between the euro and the US\$.

It is estimated that approximately 45% of Irish Pension fund assets are invested outside Ireland. Despite Ireland's membership of the EMU, currency exposure is a major issue for pension fund trustees and investment managers.

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Further Information

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Visit the Society of Actuaries in Ireland website at www.actuaries-soc.ie.

The Society of Actuaries in Ireland

The Society of Actuaries in Ireland is the professional body for actuaries practising in Ireland, many of whom work in the pensions and life assurance industries. The Society aims to develop the role and understanding of the actuarial profession and to enhance its reputation, in particular for serving the public interest.

The Society of Investment Analysts in Ireland

The Society of Investment Analysts in Ireland is the professional body for investment analysts. Its primary aim is to foster and maintain a high standard of investment analysis in the asset management and stockbroking industry in Ireland. It achieves this primarily through its educational programme and by encouraging the interchange of research and ideas.

