

Pension Matters

Quarterly Market Report

Edition 2 | 2024



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How living longer can impact your pension pot!



People frequently underestimate how long they are going to live for in retirement. In Ireland, and across the developed world, we are seeing an increase in life expectancy that has significant implications for pension systems. As people live longer, they spend more years in retirement, necessitating larger pension pots to maintain their standard of living throughout these extended periods.

- Life expectancy in Ireland has seen a significant increase over the past few decades. The current life expectancy in Ireland in 2024 is almost 83 years, a 2.5% increase from a decade prior.
- Specifically, women in Ireland typically live longer than men, with an average life expectancy of 85 years, while men have an average of 81 years.
- Also, in Ireland, male life expectancy is consistently higher than the EU average throughout the last decade, and female life expectancy surpassed the EU average in 2017 and has remained higher.
- While Ireland is often spoken about as a country of young people, the over-65 population has grown by 35% over the past ten years – more than three times the rate of growth in the overall population and faster than elsewhere in Europe.
- The number of people in the over-65 age group is expected to almost double in the next 20 years, with the greatest proportional increase in the over-85 age group. Much of this has been achieved through fewer deaths from heart attacks, stroke, and cancer.

What does this mean for your pension pot?

Defined Contribution pension plans are intended to provide individuals with sufficient financial means to be able to retire and to maintain a certain and adequate standard of living

throughout retirement. A longer life expectancy has significant implications for your pension pot, introducing several risks that need careful management to ensure financial security throughout retirement.

1. The primary risk is **longevity risk**, where you might outlive your pension savings. With retirement potentially spanning several decades, a larger pension pot is necessary to sustain the same lifestyle over a longer period.
2. Additionally, **inflation** can significantly erode the purchasing power of your savings, making it more challenging to cover living expenses, especially healthcare costs, which tend to rise with age.
3. Furthermore, **investment risk** is a concern, as longer time horizons expose your pension pot to more market cycles, including potential downturns. Individuals need to balance the savings they make over the course of their working life with the cash flows they require throughout their retirement.

Life Expectancy in Ireland vs. European Union

Ireland: 85
EU Average: 84

Ireland: 81
EU Average: 78



Source: World Bank Group, 2023

What actions can you take to retire comfortably?

1. Save more – to mitigate the risks associated with a longer life expectancy and to ensure that your pension pot lasts throughout retirement, increasing your contributions to your pension plan is crucial.

One effective strategy is to maximize your savings by contributing as much as possible to your pension plan. Individuals should consider increasing contribution rate when receiving a salary increase or a bonus. This approach allows you to save more without feeling a significant impact on your take-home pay.

By increasing pension contributions, you can significantly enhance your pension pot and better prepare for a longer life expectancy. Maximise your pension contributions by using this handy calculator [Maximum Pension Contribution Calculator](#).

2. Manage investment risk – most pension savers with Zurich will be invested in Personalised GuidePath, the default investment strategy for the Zurich Master Trust.
- **De-risking:** Personalised GuidePath gradually transitions investment into lower-risk multi-asset funds as retirement approaches. The strategy reduces exposure to high-volatility assets over time and increases allocation to lower-risk assets such as bonds and cash equivalents, preserving capital and reducing potential losses close to retirement.

- **Diversified:** The Personalised GuidePath strategy is built on our risk targeted range of Prisma multi-asset funds. These funds diversify investments across various asset classes which smooths returns and provides more stable growth. The diversified approach is more likely to ensure a steady income stream, reducing sensitivity to market downturns, and is crucial for maintaining savings over a longer retirement period as life expectancy increases.
- **Growth oriented:** Additionally, Zurich's Prisma funds optimise returns for a given level of risk while maintaining some growth-oriented investments to combat inflation and protect purchasing power. The Personalised GuidePath strategy provides piece of mind by strategically allocating, ensuring that you can focus on enjoying an extended retirement.

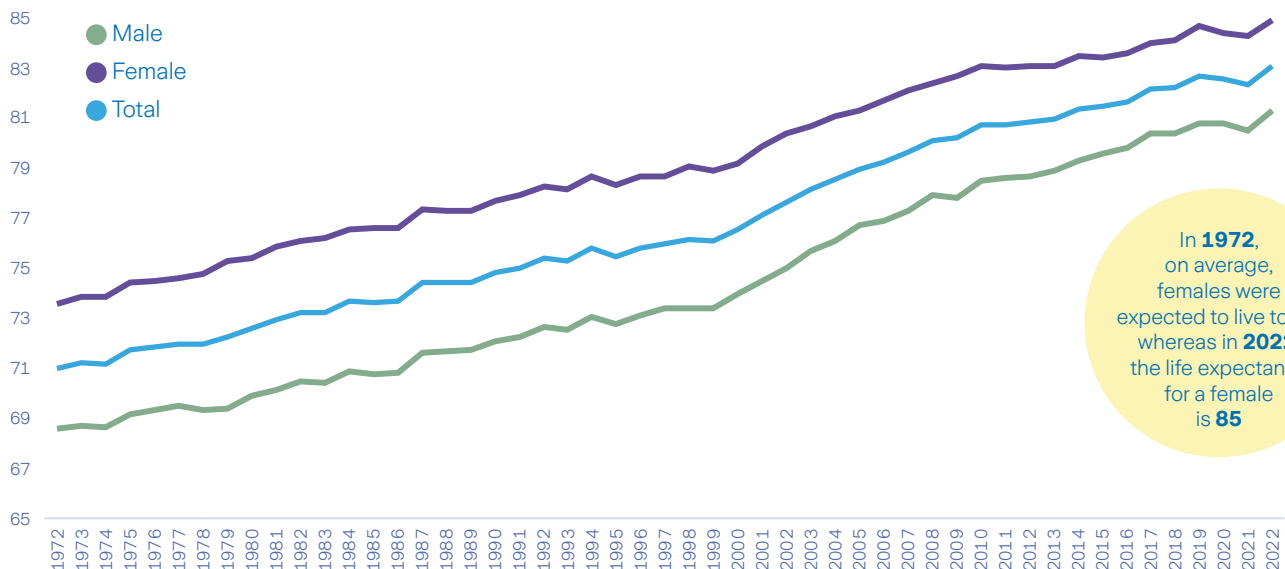
Get in touch

For over 40 years, Zurich has been providing retirement solutions and today, we are one of the largest pension companies in Ireland. The Zurich Master Trust leverages our experience, expertise, innovation, and dedication to scheme governance to provide you with a pension scheme that is streamlined, providing peace of mind for scheme members.

Contact your Scheme Advisor or Financial Broker to learn more.

The information contained herein is based on Zurich Life's understanding of current Revenue practice as at July 2024 and may change in the future.

Life Expectancy in Ireland has increased over time



Source: World Bank Group, 2023

Markets positive to the half-year

- ✓ Equity markets were positive
- ✓ Information Technology was the best performing sector globally
- ✓ Bonds were negative over the quarter
- ✓ Gold moved higher fuelled by increased geopolitical uncertainty

The second quarter of the year has been positive for equities as the global economy continues to expand. Key economic indicators suggest little immediate signs of a recession. Job markets remain tight across the developed world and PMI data remains broadly in positive territory, albeit not stellar. Within the US, the Magnificent Seven stocks continued to outperform on a relative basis, as the excitement around artificial intelligence and strong earnings continued to push valuations higher. However, the second quarter of the year did see some broadening out in equity performance across sectors. World equities returned 15.18% in euro terms in the first half of the year. The ECB cut the main interbank rate, which was positive for Eurozone bond performance, however higher volatility observed later in June due to political uncertainty, paired back most of these gains by quarter end.



Equity Markets

The quarter produced decent returns for equities overall, with positive returns in May and June making up for a poor outcome in April, as inflation continued its downward trend around the world while the narrative around rates ebbed and flowed. In the US, inflation continued to moderate, and labour data showed signs of softening. Amidst a resilient economic backdrop, major equity indices delivered positive returns over the quarter. Larger companies and those exposed to artificial intelligence continued to outperform other areas of the market. Information Technology emerged as the best-performing sector globally for the quarter, achieving a return of 12.19% in euro terms. However, unlike the first quarter, many sectors were in negative territory in the second quarter. Industrials, Materials, Consumer Discretionary, Real Estate, and Energy sectors all posted negative returns. The Materials sector was the worst performer, with a return of -2.75%. Geographically, Japan was the only major market to show negative returns for the quarter, with Japan's index returning -3.53% in Euro terms.



Commodities & Currencies

Commodity investments in the second quarter of 2024 have delivered both returns and diversification benefits. Gold, despite reaching an all-time high in December 2023, continued its rally fuelled by increased geopolitical uncertainty and central bank purchase programs, particularly from emerging market countries. Higher volatility also led to increased inflows into gold, which is traditionally viewed as a safe haven asset. In Euro terms, gold returned 5.09% over the quarter. Copper, often considered a barometer of global economic health, rose by 8.64% in the second quarter. By the end of the quarter, 1 Euro purchased 1.071 US Dollars. The EUR/GBP exchange rate has traded in a fairly narrow range over the quarter shifting from 0.855 to 0.847 over the period.



Bonds & Interest Rates

The first week of June saw several central banks beginning their easing cycles. The European Central Bank cut the key Euro Area interest rate for the first time since 2019. The ECB reduced rates by 25 basis points, in line with market expectations, bringing the main interbank deposit rate to 3.75%. The Bank of Canada and Swiss National Bank also each cut rates by 25 bps, on the basis of an improved inflation outlook. The Federal Reserve remained on hold in terms of interest rates, the market has now priced in closer to just one US interest rate cut in 2024. Overall, US Treasury yields rose across the curve, with the benchmark 10-year Treasury yield rising from 4.20% to end the quarter at 4.40%. In Europe, 10-year yields also climbed over the quarter, notably in Germany and in the UK.

Current Positioning

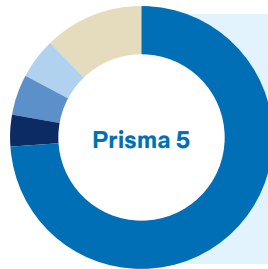
Asset Class	Country	Positive	Neutral	Negative
Equities	US	✓		
	Europe	✓		
	Japan			✓
	Asia-Ex Japan	✓		
Fixed Income	Sovereign Eurozone		✓	
	Sovereign US		✓	
	Sovereign UK		✓	
	Credit		✓	
Currencies	USD			✓
	GBP		✓	
	YEN		✓	
Alternatives	Oil		✓	
	Gold	✓		
	Copper		✓	
	Global Property			✓
	Soft Commodities		✓	

Medium Risk Default Investment Strategy Personalised GuidePath

Early Growth Stage

- Performed well due to allocation and selection within equities.
- Returned 3.9% over the second quarter.
- Excitement around Artificial intelligence and strong earnings continue to drive equity markets.

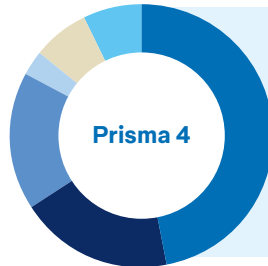
Asset splits* and performance



Year to date	Annualised			
	1 Year	3 Years	5 Years	10 Years
14.1%	21.6%	7.2%	11.2%	9.8%

Mid Growth Stage

- Performed well due to allocation and selection within equities.
- Returned 2.4% over the second quarter.
- Gold performed positively, continuing its rally in Q2.

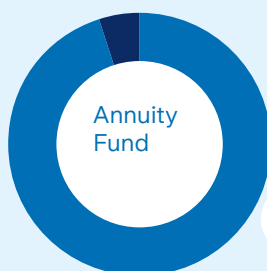


Year to date	Annualised			
	1 Year	3 Years	5 Years	10 Years
8.5%	14.7%	4.5%	7.3%	6.8%

Retirement Planning Stage



ARF fund is the Prisma 3 fund.



Annuity fund is the Long Bond fund.



Performance data: FE fundinfo as at 01/07/2024.

Annual management charges (AMC) apply. The fund returns are based on an investment in the funds and do not represent the returns achieved by individual policies linked to the funds. These fund returns may be before the full AMC is applied to a policy. The actual returns on policies linked to the specified fund will be lower because of the effects of charges and in some cases a higher management charge.

**Each stage is personalised.
For further information please see individual fund pages on zurich.ie.**

*Source: Zurich Life as at 30/06/2024. Due to rounding some totals might not equal 100%.

Personalised GuidePath

The most flexible investment strategy in the market.

Personalised GuidePath is an innovative investment strategy that provides greater flexibility, catering for different risk profiles and retirement benefit plans.

Personalised GuidePath makes your investment choices clearer and smarter. It is the first investment strategy in the Irish market which allows you to **personalise it in three ways** to suit your needs.

1 Personalised risk preference

By answering some simple questions you can understand your preferred level of risk from Low to High.

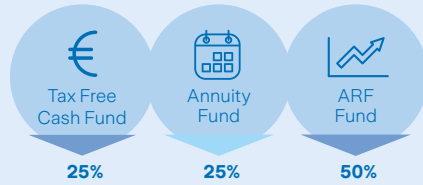
Once you have your risk profile, you can then adjust your investment strategy to match. This can be done online in a few easy steps.



2 Personalised retirement planning stage

It is likely that many customers will want to use their accumulated pension fund in different ways depending on their personal preferences.

There is no formula to predict what benefit mix an individual will choose at retirement – but with the right education and tools at your disposal, Personalised GuidePath makes the decision easy for you.

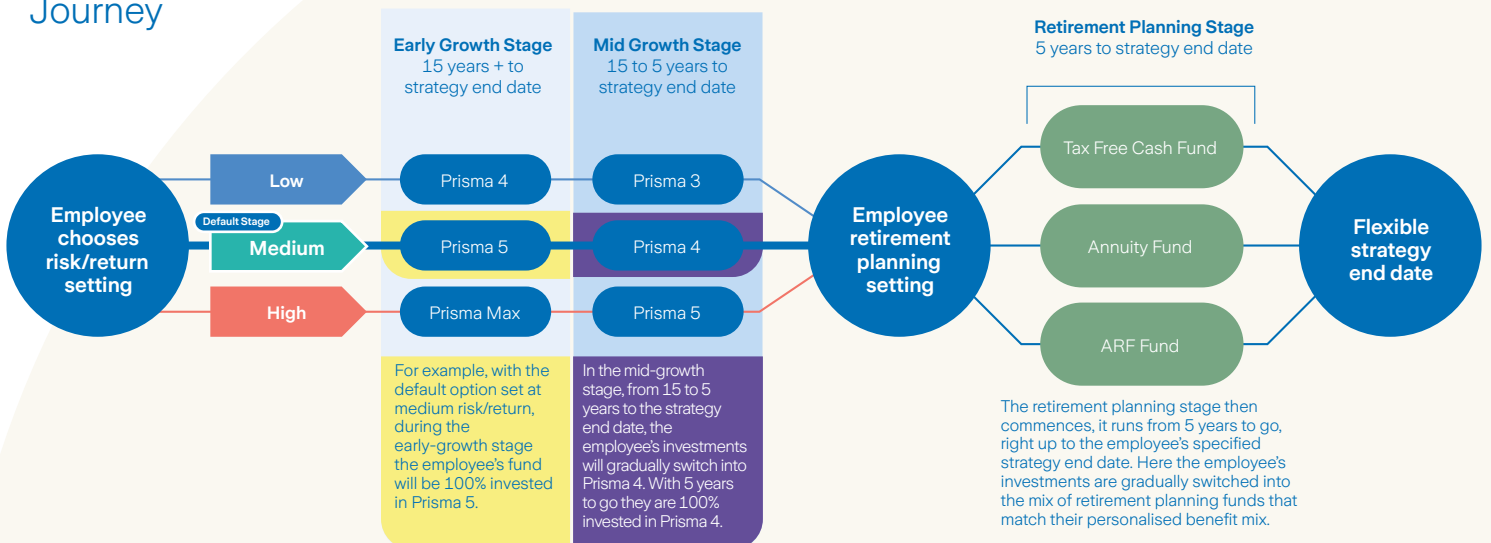


3 Personalised strategy end date

If you are planning on retiring early or late, Personalised GuidePath gives you the flexibility to adjust your 'strategy end date' at any stage over the course of your working life. This means your pension will de-risk to the date you are actually planning to take your benefits, regardless of whether it's earlier or later than your normal retirement date.



The GuidePath Journey



Approaching Retirement – time to have an important conversation

If you are approaching retirement there are plenty of things to think about. Being on top of your pension planning is key to a happy and healthy transition.

Each stage of retirement brings different challenges and opportunities

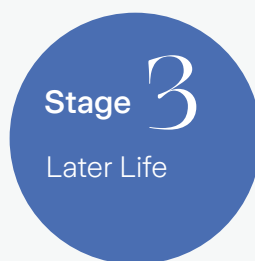
The three stages in a person's retirement journey:



5 to 6 years to go



Retirement age



5 to 10+ years after

Important considerations

When investing in Personalised GuidePath, you will be prompted to think about what option you might take at retirement. You could either purchase an annuity (a guaranteed income) or purchase an ARF (which would see you continue to invest). Alternatively, depending on your work details, you might be able to take your pension as a tax-free lump sum. It's important to sit down with a Financial Advisor and discuss these different routes a few years out from retirement.

For more information please see our guide to Understanding your retirement options.

As already discussed earlier, people are on average living longer than they used to, which is great. However, it's now possible that you could spend as much time in retirement as you did saving for it. You may have several different investing goals in retirement, including tax considerations, succession planning, and of course enjoying your hard-earned pension.



Visit Zurich's retirement hub

This can all seem like a lot, but Zurich can help you with this journey by having the same funds you currently invest in available, allow you to rebalance your fund choices on a periodic basis, and also to select which fund you would like to take any income from.

To find out more speak to your Scheme Advisor or visit [Zurich.ie](https://www.zurich.ie) for lots of useful retirement information.

For more information

Name:

Phone:

Email:

Visit:

Warning: Past performance is not a reliable guide to future performance.

Warning: The value of your investment may go down as well as up.

Warning: Benefits may be affected by changes in currency exchange rates.

Warning: If you invest in this fund you may lose some or all of the money you invest.

Warning: The income you get from this investment may go down as well as up.

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